

# Leumi Group

## Corporate Social Responsibility Report 2014



## MESSAGE FROM THE CHAIRMAN AND FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Since its establishment more than 110 years ago, the Leumi Group has been committed to the Zionist vision, to the development of the Israeli economy and to the creation of value for its stakeholders. Each period, throughout those years, has been fraught with different challenges, emphases and objectives, yet this basic commitment, stemming from the purpose of the establishment of the Group, remains intact.

In the present era, inspired by its vision: **to conduct proactive and innovative banking for the customer**, the Group aspires to promote five key goals both in areas of its corporate social responsibility and sustainability, and in its core business activities. These are the goals we have set for ourselves:

**A holistic view of customer needs.** Leumi is required, on a daily basis, to recommit to the financial success of its customers. A true understanding of customer needs is the foundation for a healthy and equitable relationship, and inspired by this, we will continue to develop innovative and valuable services and processes for all types of customers: households, small and medium businesses, and large business companies. We constantly strive to develop products that promote the customer as well as products promoting targeted populations. In 2014, we expanded the range of loans that promote environmental and social goals and initiated an innovative program designed to help customers out of work who have accumulated arrears in mortgage payments, to get back into the employment cycle.

**Leading the technological revolution for the customer.** We live in a fast, digital age, where the pace of change is increasing every day. Leumi perceives technology as a lever for business and social development, which enhances the benefit for the customer, for the Bank itself and for its stakeholders. We are investing heavily in developing digital products and services based on cutting-edge technology, in order to increase accessibility and reduce the cost of banking activity for the customer. In aspiring to lead proactive and innovative banking for the customer, we have established the Digital Banking Division. The Division was set up to enable the Bank to be best prepared for the considerable challenges facing it, and it represents a further significant step in the digital banking revolution we have been leading in recent years. By means of the Digital Banking Division, we will significantly upgrade the customer experience, and provide them a transparent service, with a friendly and intuitive user interface and at a very attractive price. Among other things, the Division will manage the operations of the Digital Bank, after the set-up process is finished in 2016, as an innovative banking platform without branches, which will enable customers to manage their entire financial life through digital channels only. Customers may choose the most suitable type of banking for them, according to their style, character, and needs.

**Adapting activities to changing regulation.** The rules and regulations in the banking sector, in Israel and worldwide, are constantly changing and the Bank adapts its activities accordingly and for the benefit of the customer. In recent years, we have adjusted to the many changes that the world of private banking is undergoing, and we even preceded the regulator (both in Israel and in other countries) regarding the meticulous implementation of a declared money policy, as is customary in Western banking today. In this context, we took steps for the closure of representative offices and branches of the Bank overseas, sold the office operations in Switzerland, and absorbed private banking activities into the Banking Division.

**Nurturing the human capital as part of the competitive advantage.** We are committed to maintain and enhance the capabilities of our employees, so that we can lead proactive and innovative banking for our customers, continue to lead the banking system in Israel, and address the challenges of tomorrow. In early 2015, a four-year collective agreement was signed between Bank Management and the Leumi Employees organization, which is characterized by a concern for all levels of the Bank's employees, with an emphasis on low-income employees, including minimum wage earners and contract employees. We proved again that when the parties conduct a transparent and open dialogue – and when they consider the benefit of customers, employees, and shareholders – the best results are received.

**Continuing to foster our contribution to the community and our investment in it.** This year, strategic cooperation was deepened with the "Aharai! – Youth Leading Change" organization. The scope of the organization's activities in peripheral outlying areas was increased, the number of volunteers among Leumi employees was expanded, and the establishment of the Friends Association headed by the President and Chief Executive Officer of Leumi has begun. Quietly and discreetly, the organization fosters each year, thousands of boys and girls who need it to complete their studies, pass their matriculation exams, and be drafted for meaningful military and national service.

The Bank's strategy is characterized by a broad- and long-term perspective, with the ultimate aim of serving the best interests of all the stakeholders in the Group, both now, and in the future. To our perception, doing business is not complete without contribution and involvement in the space in which we operate, and we are proud to lead a financial organization which advocates for community action for the last 113 years, and applies it on a daily basis.

**David Brodet**

Chairman of the Board  
of Directors

**Rakefet Russak-Aminoach**

President & Chief  
Executive Officer



<b>6</b> Introduction	<b>26</b> Economic Impacts and Responsible Management	<b>44</b> Creating Value for Customers
<b>70</b> Creating Value for Employees	<b>100</b> Creating Value for the Community	<b>116</b> Promoting Responsible Procurement
<b>124</b> Creating Environmental Value	<b>140</b> Corporate Governance	<b>148</b> External Assurance and Indices



## BUSINESS PROFILE

### The Leumi Way: Vision, Core Values and Ethics

The new business, social and economic environment led Leumi Group in 2013 to review and restate its vision and its core values, in a way that reflects the change process it has gone through in recent years. In an organizational-wide process shared by managers and employees, the Group vision was rephrased in one sentence:

**“TO CONDUCT PROACTIVE AND INNOVATIVE BANKING FOR THE CUSTOMER”**

We strive to design a dynamic business environment that combines the Bank's values with product and technological innovation. An environment that will be a place where our customers can find the best and most suitable response to their financial needs, while aiming for adequate profitability, maintaining the stability of the Bank, and creating a balance between the needs of the employees and the shareholders. As a financial group with major influence on the business and public culture in Israel, we see our commitment to the community as a social and value-driven base that we will continue to cultivate.

The five core values of the Bank are:



#### THE CUSTOMERS ARE THE CORE OF OUR WORK

The customers are at the core of our activity. They expect professional, quality, courteous and efficient service, so that at the moment of truth we will be there for them attentively to them with suitable and useful value propositions.



#### SHARING

We live in a reality that places the value of sharing in the foreground. To produce a force multiplier, we will cooperate among and within units, with each of us thinking “Leumi”, and thus ensure the achievement of our goals. In addition, we will show openness and courageously share our opinions, our thoughts, and our ideas.



#### EXCELLENCE

The challenges and the changing reality obligate us to strive constantly for improvement and for the achievement of better results.

As employees of the Bank, excellence for us, is knowing that our work has contributed to our customers and created business value for the organization.



#### “YES WE CAN”

“Yes we can” is a global concept allowing new ideas to grow and come to fruition. This is a global concept that values and respects those dealing with challenges and focuses on action, but also may involve possible errors, out of recognition that only he who dares, wins.



#### MODELING

Each and every one of us is a role model for someone.

We must aspire to ensure that in every activity that we do, we shall be a personal example to those around us.

## Business Description<sup>1</sup>

Leumi is the oldest banking corporation in Israel and one of the leading and largest corporations in Israel and the Middle East. Leumi Group operates currently 268 branches throughout Israel in addition to offices at the major financial crossroads worldwide. The headquarters of the Bank and the Head Offices are located in Tel-Aviv.

