

Corporate Governance Guidelines

Contents

I. Introduction

II. Board of Directors

II.a) Responsibilities of the Board

II.b) Qualifications, independence, and composition of the Board

- 1) Qualifications
- 2) Independence and composition of the Board

II.c) Board own practices, structure, committees and conflict of interests

- 1) Board organization and functioning
- 2) The Role of the chairman of the Board
- 3) Access to management
- 4) Board Committees

III. Conflict of Interest

IV. Senior Management

IV.a) Definition of Senior Management

IV.b) Responsibilities of the Senior Management

IV.c) Management committees

V. Succession Planning

VI. Principles for evaluating the performance of the Board and Senior Management in Implementing Principles of Corporate Governance

VII. Risk Management Function

VII.a) Risk Culture

VII.b) Responsibilities of the Risk Management Function

VII.c) Independence and Resources of the Risk Management Function

VII.d) Qualifications and Chief Risk Officer (CRO)

VII.e) Risk Management: Methodologies and Activities

VII.f) Risk Management: Communication and Reporting

IX. Anti-Money Laundering, Countering Financing Terrorism

IX.a) Special Committee for fighting Money Laundry and Terrorist financing

X. FATCA

XI. Compensation

XI. a) Compensation Systems

XII. Know and understand your structure

XIII. Ethical Conduct

XIV. Disclosure and Transparency

I. Introduction

Given the vital role of banks in the Lebanese economy and the importance of good governance for the successful operation of these institutions, the following guidelines were developed in adherence with the policies set forth by Banque du Liban, Banking Control Commission, Capital Market Authority and the Association of Banks of Lebanon.

LIBANK Board of Directors has formulated its corporate governance policy, which includes guidelines covering governance structure, the role and duties of the Board of directors, Senior Management and Board Committees, Code of business conduct, conflict of interest management, internal controls, and disclosure policy.

These guidelines set out broad principles and minimum standards as well as specific requirements for sound corporate governance, which are expected of LIBANK SAL.

It is important to note that the Bank's strategy aims at promoting four key governance principles at the corporate level: Disclosure/transparency, responsibility, fairness, and accountability to ensure the necessary framework and institutional capacity are in place to enforce them.

Finally, specialized Committees are in place with regards to risk management, internal control, and internal audit:

A) Board Committees:

- Audit Committee
- Risk Committee
- AML Committee
- Remuneration Committee

B) Management Committees:

- Credit Committee
- IT Committees
- Management Committee
- Assets and Liabilities Committee/ ALCO
- Compliance management committee

II. Board of Directors

II.a) Responsibilities of the Board

The Bank's bylaws clearly define the Board's rights, duties and responsibilities in managing the Bank and monitoring its overall strategy.

The corporate governance system, implemented by the Board of LIBANK, provides for the following:

- Strategic Planning (approving and overseeing the implementation)
- Ensure existing of appropriate management structure (through the organization chart)
- Risk Management (oversee the risk appetite, risk policy and risk limits)
- Compliance policies and obligations, internal control system and capital adequacy assessment process.

- Corporate Governance and Corporate Values
- Stakeholders interests (Control of 152 M&C law)
- Integrity of external reporting
- Oversight of Senior Management
- Review and approve major Policies (Risk, Credit, compliance etc.)
- Review, oversee the financials and approve the key decisions
- Oversee the integrity, independence and effectiveness of the bank's policies and procedures for whistleblowing.

II.b) Qualifications, independence, and composition of the Board

1) Qualifications

- LIBANK's Board ensures the optimal mix of skills and experience. The representation of a healthy proportion of highly qualified independent and non-executive directors on the Board to enhance better accountability, independence, and depth in corporate governance.
- The Board of Directors possesses unquestionable integrity and good character.
- The board shall ensure and dedicate enough time and efforts to the business.

2) Independence and composition

- The LIBANK's bylaws provide that the Board should have at least three directors, and no more than twelve including the Chairman of the Board. The directorship of the independent directors constitutes their only connection to the Bank, and their judgment is therefore unlikely to be influenced by external considerations.
- The Board is composed of 12 real members, the majority of the members (11 members) are non-executive members out of whom 4 are independent directors, which helps strengthen the objectivity of the Board's monitoring and review activities and enables them to allocate the necessary time and effort to fulfill their responsibilities.

II.c) Board own practices, structure, committees and conflict of interests

1) Board organization and functioning

- The Bank's Board convenes at least four times a year.
- The Bank provides adequate information to Directors, sufficiently in advance to enable them to reach informed/appropriate decisions.
- A permanent written record of Board discussions and Directors' votes is kept by the Board Secretary.
- The categories of transactions that require Board approval (including loans larger than a set amount and transactions with related parties) are clearly defined in writing.
- Directors ensure they are kept informed of developments within the Bank, and in the Banking industry as a whole. Accordingly, the Bank provides Directors with appropriate briefings regarding the Bank and upon the Directors' request.
- The Bank approved the organization chart, showing lines of reporting and authority.

- The board is encouraged to carry out regular assessments of both the board as a whole and individual board member based on performance and to take necessary steps for changes.
- The Board's Secretary arranges for Board meetings and takes meeting minutes.

2) The Role of the chairman of the Board

Broadly:

- i. The Chairman promotes a constructive relationship between the Board and the Bank's executive management.
- ii. The Chairman ensures that both Directors and the Bank's shareholders receive adequate and timely information.
- iii. The Chairman ensures high standards of corporate governance by the Bank.

Specifically, the Chairman shall:

- Run the Board and set its agenda that takes full account of the issues and concerns of all board members and concentrates on strategic matters.
- Ensure that the members of the board receive accurate, timely and clear information, in particular about the Bank's performance to enable the board to take sound decisions, monitor effectively and provide advice to promote the success of the Bank.
- Ensure that the BOD carries out regular assessments of the BOD effectiveness. This should include an assessment of the Board's compliance with the principles set forth in the Corporate Governance Guidelines.
- Ensure effective communication with shareholders and transmit views and concerns of major shareholders to the Board.
- Manage the board to ensure that sufficient time is allowed for discussion of complex issues.
- Present a succession planning

Any amendment regarding the above should be subject to the General Assembly approval

3) Access to management

Board members have complete and open access to management through the Chairman. In addition to regular presentations by management to the Board and the Board Committee meetings, directors may seek briefings from executive management on specific matters. In order to perform its duties more efficiently and to ensure that an adequate, effective, comprehensive and transparent corporate governance process is in place, the Board and senior management have set up Board committees with specific responsibilities.

These committees meet regularly and are chaired by a non-executive director. Adequate minutes are maintained to facilitate the Board carrying out its oversight responsibilities. These committees are the following:

- Audit Committee
- Risk Committee
- Other committees may be created as per the need of the Bank.

4) Board Committees

4.1) the Audit Committee

Structure

As per BDL Circular No 118, the Bank formed an Audit Committee which consists of four non-executive directors including the Chairman of the Committee. They have a range of different backgrounds, skills and experience. They possess sufficient familiarity with financial matters to understand the bank's accounting policies and practices and major judgments involved in preparing financial statements.

The Audit Committee charter is approved by the Board.

The Chairman of the Board is not a member of the Audit Committee.

Quorum and validation

The Audit Committee meets at least once every quarter or more frequently if needed.

The Audit Committee will be considered validly convened if attended by at least three of its members.

The decisions of the Audit Committee are considered validly taken, if approved by the majority of the voting members forming the quorum.

Scope

The Audit Committee assists the BOD in matters such as:

- a) Ensuring the existence and the regular enhancement of an adequate system of internal controls
- b) Ensuring the competence and autonomy of the internal and the external audit
- c) Ensuring compliance with applicable laws and the regulations and recommendations issued by Banque du Liban, the Banking Control Commission, and other regulations in countries where the Bank have operations
- d) Ensuring compliance with internal policies and procedures
- e) Following-up on the implementation of remedial measures by Senior Management, as proposed in the reports of the Internal Audit, control authorities, and the external auditors.

Authorities and responsibilities

The Audit Committee has the authority to conduct or direct any investigation required to fulfill its responsibilities.

Key activities and main responsibilities of the Audit Committee:

- 1) Review and approve the annual audit plans of the external auditors and internal auditor, and oversight of the work performed by the auditors throughout the year;
- 2) Review of significant accounting, financial reporting and other issues raised by the internal and external auditors;
- 3) Ensure the integrity of the accounting and financial reporting processes of the Bank;

- 4) Ensure compliance with applicable accounting standards to give a true and fair view of the financial position and performance of the Bank
- 5) Ensure oversight of management in the preparation of the Bank's financial statements and financial disclosures
- 6) Review of the performance and independence of the external auditors and internal auditor together with their assurances that all applicable independence requirements were met;
- 7) Hold separate meetings without the presence of management with Internal Audit and key partners from the external auditor.
- 8) Consideration and recommendations to the Board on significant accounting policies and areas of accounting judgment.
- 9) Review of the certifications and assurances from Internal Audit and management in relation to the effectiveness of the Bank's internal controls and risk management framework.

Reporting

The Audit Committee shall submit a report to the BOD at least every six months, highlighting the status of audit activity reports (Internal and External), recommendations and unresolved issues, and evaluating and recommending improvements on the following issues:

- The adequacy and the effectiveness of the internal control systems
- The compliance with laws, regulations and Bank's internal policies.

Relation with the Board of Directors and Executive Management

The Board and Executive Management should:

- Encourage internal auditors to adhere to local and international professional standards
- Conserve the independence of the Internal Audit function by ensuring that internal audit reports have direct access to the board and its audit committee
- Recognize and communicate the importance of the internal audit and internal control processes throughout LIBANK.
- Rely on the findings of internal auditors, require appropriate correction of identified problems by the senior management and engage the internal audit to assess the effectiveness of the risk management and compliance function

4.2) the Board Risk Committee

Board of Directors Responsibilities

The Board is ultimately responsible for planning the risk profile, setting risk appetite and tolerance, approving and reviewing the risk framework and policies, reviewing the risk reports and overseeing the development of the risk function within the Bank.