Leumi Group provides quality banking services to all types of customers, starting with households, through small and medium businesses, and ending with giant corporations. These services are provided via dedicated business lines, suitable for all customer segments, and are based

on the highest standards and on uncompromising professionalism. The Group subsidiaries – Leumi Card, the Bank's credit card company, Arab Israel Bank, Leumi Partners – that serves as the investment arm of the Group, and Leumi Tech – the high-tech arm of the Group, together with the Mortgage Function and the Trust Company, allow customers to benefit from a whole range of banking services and products.

The activities of Leumi and the principal subsidiaries reviewed in this Report represent more than 98%<sup>2</sup> of the total activity of the Group in Israel. The Group owns other subsidiaries that supplement the basket of services for customers, such as Leumi Real

Holdings, and Leumi Capital Market Services in Israel, and Leumi USA, Leumi UK, and Leumi Romania overseas.

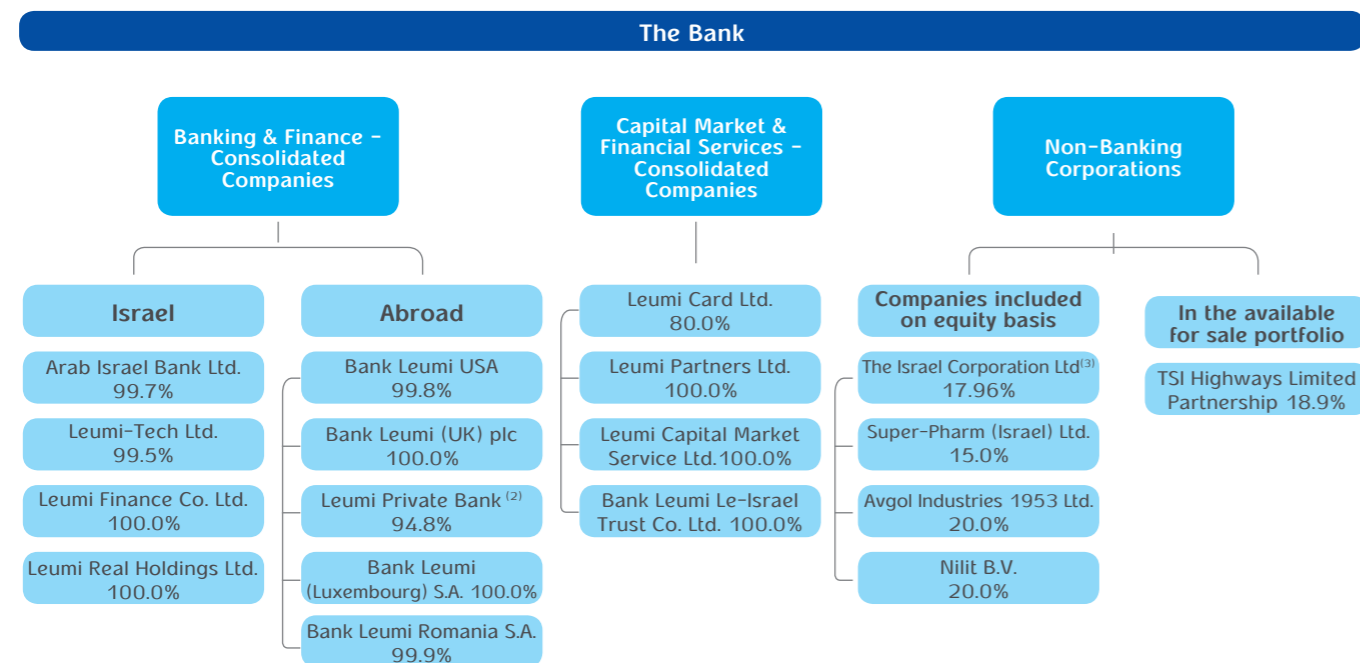
In addition, Leumi has holdings through its investments in non-financial corporations as detailed in the chart of holdings below

## Ownership structure

Bank Leumi Le-Israel is a limited-liability public company whose shares are listed for trading on the Tel-Aviv Stock Exchange.

As of March 24, 2012, Leumi is defined by law as a banking corporation without a controlling core and no shareholder is defined as a controlling owner of the Bank.

Below is a Chart of the Major Investee Companies and Investments of the Bank:



(1) Voting rights – 99.8%

(2) Voting rights – 98.6%. After the balance sheet date, the rate of holdings and voting rights is 99.84%.

During 2014, agreements were signed for the sale of operations in Switzerland and an arrangement for participation with Bank Julius Baer.

For further information, see Chapter “Material agreements” below.

(3) Voting rights – 18.13%. In February 2015, the Bank sold 6.9% of the equity of the Israel Corporation. As a result of the sale of the company's shares, the shareholding percentage fell to 11.1%. For information regarding the waiver of the rights to appoint directors, see below Chapter “Operating segments, companies included on equity basis”.

(4) The company was merged with and into Bank Leumi on 4 January 2015.

1. G4-17

2. By contribution to the net profit of the Group



## Bank Leumi's Business Lines

Bank Leumi's operates in Israel through dedicated business lines that specialize in providing banking and financial services to all customer segments. This specialization allows the Bank to provide professional service customized to each customer. Headquarters units of Leumi provide support to the core business divisions. The subsidiary companies in Israel and the offices abroad are allocated to the relevant business line in accordance with the nature of their activities and the characteristics of their customers.

**Retail Banking** – provides comprehensive banking services to private customers and small businesses. This business line also manages the advanced services of Leumi Digital – Leumi's online banking, which includes the internet website, Leumi Call Center, apps for smart phones and tablets, the Total Digital Account, and the information kiosks adjoining the branches.

**Corporate Banking** – deals with project support and financing of the large business customers and multi-national corporations, including entrepreneurial and contractor companies involved in large projects in the area of real estate and infrastructures. Among other things, those managed in the Corporate Department and the Construction and Real Estate Department are customers whose business activity is complex, whose business is international and / or whose activity is managed in several of the Bank's overseas offices.

**Commercial Banking** – specializes in providing banking and financial services to middle market companies. The organizational structure of this business line is unique in the banking system and enables the Bank to provide a comprehensive “one stop shop” to its customers.

**Private Banking** – coordinates the activity of high-net-worth private customers in Israel and abroad. The bank operates through unique Private Banking centers in Israel that provide service to Israeli-resident and non-resident customers.

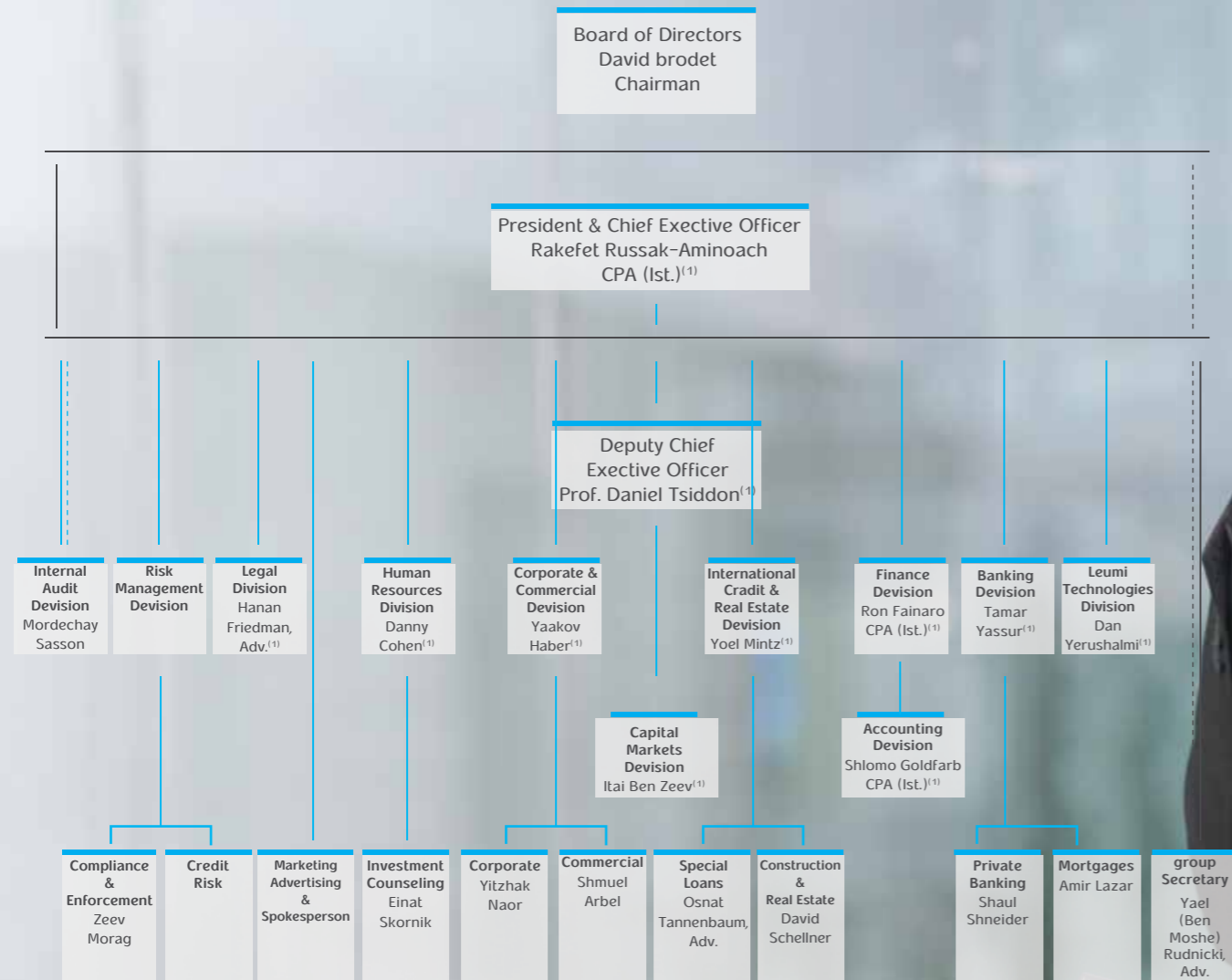
**International Banking** – provides commercial banking services to private customers and Israeli companies operating in international markets. This activity includes the Bank's offices in the U.S.A., United Kingdom, Leumi Romania and Leumi representative office in Shanghai, China, which supports customers of the Bank who are interested in activity in China. The areas of

activity of the representative office are of a marketing nature according to the license.

**Capital Markets** – this business line manages the activity of institutional companies and foreign banks and provides leading financial solutions customized to the customers that operate directly with the dealing rooms. In addition, this line is responsible for operating all capital market activity of bank Leumi customers.

**Mortgages** – Mortgage activity focuses on loans for the purchase of residential housing, all-purpose loans against the pledge of property, and loans to purchasing groups. Mortgage representative offices are distributed throughout Israel and provide a range of services – beginning with planning the mortgage and ending with the mortgage-taking process and refinancing existing loans.

## Bank Leumi le-Israel B.M. Organizational Structure



(1) Member of Management as of July 2015

## Significant changes occurring during the reporting period

- Merger between the Bank and "Leumi Finance Company Limited"** was completed in January 2015. The merger is intended for a business and economic purpose and its aims, among other things, are to bring about significant savings in expenses and operating costs.
- Procurement, Construction and Logistics Division:** On 15 June 2015, the Procurement, Construction and Logistics Division was canceled and responsibility for procurement, construction, maintenance and properties was transferred to the Head of the Finance Division.
- Changes in the international deployment:** The Bank decided to exit international private banking operations, including the closure of the vast majority of the Bank's representative offices abroad, the sale of the Bank's office in Switzerland, and exiting operations in the Luxembourg office. In 2014 the Group closed representative offices in France, Germany, Canada, Chile, Hong Kong, and the representative office of the Swiss office in Israel. At the end of 2014 the Georgetown (Cayman Islands) branch was closed and the Bank Leumi branch in Panama ended its business activities.
- Digital Banking Division:** On 1 January 2016, a new Digital Banking Division will be established reporting to the President and Chief Executive Officer. The establishment of the Division will be a further substantial step in the digital revolution. The Division will upgrade significantly the customer experience and provide them with a transparent service in a user-friendly and intuitive interface and at a very attractive price.
- Sale of the operations of Leumi Switzerland (Leumi Private Bank) to Julius Baer:** In March 2015, the sale was completed of the operations of "Leumi Switzerland" to "Julius Baer" – a leading private banking group in Switzerland, with Leumi working to exit private banking operations in the Bank's office in Switzerland. Most of the customers of the office were transferred to Julius Baer.
- Private Banking Division:** In January 2015 an organizational change was carried out in which the Private Banking Division in Israel was transferred to the responsibility of the Banking Division.
- Arab Israel Bank:** In May 2015 the Leumi Board of Directors announced the merger of Arab Israel Bank with Bank Leumi. The merger will take effect on 1.1.2016.

### Subsidiary Companies and Deployment of Operations<sup>3</sup>

90.8% of the activity of the Leumi Group is concentrated in Israel and 9.2% of its activity is conducted outside Israel<sup>4</sup>. The Head Office of the Group is located in Israel.