Objective

The Board Risk Committee's (BRC) Objective is to assist LIBANK Board of Directors in implementing the aforementioned Board mission. To that end, BRC responsibilities are the following:

- Review and oversight of the risk profile of the Bank within the context of the Board defined risk appetite
- Assist and recommend to the Board changes and amendments concerning the Bank's risk appetite and particular risks such as liquidity, credit, market, operational, funding, reputational, concentration, and risk management practices of concern to the Committee;
- Review of management's business plans for mitigation of material risks faced by the various business units of the Bank;
- Promote awareness of a risk-based culture and the achievement of a balance between risk minimization and rewards for risks accepted.

Committee Members

As per BDL Circular No 118, the Bank formed a Board Risk Committee which is chaired by an independent and non- executive Board member, and constituted of four Board members including the chairman of the committee. The Board Risk Committee members are non-executive Board members.

The head of Risk Management will act as coordinator and assist the committee in planning and organizing its work. Other management representatives may be invited to attend part or all of any meeting of the Committee.

The Risk Committee charter is approved by the Board.

Quorum & Validation

The Committee should meet quarterly or more frequently, if needed.

- A quorum will consist of three members minimum.
- The Chairman of the Committee may call a meeting of the Risk Committee at any time, or if so requested by any member of the Committee.
- The secretary is the coordinator, in conjunction with the chairman of the committee, draw up the agenda of the meeting, to be circulated to each member of the Committee, at least one week prior to each meeting.
- The minutes of the Committee meetings will be prepared by the Secretary and signed by all committee members.

Authorities & Responsibilities

The Committee recommends to the Board the parameters of the Bank's risk management framework in line with the Committee's objective set above.

The Committee shall have access to any information deemed useful for its work within the Bank in line with policies and procedures set in the Bank to protect the data integrity and confidentiality.

More specifically the committee does the following:

- 1) Risk Profile Planning
- 2) Risk appetite/ risk tolerance limits and levels
- 3) Monitoring risk management tasks and implementation

- 4) Other responsibilities
- 5) Risk management Function Assessment
- 6) Reports to the BOD on all risks 'nature
- 7) Risk awareness /training for staff

4.3) the AML Committee

Structure

The AML/CFT Board Committee is composed of three Board members at least, according to the following conditions:

- To appoint a Chairman to this Board Committee chosen among its members provided he/she is independent and has the necessary expertise.

Except for the Chairman, any member of the AML/CFT Board Committee may, simultaneously, serve as a member of the Audit Committee or the Risk Committee or the Remuneration Committee (Cross membership).

The Chairman of the AML/CFT Board Committee may not delegate his/her powers to any other person.

Quorum & Validation

The AML/CFT Board Committee will meet after an invite is sent from its Chairman at least twice a year, and whenever is needed, with the presence of at least three of its members. The meetings cannot be conducted in the absence of the Chairman except in case of emergency whereby the meeting will be chaired by another independent member of the Board of Directors.

- The Chairman has the right to invite any member of the Board of Directors to the meeting, or any Executive Manager, or any Manager at the bank when needed.
- The Chairman shall send the meeting request to the members at least a week before the due date, including a detailed agenda and copies of the reports that will be discussed during the meeting. In exceptional cases, the Chairman may send the previously mentioned agenda and documents 48 hours before the meeting.
- The Chairman can call for a last minute meeting in emergency cases without prior notice.
- The minutes of the meetings shall be written clearly and in details and sent to the Board of Directors and shall also be put at the disposal of the Special Investigation Commission whenever requested.
- The decisions of the AML/CFT Board Committee shall be made by the voting of the majority of the members present at the meeting, and in case of tie, the voting of the Chairman shall prevail. Any member can register his/her objection to a decision in the minutes of the meeting and shall state the related reasons for future reference.

Objective

The Board of Directors at LIBANK S.A.L. shall establish an AML/CFT Board Committee composed from non-executive members, to oversee the bank's activities regarding fighting money laundering and countering terrorism financing as required by the relevant laws and regulations in place issued by the Lebanese Parliament, the Central Bank of Lebanon and the Special Investigation Commission

Authorities and responsibilities

The AML/CFT Board Committee must comply with the procedures aiming at controlling, fighting and preventing money laundering and terrorist financing operations. The scope of work includes all the activities of LIBANK S.A.L., its branches and subsidiaries if any.

These procedures include, for indicative purposes but not restrictively, the following:

- To support the Board of Directors in its functions and supervisory role with respect to fighting money laundering and terrorist financing and understanding the related risks, and to assist it with making the appropriate decisions in this regard.
- To review, from a risk-based approach, the reports submitted by the Compliance Unit and the Internal Audit Unit on adopted procedures, unusual operations and high-risk accounts, regarding cash deposits and withdrawals, transfers, exemptions from filing Cash Transaction Slips (CTS) and the link between these operations and economic activities, and to also take the relevant decisions

4.4) Remuneration Committee

Compensation and remuneration for the Board of Directors and the Chairman-General Manager are determined by the Bank's General Assembly.

The Board is responsible for the overall establishment of the compensation system as detailed in the below in the authorities and responsibilities of the remuneration committee taking into consideration the compensation of the control function based on the achievement of their objectives without compromising their independence.

Structure

As defined in the BDL circular no 133 issued on August 6, 2014, members shall comprise only non-executive directors. The Committee shall be made up of a minimum of three members including the Chairman who shall be independent;

The Chair person is requested to have the practical experience to evaluate performance and remunerations, as well as the required knowledge to assess associated risks, particularly in the banking or financial sector.