<p><b>Arab Israel Bank Ltd.</b> <a href="http://www.aibank.co.il">www.aibank.co.il</a></p>	<p>The banking arm of the Group catering for the Arab population in Israel. The Bank operates through 37 branches that are a significant part of the banking system in the Arab sector in the North of Israel and the Northern Triangle. Arab Israel Bank is a private company with 99.7% of the share capital owned by Leumi and 0.3% owned by 18 shareholders from the Arab sector. The Bank ended 2014 with a net profit of NIS 100.4 million, compared with NIS 106.5 million in 2013. On 1.1.2016 the Arab Israel Bank will merge into Bank Leumi.</p>
<p><b>Leumi Card Ltd.</b> <a href="http://www.leumi-card.co.il">www.leumi-card.co.il</a></p>	<p>The company is engaged in issuing, clearing, operating credit cards, payment solutions and financial products. By the end of 2014, Leumi Card issued more than 2.36 million credit cards of the Visa and MasterCard brands, including bankcards in cooperation with Leumi and Arab Israel Bank, and non-banking cards for customers of all the banks. Leumi Card provides clearing services for some 40 thousand businesses throughout Israel, offering them financial solutions such as loans, discounting vouchers, and pre-payments. 80% of its shares are held by Bank Leumi, and 20% by the Azrieli Group. The company ended 2014 with a net profit of NIS 200 million, similar to 2013.</p>
<p><b>Leumi Partners Ltd.</b> <a href="http://www.leumipartners.com">www.leumipartners.com</a></p>	<p>The investment banking arm of the Leumi Group that provides non-banking growth solutions, such as Leumi Group's investments in companies, underwriting, research, mergers and acquisitions, and the raising of all kinds of capital or debt. Leumi Partners integrates its capabilities through a unique merchant banking platform. In 2014, the company reported a profit of NIS 308 million, compared with a profit of NIS 226 million in 2013.</p>
<p><b>Bank Leumi Le-Israel Trust Company Ltd.</b></p>	<p>The company provides a selection of trust services in three main business areas, allowing all of its customers to enjoy sophisticated customized solutions, both for business and personal needs: Private client trusts - setting up private trusts, managing public religious trusts, estate management and managing real estate property; business client trusts - holding shares in trust, collateral trusteeship and escrow transactions; and trusteeships in the capital market area - trusteeship for bonds and ETN's. The net profit of the company in 2014 amounted to NIS 0.9 million, compared with NIS 2.4 million in 2013.</p>
<p><b>Leumi-Tech Ltd. (previously Leumi Leasing and Investments Ltd.)</b> <a href="http://www.leumitech.com">www.leumitech.com</a></p>	<p>The company works to promote the activity of Leumi Group in the area of banking services to high-tech industry. Within this framework, the company is engaged in, among other things, professional support for all Group companies in Israel and abroad, deepening ties with industry, building and expansion of banking services and creating infrastructure for knowledge. The net profit of the company in 2014 amounted to NIS 9 million, compared with NIS 22 million in 2013.</p>

3. G4-17

4. According to the total balance sheet of activity overseas and in Israel.

### Offices Overseas<sup>5</sup>

Leumi Group provides financial services overseas to Israeli business customers, local business customers, international organizations active in Israel and local Jewish communities. The primary target population of the Group overseas is business firms.

Leumi Group operates in ten countries, including the most important financial centers worldwide: New York and London. Activity is carried out through a network of 41 branches and representative offices.

<p><b>Bank Leumi US (BLUSA)</b> <a href="http://www.leumiusa.com">www.leumiusa.com</a></p>	<p>The largest office of Bank Leumi abroad is engaged mainly in commercial banking. Its main activity is the financing of middle market local companies and Israeli companies operating in the United States as well as private banking for US and foreign residents. The Bank operates branches in four states: New York, Illinois, Florida and California. Bank Leumi USA ended 2014 with a loss of \$50 million (a profit of \$15 million excluding expenses related to arrangements with authorities abroad), compared with a profit of \$11 million in 2013.</p>
<p><b>Bank Leumi UK (BLUK)</b> <a href="http://www.bankleumi.co.uk">www.bankleumi.co.uk</a></p>	<p>The largest bank in the UK under Israeli ownership, continuing the Group's activities that began in London in 1902. The Bank is engaged in commercial and private banking, and mainly in financing of real estate in Britain and Western Europe and financing Israeli companies active in the UK. The center of the Bank's activity is in London. The office has subsidiaries - a banking subsidiary in Jersey, a trust company in Jersey, and Leumi ABL, which operates mainly in the field of discounting receivables. The net profit of Bank Leumi UK in 2014 amounted to £7.6 million compared with a loss of £5.4 million in 2013.</p>
<p><b>Bank Leumi Romania (BLROM)</b> <a href="http://www.leumi.ro">www.leumi.ro</a></p>	<p>The only bank in Romania under Israeli ownership operates 21 branches throughout the country. The bank's main activity is commercial and includes real estate financing, financing Israeli customers operating in Romania, and the financing of local small and medium businesses. Bank Leumi Romania ended 2014 with a loss of Ron 51 million compared with a profit of Ron 2.1 million in 2013.</p>

More information on the activities of the additional subsidiaries and investee companies, branches, agencies and representative offices of the Leumi Group worldwide can be found on the Leumi website: [www.leumi.co.il](http://www.leumi.co.il).

### Membership in Organizations and Associations

Bank Leumi is a member of the Association of Banks. By virtue of this, the President and Chief Executive Officer of Leumi and the Chairman are members of the Executive Committee of the Association of Banks. In addition, the Bank is a member of the Public Companies Authority. The Trust Company is a member of the Board of Trustees of the Israeli capital market.

Bank Leumi Romania is a member of Romania's Association of Banks, which is part of the European Banking Federation. The Chief Executive Officer of Leumi Romania is a member of the Board of Directors of the Association. Bank Leumi UK is a member of the British Bankers Association and has a representative in the Operating Committee of the Association of Foreign Banks.



5. G4-17



This is Leumi Group first report in accordance with the GRI:G4 standard at the comprehensive level of reporting

## ABOUT THE REPORT<sup>6</sup>

This is the sixth Corporate Social Responsibility Report of the Leumi Group, written in accordance with the fourth generation guidelines of the Global Reporting Initiative (GRI) organization at the Comprehensive level of reporting. The report contains all the items in the appendix for companies from the financial sector, and includes a report in accordance with the principles of the UN Global Compact (UNGC) Initiative. A list of the principles with references to the appropriate pages appears on pages 149-160.

Leumi Group maintains continuity in reporting to the stakeholders. The Group's last report was published in late July 2014 and thereafter the Group intends to report once a year.

### Contents of the Report<sup>7</sup>

This Report refers to the activity of the Leumi Group in the areas of corporate governance, the economy, society and the environment in 2014.

Except as otherwise indicated, this Report refers to Leumi Group activity in Israel and overseas. In Israel: Bank Leumi, Arab Israel Bank, Leumi Card, Leumi Partners and the Trust Company; overseas: as of 2014, the Report includes the international activity of the organization as well - Bank Leumi USA, Bank Leumi UK (excluding its subsidiary companies), and Bank Leumi Romania.

Except where otherwise noted, the data in this Report refer to the period from 1.1.2014 to 31.12.2014. The data are in complete agreement with other reports issued by the Group, and are

not in contradiction to information presented by the Group in past years.

The data in the chapter on "Creating Value for the Environment" refers to the environmental performance of Leumi, Arab Israel Bank and Leumi Card, which employ about 92% of all positions in the Group (as defined in this Report) and are a source of 86% of its income.

### Terms

We use the term "Leumi Group" or "the Group" when describing the activities of the entire Group, as defined in this report. We use the term "Leumi" when describing the activities of Bank Leumi only. We mention the names of subsidiaries and offices abroad when we describe the activities that take place in these companies only.

This report is a Corporate Social Responsibility Report for 2014 prepared in accordance with the GRI guidelines. The report is not part of the financial statements of the Group or Immediate Reports or Periodic Reports of Bank Leumi

and the Group. In case of any discrepancy between that stated in this report and these reports, the version in the financial statements is binding.

The content of the report below are also published on the Corporate Social Responsibility website of the Leumi Group - Leumi Plus - plus.leumi.co.il.

## Ensuring the Reliability of Reporting

Leumi Group takes care in ensuring the reliability of reporting in the corporate social responsibility reports issued in accordance with the guidelines of the GRI, and done so since 2009. The Group attaches great importance and value to this process, and considers it an educative process that helps to constantly improve information gathering and reporting, and meets the requirements of stakeholders for transparency and credibility in reporting.

Within this framework, there are three controls in the current Report.

- **Process Control** - to ensure application of the correct process: made by the consultancy company of the BDO Ziv Haft accounting firm and included full support of the program to implement corporate social responsibility in the Bank, including work on this report.
- **Materiality disclosure check to ensure proper identification of issues:** the GRI organization carried out an independent external monitoring of this report, and studied the process for identifying material issues for reporting (Materiality Disclosure Service). This procedure tested the method of identifying the material issues in the report, and the reference of the organization to all indicators that are required to meet the highest reporting level (G4: In accordance: Comprehensive). (For more details see page 16).
- **Ensuring the reliability of the reported data:** has been made by the accounting firm KPMG Somekh Chaikin which are external and independent experts that act also as joint auditors to the shareholders in the financial statements. A representative of Leumi Management approved the engagement with the external auditors. The assurance was performed in regard to the fact that the reported material issues which were examined did not include a substantial error, and this, in part, by comparing to relevant information sources, conducting interviews with executives in the bank management and matching to existing data as described on page 148 in the Independent Limited Assurance Report.

The external assurance was performed in accordance with ISAE 3000 Standard (International Standard on

Assurance Engagements) to carry out engagement to ensure reliability which is not an audit or a review of historical financial information (Assurance engagement other than audits or reviews of historic financial information). This standard was developed by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). The standard emphasizes the comprehensive processes for gathering supporting evidence and independence of the person carrying out reliability assurance. The standard outlines the steps to be taken and the conditions required from the party carrying out reliability assurance that is limited in scope, in order to guarantee that they will be able to carry out reliability assurance relating to the conduct, processes or information relevant to the report. See page 148.



Leumi Group 2013 Corporate Social Responsibility Report was ranked at the First place in "Calcalist" ranking

### Contact person

Hadas Eytan, Corporate Responsibility Manager of the Leumi Group

Hadas.Eytan@bankleumi.co.il

Corporate Social Responsibility website: plus.leumi.co.il.

### Acknowledgements

Our thanks to all the parties in Leumi and the subsidiaries engaged with the management and promotion of Corporate Social Responsibility content, who helped in the collection of data and preparation of materials for the report.

Published August 2015

**Professional Consultancy:** The Sustainability and Corporate Social Responsibility Group at BDO Ziv Haft

**Independent Assurance:** KPMG Somekh Chaikin

**Graphic Design:** Galit Azoulay

6. G4-22, G4-23

7. G4-18



## IDENTIFYING MATERIAL ISSUES FOR REPORTING<sup>8</sup>

The five Corporate Social Responsibility Reports published by Bank Leumi were prepared in accordance with the GRI-G3 guidelines of the Global Reporting Initiative organization (the GRI), defining the guiding framework for reporting on the subject. In 2014, the Bank made a decision to report in accordance with the new reporting standard GRI-G4. This standard requires in-depth reporting only on issues identified as material to Leumi operations (compared with the previous standard that required reporting on a wider range of issues).

### Materiality Matrix of 2012

The materiality matrix, which reflects the importance attributed by Leumi stakeholders to the various issues of corporate social responsibility, was defined in late 2012 in collaboration with major stakeholders. The process of building the matrix included the formation of a list of relevant topics in the field of corporate social responsibility. In accordance with the list, a survey was carried out among the groups of stakeholders: Leumi's Board of Directors, Leumi Management, about 400 employees and some 500 customers, suppliers, and representatives of social and environmental organizations. The respondents were asked to rank the issues on the list with reference to the importance they attach to each of the topics listed. The materiality matrix was published in the Group's corporate social responsibility report in 2014.

At the same time, Leumi's performance was analyzed regarding the various issues listed and cross-referenced with the materiality results. Hence, identifying the issues in which there is a big gap between the level of importance attributed to them by the stakeholders and the way that they are treated currently, and thus, a list of recommendations was formulated on the subject. These recommendations were presented to Leumi Management at the beginning of 2013, and were taken into account when building work programs for corporate social responsibility.

In light of the transition to the new reporting standard (G4), the existing materiality matrix was reexamined. The examination showed that there

is a need to update and validate the materiality matrix in light of the time that elapsed since its definition. However, it was decided to use it as a basis, and to examine its validity and congruence with the positions of stakeholders and representatives of the Bank prior to the writing of the current report.

### The Process of Defining the Current Materiality Matrix

In the process of validation and definition of the updated materiality matrix, the positions of external and internal stakeholders were examined in accordance with the list of issues set in the GRI reporting principles (aspects according to G4, subject to the financial sector) and other issues identified as relevant by Leumi.

Additional information sources that were integrated into the materiality matrix during the updating process:

### Validation of Stakeholder Positions:

**A. GRI Research - Material issues in the banking sector:** The study "What do stakeholders want to know? - Banks, Diverse financials and Insurance" conducted by GRI in 2012 presents a list of material issues that reflect expectations of various international stakeholders (e.g. businesses, civil society organizations, global representatives of the worldwide financial markets, etc.).

**B. BDO research - Material issues in the Israeli banking sector -** The Sustainability and Corporate Responsibility Group at BDO Ziv Haft conducted a stakeholder

survey during 2014 on material issues in corporate social responsibility reports of banks in Israel. The survey examined local and actual issues in the field of corporate social responsibility and sustainability in the banking sector in Israel. The survey was based on interviews with a range of stakeholders who represent areas of finance and banking, according to the areas of activity of Israeli banks, including representatives of customers, social and environmental organizations, the capital market, suppliers, the CSR community, and more.