Quorum & Validation

The Committee shall function as per the following specific clauses:

1. The Committee shall have a Quorum when at least three members are present including the Chairman;
2. The Committee shall not meet in the absence of its chairman except in exceptional circumstances;
3. The Committee shall meet as frequently as needed and at least semi-annually;
4. Upon the call of its chairman, the notice of the meeting shall include a detailed written agenda, along with all the reports concerning the questions to be raised, and it shall be sent at least two weeks before the meeting date. However, the agenda and the said information may be exceptionally notified to the Committee members before 48 hours.
5. Minutes of the Committee's meeting shall be submitted to the Board of Directors once approved;

Authorities and responsibilities

In order to discharge its Responsibilities as assigned to it by its Charter and by applicable Regulations, the Board delegates to the Committee the following authorities:

- 1- Prepare the Remuneration Policy and the Remuneration System and submit them both to the Board of Directors for approval.
- 2- Supervise the proper implementation of both the Remuneration Policy and Remuneration System.
- 3- Review periodically, at least annually, the rules/principles on the Basis of which the Remuneration Policy is implemented and to submit to the board of Directors any related recommendations concerning the Policy modification and update.
- 4- Assess periodically the “Remuneration Policy” efficiency and effectiveness in order to ensure that its objectives are reached, and to request from the Senior Executive Management the information needed for the assessment.
- 5- Evaluate accurately the total granted remunerations, and compare them against the future expected revenues in order to avoid any likely negative results.
- 6- Submit to the Board of Directors specific proposals about the Senior Executive Management remunerations.
- 7- Make sure that BDL circulars on Remunerations have been forwarded to all the employees of the bank and that the Remuneration Policy complies with BDL regulations.
- 8- To verify that the disclosure principles adopted by the bank are consistent with the provisions of Articles 13 and 14 of the BDL circular no 133.

The committee shall coordinate closely with the Risk Management Committee, upon assessing the remunerations and their related risks and upon reviewing the Remuneration Policy, in order to ensure its efficiency and adequacy to “effective performance”.

III. Conflict of Interest

A conflict of interest may arise when any employee, manager, consultant or director or a relative has a personal interest, financial or other, with a customer, borrower, supplier, or other person or company dealing with the Bank.

- Members of the Board of Directors have a duty of loyalty to the Bank.
- Members of the Board of Directors and the Key members of the executive management shall disclose to the Board of Directors any financial benefit, whether direct or indirect, related to them or on behalf of other parties in any transactions or matters that affect the bank directly.
- The Board should ensure that appropriate public disclosure of the Bank’s annual reports is made, and that information related to the Bank’s policies and potential conflict of interest is provided to supervisors
- Directors should not discuss or participate in a decision on any issue on which they may have a conflict of interest.
- Directors are expected to avoid any action, position or interest that conflicts or appears to conflict with an interest of the Bank.

- The Board of Directors shall not interfere with the Bank's daily business.

Therefore, directors, officers, and employees shall take all reasonable actions necessary to avoid all conflicts of interests and shall disclose any matter that they believe might raise doubt regarding their ability to act objectively and in the Bank's best interests.

IV. Senior Management

IV.a) Definition of Senior Management

Senior Management consists of a core group of individuals led by the Chairman- General Manager who are responsible for running the day-to-day operations of the Bank and reporting to the Board the performance results and any significant issues that have arisen.

IV.b) Responsibilities of the Senior Management

Senior management shall:

- Have the necessary skills to manage the business under their oversight and appropriate controls over key personnel under their responsibility;
- Implement strategies and policies approved by the Board translated into functional and clearly defined business plans;
- Ensure that strategies and policies are communicated to all relevant staff;
- Ensure adequate segregation of duties and adherence to the four eyes principle on key decisions committing the Bank in the interest of better control environment.
- Establish adequate control systems to cover major control functions such as Internal Audit, Compliance and Risk Management.
- Establish a comprehensive MIS system to generate accurate, well defined and targeted reporting to enhance controls and the decision making process.
- Recognize the importance and effectiveness of internal and external auditors, as well as internal control functions to the long term soundness of the bank.

IV.c) Management committees

- 1) Credit Committee**
- 2) IT operation committee**
- 3) IT security committee**
- 4) ALCO committee**
- 5) Compliance management committee**

1) Credit Committee

The role of the risk committee is associated with the risk involved:

- Issue Guidelines and approve policies and procedures
- Evaluate, modify or approve proposals

The credit committee shall consist of the chairman/ general manager, the Deputy General Manager, The Credit head, the Treasury head, the Risk head, the Business development head, the compliance /legal unit responsible and the credit administration responsible.

The credit committee meets at the demand of its chairman, or Vice-Chairman in his absence, at least once a month. The credit committee will be considered validly convened if attended by 2/3 of its voting members.

Decisions are considered valid if taken at least 2/3 of the attending members and provided that the Chairman and/or Vice-Chairman are among the decision takers.

In case of a tie, the chairman's vote will prevail. Decisions must be clear with all the terms and conditions.

The credit administration department will advise the final decision to the concerned department for execution and to other divisions or departments when applicable.