**C. Issues that arose in relation to Leumi in the Israeli media -** Issues that arose from media reviews associated with the name of Leumi during 2013-2014.

**D. Corporate Social Responsibility reviews of investors -** a review of Corporate Responsibility Reports of banks published in July 2013 conducted by the Meitav Dash Investment House, which studied Leumi's report in relation to its competitors.

**E. Bank staff positions -** as reflected in the BDI survey examining the satisfaction of Bank Leumi employees in 2014.

**F. Bank customer positions -** Issues identified as important in the eyes of customers in accordance with the findings of customer surveys conducted by the Leumi Marketing Function.

**G. Summary of the external assurance on 2013 report:** - On completion of the assurance process of the previous report, the auditors of the report, the Somekh Chaikin auditing firm, published a document with recommendations

raising issues to be addressed in the next report. These recommendations were taken into account when defining the current materiality matrix.

### Validation of the Bank's Positions:

Survey of Corporate Social Responsibility Leaders in the Leumi Group - In early 2015, an updated survey was sent to the parties leading the field of social corporate responsibility in the Bank and the Group, who were asked to rate the materiality of the issues for the Bank (based on their familiarity with the issue of corporate social responsibility and the practice of it

in the Group).

## The Materiality Matrix and Issues for Reporting

### Building the materiality matrix

In the validation process for the materiality matrix a list was generated of 58 subjects, divided into 19 areas.

Depending on the weighting of the score given by the various stakeholders (customers, employees, suppliers, social and environmental organizations, media and audit entities) and according to the degree of importance of the issue as perceived by Leumi (Management, Board of Directors and CSR Leaders) for each area, a materiality matrix was built. The materiality matrix was approved by Bank Management, and indicated 11 groups of issues significant for reporting within the framework of the Corporate Social Responsibility Report in 2015.

The diagram shows the division into two main groups:

High importance (Reported)	1	Ethics and anti-corruption
	2	Dialogue with stakeholders and reporting on corporate responsibility
	3	Integrating environmental and social considerations when granting credit
	4	Accessibility of services to disadvantaged and handicapped populations
	5	Health, training and welfare of employees
	6	Diversity in employment and equal employment opportunities
	7	Community involvement
	8	Making financial knowledge available
	9	Energy consumption and carbon footprint
	10	Economic performance
	11	Integrating environmental and social considerations in procurement processes
Issues not of high importance (Not Reported)	12	Customer privacy and security
	13	Conducting business fairly
	14	Maintaining Fair employment conditions for all employees
	15	Consumption of natural resources
	16	Organization-wide management of environmental issues
	17	Integrating environmental and social considerations in investments
	18	Protection of human rights within the framework of the organization's activities
	19	Maintaining biodiversity in areas of operation

### Leumi Material Issues 2015



2012  
Management  
and Board  
of Directors  
survey

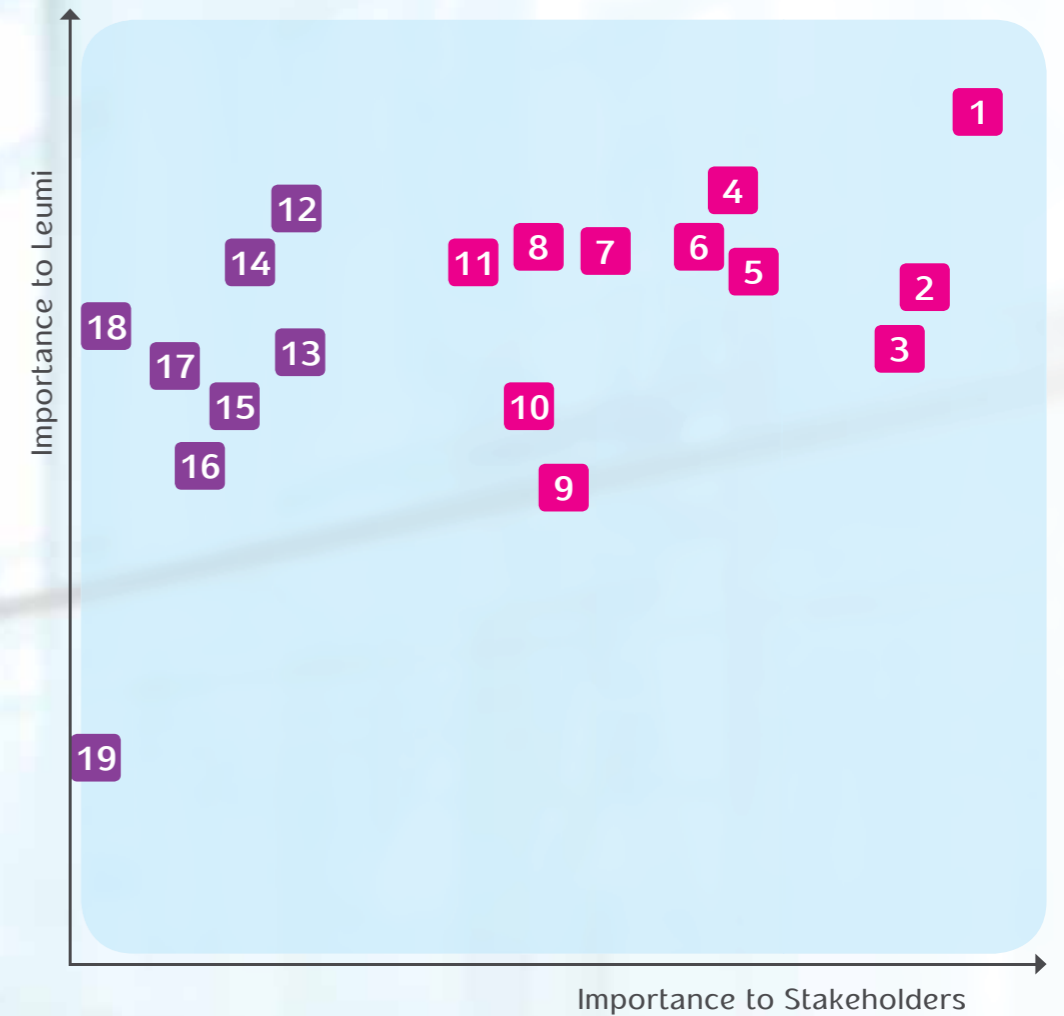
2015  
Corporate  
Social  
Responsibility  
Leaders survey

### Stakeholder Material Issues 2015



Stakeholder survey  
BDO local research  
External Assurance  
GRI global research  
Investors representatives

Issues in the media  
Customer opinions  
Bank employees



### Building the Chapters of the Report in Accordance with the Material Issues and Reporting Boundaries<sup>9</sup>

The GRI reporting guidelines in accordance with the G4: In accordance: Comprehensive standard require an implementation processes that will result in the reporting of only material issues identified by the organization. According to the guidelines the organization will present an organized management approach, work process that displays the organization’s commitment and objectives for the coming years, alongside a report on the organization’s performance metrics under the specific aspect (specific standard disclosures).

The 11 issues identified as material (out of the 19 issues presented). The 11 issues include( as described below) 24 significant aspects according to the definitions of the GRI: G4 reporting standard. According to the standard, since the Bank identified 24 key aspects for reporting, these are by definition the aspects that have to be reported.

Chapter	Materiality	Issue	GRI Aspect	Reporting boundaries	
Economic Impact and Responsible Management	10	Economic performance	1. Economic Performance	Within the organization	
			2. Indirect Economic Impacts	Within the organization	
	1	Ethics and Anti-corruption	3. Anti-corruption and Business Ethics	Within the organization	
Creating Value for Customers	8	Making financial information accessible	4. Product And Service Labeling	Within the organization	
			5. Marketing Communications	Within the organization	
			6. Compliance	Within the organization	
	4	Making services accessible to disadvantaged and handicapped populations	7. Non-Discrimination	Both	
	3	Integrating socio-environmental considerations in granting credit	8. Product Portfolio (sector specific aspect)	Both	
			9. Products and Services	Both	
			10. Audit (sector specific aspect)	Within the organization	
	2	Dialogue with Stakeholders and reporting on CSR issues	11. Grievance Mechanisms for Impacts on Society	Outside the organization	
	Creating Employee Value	6	Diversity and equal opportunities in employment	12. Diversity and Equal Opportunity	Within the organization
				13. Equal Remuneration for Women and Men	Within the organization
14. Market Presence				Within the organization	
5		Health, training, and employee welfare	15. Training and Education	Within the organization	
		16. Occupational Health and Safety	Within the organization		
Creating Community Value	7	Involvement in the community	17. Local Communities	Both	

9. G4-18, G4-19, G4-20, G4-21



Integrating Socio-Environmental Considerations in Procurement Processes	11	Integrating socio-environmental considerations in procurement	18. Procurement Practices	Both
			19. Supplier Environmental Assessment	Outside the organization
			20. Supplier Human Rights Assessment	Outside the organization
			21. Supplier Assessment for Labor Practices	Outside the organization
			22. Supplier Assessment for Impacts on Society	Outside the organization
Creating Environmental Value	9	Energy consumption and carbon footprint	23. Energy	Within the organization
			24. Emissions	Within the organization

This structure reflects the material issues for Leumi and its stakeholders. This framework includes a full response to 58 specific performance indicators (specific standard disclosures) that fall under these 24 aspects, alongside the 58 organizational profile indices (general standard disclosures). In addition to these issues, elaboration was made on three additional issues that were not found significant in the materiality process but Leumi has found it necessary to report and elaborate on them in order to maintain continuity of the reporting process and transparency on the issues of responsible employment (including

10. G4-18, G4-19, G4-20, G4-21

details and breakdown of the Bank’s employment populations); keeping customer privacy (including bank secrecy and details of complaints); and reporting on consumption of materials (paper consumption and the scope of electronic waste).

The full reporting Index is on pages 149-160 of this report. In addition, Leumi defined, in relation to each aspect, the reporting boundaries, and whether its impact is within the organization (and then the Bank will focus on managing the issue, coherent measurement of performance, improving performance, and control while setting targets) or is outside the organization (and then Leumi will

focus on dialogue with outside parties, periodic monitoring of their performance, and encouraging them to act responsibly). Some of the issues have been defined as having significance both within the organization and outside it<sup>10</sup>.

## CORPORATE SOCIAL RESPONSIBILITY MANAGEMENT IN THE GROUP

Corporate social responsibility in the Group is managed based on an overall concept, strategy and policy, led by the Leumi Board of Directors. The Resources Committee of the Board of Directors is also the Corporate Social Responsibility Committee. It is in this capacity that the committee discusses annually the corporate responsibility management strategy of Leumi and the Group, and its suitability to the overall strategy of the Bank. In addition, the committee discusses annually the corporate social responsibility report and the

corporate social responsibility goals of the Bank and of the Group for the coming years. The Committee discusses annually the report on planning vs. performance of the corporate social responsibility goals of the Bank and of the Group.

The area of corporate social responsibility is managed by the Training and Organizational Development Sub-Division of the Human Resources Division. The person responsible for Corporate Responsibility is The Head of the Human Resources Division. The

Corporate Responsibility Manager of the Group is a full-time manager. In this role, she is responsible for the execution of integration between all those involved in the field. The Corporate Responsibility Manager works in full cooperation with the managers of the units that have a professional interface with the field and with those responsible for corporate responsibility at the subsidiaries and Leumi offices worldwide.



### Corporate social responsibility training for managers

At the end of 2014 and the beginning of 2015, special training was held for the first time for 25 managers who are leaders of corporate social responsibility in Leumi units and subsidiaries. During the training, there were discussions on the concept of corporate responsibility and trends in the field. Emphasis was placed on integrating corporate responsibility in the business world with innovative tools, and additional tools were studied for measurement and systematic reporting of the areas.

## Membership in Initiatives and Organizations in the Field of Sustainability and Corporate Social Responsibility

Leumi and the subsidiaries have adopted leading standards in the area of sustainability and corporate responsibility in Israel and worldwide:



Leumi, Arab Israel Bank and Leumi Card are members of the Maala Organization and participate in the annual Maala Rankings.

In the 2014 rankings, the three companies were given the highest ranking - Platinum Plus.



In 2008, Leumi signed the principles of the UN Global Compact Charter, a UN initiative to promote social-environmental responsibility. Since then Leumi reports to the initiative and renews its statement of support of its principles every year.



Since 2011, Leumi has been included in the FTSE4Good Index - the index of leading companies in performance of sustainability and corporate responsibility that is traded on the London Stock Exchange.



In 2013, Leumi joined the Carbon Disclosure Project (CDP) Initiative. Leumi reports to the Initiative with the aim of measuring and disclosing to the public the direct and indirect impacts of the Bank on climate change.



In 2010, Leumi joined the voluntary registry for reporting greenhouse gas emissions in Israel of the Ministry for Environmental Protection.



Since 2010, Leumi has been a member of the Sh'vil Organization, the Israeli branch of the Transparency International Organization that is engaged in the struggle against corruption and the promotion of norms of ethics and transparency.



In 2014, Bank Leumi won the Diamond Mark Certificate from the Israel Standards Institute. The mark is awarded to organizations that have at least seven quality standards, and which met all the stringent criteria and scrutiny of the Israel Standards Institute. The seven standards for which the mark was received are IS18001 (Occupational Safety and Health), IS14001 (Environmental Management), IS50001 (Energy Management), IS20000-1 (IT Services Management), IS22301 (Business Continuity Management), IS27001 (Information Security Management) and the Green Label indicating that the impact of the product or service on the environment is low.

The award of a Diamond mark indicates the high capabilities of Leumi and provides its customers with added value and confidence that the Bank manages its operations properly, while constantly improving and striving for excellence.