All credit facilities must be approved by the credit committee depending on the exposed risk. The credit committee is authorized up to a maximum ceiling determined by the Bank's Board of Directors to:

- Set up and review credit policies and procedures
- Set up and approve target market proposals
- Approved lines and loans up to a maximum of legal lending limits
- Approve all lines related to Domestic and International Financial Institutions as per board authorized limits
- Classification of accounts (Downgrading or Upgrading)
- Legal follow up on doubtful debts
- Propose provision for classified accounts
- Loan recovery reschedule and/or waiver approval within limit set by the board

2) IT operation Committee

The IT operation committee is a management committee and has the below major roles:

- Updates on the IT department
- Follow up on previous decisions
- Discuss everything related to the bank systems and software as well as premises security (alarm and surveillance cameras)
- Implementations and maintenance of new and existing systems and software
- Decisions on the purchase of IT's products and services
- Decisions related to the agreement between the bank and IT services providers
- Projection and budget of the IT department

The IT operation committee shall consist of the Chairman, General Manager and/or Deputy General Manager, the IT department manager, the Risk manager, the COO, the internal audit manager, the AGM, and the General Secretary.

The committee must meet at least 4 times a year. The chairman shall call for a meeting whenever it is required.

The committee will be valid if attended by 2/3 of its voting members including Chairperson. Decisions are considered valid by voting of 2/3 of the attendees and in case of equal votes the vote of the chairperson will prevail.

The committee may conduct or authorize for an independent counsel or adviser as it deems necessary for the proper performance of its responsibilities

3) IT security committee

The Information security committee provides guidance and leadership in the protection of information assets and technology with the aim of maintaining and improving the confidentiality, integrity and availability of all information.

Its members will coordinate corporate security initiative at the executive level, help prioritize and advise on the development of information security projects; thus, minimizing information security risks.

The information security committee reports to the board of directors through the General Management on significant information security issues with respect to the matters outlined herein.

The information security committee shall consist of the General Manager, the Risk manager, the AGM-Chief operations officer, the internal audit manager, the IT manager, the corporate secretary and the information security officer.

Quorum is obtained by the presence of the majority of the members including a member from the general management (General Manager, Deputy General Manager). In case of quorum absence, a new meeting date will be agreed on and advised to the members by the information security officer.

The information security committee will be charged with the following:

- Ensure continuous compliance with related local regulations.
- Review and evaluate the progress and effectiveness of the information security program.
- Coordinate and direct the information security framework, including the information security controls within the Bank.
- Evaluate changes to the bank's information security risks and, where appropriate, amend changes to the controls framework;
- Publish corporate-wide information security policies and assess any requests for policy exceptions;
- Discuss significant information security threats and incidents and apply strategic improvements to prevent cyber-attacks and breaches and to address any underlying root causes;
- Discuss, validate and act as respondent to information security assessments and audits and, where applicable, implement suggested corrective actions or formally acknowledged associated risks;
- Perform any other activities consistent with this charter as the information security committee or the board of directors deems necessary or appropriate;
- Review and reassess the adequacy of the committee's charter annually and recommend to the board of directors any changes deemed appropriate by the committee.

4) ALCO committee

The Asset/ Liability committee (ALCO) has a main role in the deep analysis of the balance sheet of the bank in its Assets and Liabilities, to duly assess the risk related to the liquidity, interest rate and capital, in order to consequently take the right decisions as far as forward agreements, investments in different companies, other Banks and sectors, all within the guideline and risk limits set by the Board of Directors and within the rules and circulars issued by Banque du Liban, banking Control Commission in Lebanon, Capital Market Authority and other relevant authoritative institutions.

The ALCO shall consist of the chairman/ general manager, the treasury Head, the asset management head, the risk management head, the financial Management head, the legal head and the secretary.

The ALCO quorum shall be considered complete once the 2/3 of the members are present, including the chairman and/ or the Vice chairman,

The ALCO shall meet on the first week of each month and exceptionally upon the request of the chairman and/or any of its members, for the discussion of urgent matters/decisions,

The decisions are considered valid with the majority of 2/3 of the attendees. In case opposing votes were equal, the vote of the chairman and/or the Vice chairman shall favor one side over the other.

Duties, Responsibilities and Authority of the committee:

The ALCO shall perform the following tasks:

- Review and analyze the assets and liabilities of the bank and manage the sources and usages, in order to minimize shareholders value, to enhance profitability and to protect the Bank from any excessive financial risks arising from changes in the market.
- Monitor funding sources and refer to reports – both forward looking and retrospective.
- Managing the liquidity avoiding any mismatching payments and/or obligations by:
Approving the Liquidity risk tolerances which assist the Bank in meeting its obligations,
Monitoring the liquidity position and taking the necessary measurements which are deemed fit and advisable or appropriate
- Overview the interest rate variation in the market and take the necessary decisions to avoid any interest rate risks that is by:
Monitoring the management of interest rate risks by reviewing the rate risk profile, and its sensitivity under scenarios of variation in the market.
Approving interest rate risk tolerance by the bank
Reviewing the reports issued on the variation of the interest rate on both, the deposit and the debtor sides, and consequently advising on the rate paid and/or charged to customers.
- Analyze investment portfolios, including purchases and sales, duration and weighted average, as well as file and take necessary decisions in order to minimize the risks and improve profitability.
- Overview Nostro and Vostro accounts within, local and foreign correspondents, to take appropriate decisions for the fund management and Credit lines.

5) Compliance management committee

The Compliance Management Committee shall represent and assist the AML/CFT board of directors of LIBANK S.A.L. (Levant Investment Bank) in fulfilling its oversight responsibility regarding the bank's compliance and AML/CFT program, including but not limited to its AML/CFT compliance with laws and regulations that apply to the business operations.

The compliance management committee shall oversee, review and receive updated on the bank's compliance matter from the AML/CFT compliance officer, as well as reviewing emerging regulatory issues which could affect the bank's legal and compliance practice.

The following responsibilities are set forth as a guide to fulfilling the Management Compliance Committee's purposes, with the understanding that the Management Compliance Committee's activities may evolve as appropriate given the circumstances.

Duties, Responsibilities and Authority of the committee:

The Committee shall have oversight:

- Responsibility for matters of non-financial compliance, including the Bank's overall compliance programs, policies and procedures; significant legal or regulatory compliance exposure; and material reports or inquiries from government or regulatory agencies.
- Bank's compliance efforts with respect to relevant Bank's policies, Code of Business Conduct, and relevant laws and regulations.
- Bank's efforts to implement compliance programs, policies and procedures that respond to the various compliance and regulatory risks facing the Bank and support lawful and ethical business conduct by the Bank's employees.
- Bank's efforts to fulfil obligations arising from governmental or regulatory agreements, orders, or other similar documents and shall review, at its discretion, and issue any reports required by such agreements, orders or other documents.
- Review, from a risk-based approach, the reports submitted by the AML/CFT Compliance Unit and the Internal Audit Unit on adopted procedures, unusual operations and high-risk accounts, regarding cash deposits and withdrawals, transfers, exemptions from filing Cash Transaction Slips (CTS) and the link between these operations and economic activities, and to also take the relevant decisions.
- Oversee the investigation of any significant instances of noncompliance with laws or the Bank's compliance programs, policies or procedures, or potential compliance violations that are reported to the Committee; provided, however, that any such matters related to financial noncompliance or potential financial compliance violations shall be directed to the Special Investigation Commission (SIC) for investigation if approved by the AML/CFT Board Committee.

Review the appointment, compensation, performance and replacement, as necessary, of the Bank's compliance department.

The Committee shall also carry out such other duties as may be delegated to it by the Board from time to time.

V. Succession Planning

Succession Planning increases the availability of experienced and capable employees that are prepared to assume key roles as they become available. “Critical succession planning” for key roles is the heart of succession planning. Succession Planning is focused narrowly on identifying specific back-up candidates for given senior management positions and has been properly catered for in the organizational structure and continuous updates.

The Bank shall:

- a- Align succession planning management within overall business strategy. Executives support systems that clearly reinforce corporate goals and objectives.
- b- Secure senior level support for the process. Success is directly linked to top management’s endorsement and support.
- c- Engage technology (as needed) to support the succession planning

VI. Principles for evaluating the performance of the Board and Senior Management in Implementing Principles of Corporate Governance

The Board and senior management assess the quality of Corporate Governance at the Bank on an ongoing basis. The assessment is based on the review results of the major activities at the Bank completed by all control units (Risk, Financial Control, Internal Audit and the Compliance) and by the Bank’s external auditors.

Senior Management established, enforced and maintained Systems of Internal Control composed of written and properly distributed policies and procedures for all areas of operations to significantly ensure that all banking operations are completed as per related policies and procedures and within the Bank’s strategy and risk tolerance/appetite.

The Systems of Internal Controls include (but not limited to) appropriate segregation of duties, duality in completing and reviewing operations, and proper delegation of responsibilities and accountability.

The Bank aims to incentivize its executives by creating a strong link between their compensation and performance. Therefore, a significant portion of the total compensation package provided to Bank Executives, and persons undertaking key control functions is based on measures that reflect both the Bank’s short and long-term goals and performance, as well as the latter’s individual performance and impact on shareholders’ value. In order to strengthen this link, the Bank defined clear and measurable quantitative and qualitative objectives that, in combination, are designed to protect the interest of all stakeholders including depositors and improve the Bank’s results and returns to shareholders taking into account the Bank’s compliance and risk management methodology.

On the other hand, the process of nomination, selection, and/or removal of the members of the Board of Directors shall be handled by the shareholders through resolutions taken in the General Assembly.

VII. Risk Management Function

VII.a) Risk Culture

LIBANK SAL seeks to maintain at all levels of the organization a high level of risk awareness. In this environment, risks are escalated for review as and when identified, key assumptions are constructively challenged and actual or potential returns are viewed in the context of risk. There is regular risk awareness trainings provided to LIBANK managers and staff.

VII.b) Responsibilities of the Risk Management Function

The Risk Management shall:

- Support Senior Management
- Conduct independent risk assessment and measurement (including stress tests) and communicates its findings to Senior Management, together with recommendations on potential improvements of the organization and structure of the risk management framework within the Bank;
- Compute and monitor, the different prudential ratios and other relevant information on a regular basis and report them periodically to Senior Management;
- Assist Senior Management in the preparation of the report describing the ICAAP and its outcomes that is submitted to the Board for approval at least on an annual basis;
- Be responsible for all necessary documentation (elaboration and safekeeping) to demonstrate consistency of the processes that are applied by the Bank on risk-related topics;
- Monitor the compliance of the Bank's risk management framework with risk-related regulatory requirements and its adequacy with group's expectations and industry standards; and
- Perform other operational tasks identified in the different Risk Management Policies

VII.c) Independence and Resources of the Risk Management Function

The Risk Management function has:

- Sufficient authority, stature, independence, and access to the board or its relevant Committee
- Adequate resources necessary to assess risk, including personnel, access to information technology systems development and systems development resources, and support and access to internal information.

VII.d) Qualifications and Chief Risk Officer (CRO)

- Risk management personnel should be qualified and have sufficient experience in risk disciplines including market and product knowledge
- The Board assigns a CRO with distinct responsibility for the risk management function and the institution's comprehensive risk management framework across the Bank.
- The CRO should not have any executive functions in order to avoid duality in executive functions.
- The CRO should have sufficient influence on the decisions that affect the bank's exposure to risk in a way that the Board and the senior management take knowledge of his opinions

in addressing main issues such as the determination of the risk appetite/tolerance, capital planning, and product development.

- While reporting to the Chairman –CEO, the Chief Risk Officer (CRO) has regular access to the Board and the Board Risk Committee.
- The Board and the Banking Control Commission are to be informed of the appointment of the CRO, his dismissal, and of the reasons of such dismissal.

VII.e) Risk Management: Methodologies and Activities

Risk management methodologies and activities cover:

- Establishing LIBANK’s risk management policies, standards and practices
- Establishing a risk management culture
- Reviewing and recommending the strengthening of internal financial risk controls and preventive measures
- Reviewing the credit portfolio of the Bank
- Overseeing the Remedial Management function for classified bad and delinquent credits
- Coordinating with related internal divisions/departments
- Ensuring proper training and coaching to develop and maintain the adequate level of competence
- Assessing risks that could arise from mergers and acquisitions, and report its findings to the board and the executive management

VII.f) Risk Management: Communication and Reporting

- Effective risk management and decision making require robust internal communication, that’s why the bank’s risk exposures and strategy should be frequently communicated throughout the bank (horizontally and vertically)
- In order to make informed decisions, the information should be communicated to the board in a timely, complete, understandable and accurate manner.
- Risk reporting systems should be clear about risk exposures and results of stress tests or scenario analysis. They should be accurate and dynamic. Risk monitoring should be at the consolidated level of the group highlighting not only existing risks but also potential risks that might become significant.

IX. Anti-money laundering, countering financing terrorism

LIBANK S.A.L. (Levant Investment Bank) is committed to comply with the below anti-money laundering legislation and regulations:

- Law 318 issued by the Lebanese Parliament in April 2001 for fighting money laundering and imposing financial penalty and imprisonment for individuals and entities convicted of a money laundering offense.
- BDL circular no. 83 in May 2001 concerning regulations on the control of financial and banking operations for fighting money laundering. The circular was later amended to include financing terrorism as an act of money laundering.

It is worth mentioning that the anti-money laundering framework takes into consideration the risks posed by the products and services offered, the customer’s risk level and geographic location.

“The Compliance Department function is independent within the bank. It focuses on examining and promoting the bank’s compliance with the internal policies and procedures, the BDL and BCC laws and circulars, any other applicable Lebanese Law and any relevant international rules & regulations

X. FATCA

The strategy of LIBANK S.A.L. (Levant Investment Bank) is to comply with FATCA and has thus registered directly with the IRS as a single participating FFI not covered by an IGA. The bank’s GIIN is 42T1XE.99999.SL.422

LIBANK is FATCA compliant with respect to customer identification, reporting and withholding requirements as defined in the FFI agreement. The bank has developed the related policies and procedures to comply with FATCA and has adjusted the existing policies and procedures where necessary to be in line with the new requirements.

Training has been provided to all relevant staff to make them aware and up to date with the FATCA rules and regulations, the policies and procedures and their new required responsibilities.

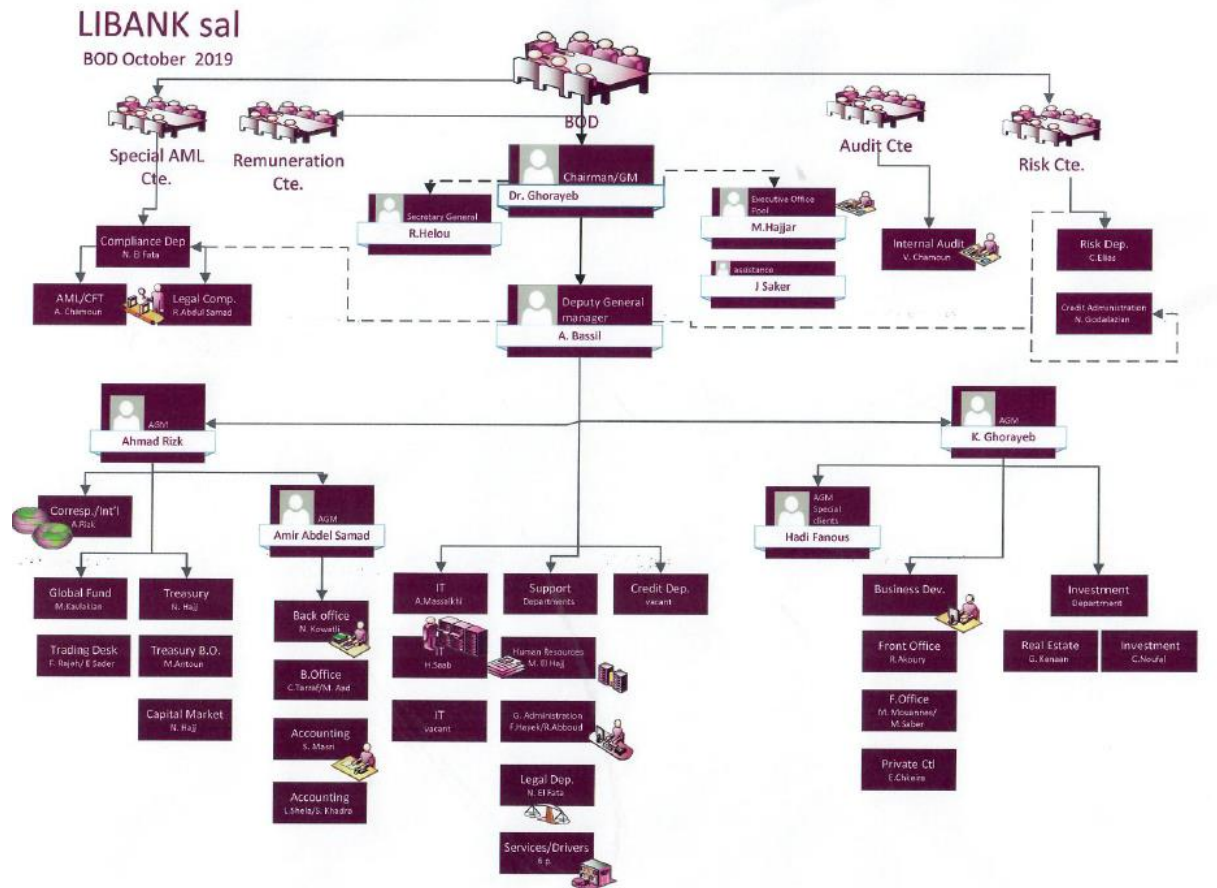
It is to be mentioned that LIBANK will not, under any circumstances, provide tax advice or advise on the tax status of any customer; customers will always be referred to their independent tax advisors or to the official IRS website for their inquiries.

In order to ensure that the FATCA Compliance Framework continues to remain up-to-date with the FATCA regulations, the bank will ensure on-going monitoring of any:

- Changes to FATCA legislation, as announced by the US government
- Any IGA that may subsequently be entered into by the Lebanese government
- Changes to the bank’s systems and processes (if any)
- Changes to the bank’s EAG (Expanded Affiliated Group) entity structure (if any)

XII. Know and understand your structure

The below organisational structure illustrates LIBANK distribution of activities and reporting lines:



XIII. Ethical Conduct

The Bank is committed to conducting its business ethically and honestly. Each director, officer and employee shall at all times deal fairly with the bank's clients, shareholders, employees, partners and stakeholders and in accordance with the code of Ethics and Business Conduct and in connection with each action and decision that is or may reasonably appear to be related to his employment in the Bank.

XIV. Disclosure and Transparency

- The Bank recognizes the significance of disclosing important information necessary for shareholders, investors and stakeholders
- The Bank ensures that the information disclosed is accurate, complete, timely, transparent, and delivered through channels which are easily accessible and trustworthy so that shareholders, investors or counterparties can conveniently obtain the information.

- In compliance with the continuous disclosure requirements, the Bank's policy is that shareholders are informed in a timely manner of all major developments that impact the Bank.
- All material matters which may potentially require disclosure are promptly reported to Board members in order to take appropriate action.
- All shareholders have access to information in accordance with laws and regulations.

The Bank aims to be open and transparent with all stakeholders. Information disseminated is true and accurate and is communicated to shareholders regularly. These include:

- The Bank 's annual general meeting
- Notices and explanatory memoranda of annual general meetings
- The Annual Review
- Yearly Reports from the Chairman to specifically inform shareholders of key matters of interest

The annual audit report also includes a statement confirming that appropriate accounting policies have been used consistently. It also states whether the International Financial Reporting Standards have been adhered to.

The Bank also disclosed on an annual basis its approach to corporate governance. The disclosure will be a part of the Bank's annual report, and on the Bank's website available to all concerned parties. It should be concise and should mainly deal with the following points:

- Mandate of the Board, its duties and objectives
- Composition of the Board
- Description of the Board committees, their mandates, and their activities
- Description of the responsibilities of the Board
- Senior Management structure, outlining their responsibilities, reporting lines, qualifications, and experience
- Nature and extent of transactions with affiliates and related parties

Any feedback received from the stakeholders of the Bank should be properly documented and procedures established to deal with their concerns.