## Dialogue with Stakeholders

Leumi attaches great importance to maintaining an ongoing dialogue with its various stakeholders, and devotes many resources to the continuous expansion of channels of communication with them. The existence of a transparent, open and mutual dialogue allows the Bank to understand the needs and desires of stakeholder groups and enables it to improve itself for them and to offer them targeted and accurate solutions.

Dialogue with the stakeholders takes place through digital tools, conferences, individual meetings and telephone calls with customers, employees, suppliers, social and environmental organizations, regulators and investors. The manner of identification of the stakeholders and the issues arising in the framework of the dialogue with them are detailed in the relevant chapters.

### › Main Channels of Dialogue with Stakeholders<sup>11</sup>

Stakeholder group	Dialogue channels
Customers	<ul style="list-style-type: none"> <li>Personal meetings with customers and with customers whose debt is in legal proceedings</li> <li>Customer satisfaction surveys</li> <li>"Leumi Blog" and Group Facebook pages</li> <li>Public Enquiries Bureau</li> <li>Customer conferences</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Leumi Share - in-house portal for employees</li> <li>Meetings between management and the employees' representative body</li> <li>Employee attitude surveys</li> <li>Meetings of the CEO and Division Heads with employees</li> <li>"Open Line" to Human Resources Division Management</li> <li>Tours and meetings of the President and Chief Executive Officer and Management in branches and area managements</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Suppliers portal</li> <li>Personal meetings with suppliers</li> <li>Suppliers and contractors conferences</li> </ul>
Social Organizations	<ul style="list-style-type: none"> <li>Personal meetings with representatives of social organizations</li> <li>Participation in forums and round tables</li> <li>Ongoing dialogue with community partners in the area of employee volunteering - voluntary associations, social organizations and welfare departments in local authorities</li> </ul>
Shareholders and Investors	<ul style="list-style-type: none"> <li>Investor relations website</li> <li>Conferences, group and individual meetings, personal conversations and quarterly conference calls on the subject of the financial statements</li> </ul>
Regulation	<ul style="list-style-type: none"> <li>Ongoing dialogue with the Association of Banks as the representative body of the banking corporations with the regulators</li> <li>Attending Knesset Committee meetings, conferences and meetings with the regulators</li> </ul>

11. G4-24, G4-25, G4-26, G4-27

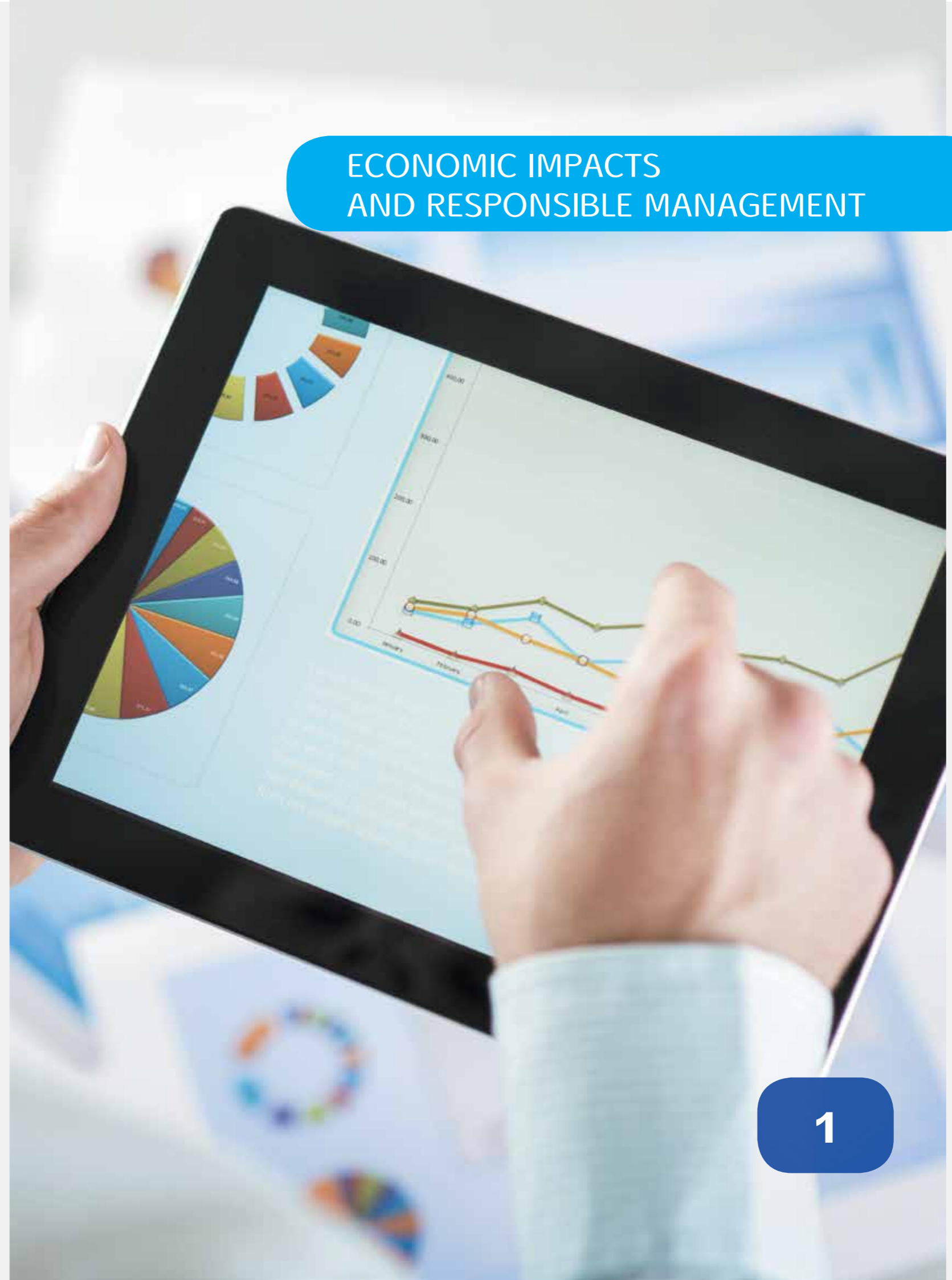


## MEETING PRESENT AND FUTURE OBJECTIVES

Company	Objectives set for end of 2014	Status	Explanation
	Publication of the Corporate Social Responsibility Report for 2013 at the A+ reporting level	+	In July 2014, the Group Corporate Social Responsibility Report was published at the A+ reporting level
Leumi	Continuation of treatment of gaps in material issues for stakeholders as arising from the materiality analysis	+	During 2014, the treatment of the differences identified in the materiality analysis was continued. Among other things, projects were carried out related to integration of environmental and social considerations in procurement, projects to help customers in trouble and more. In addition, validation was carried out of the materiality matrix and updated work plans were defined for treatment of current gaps.
	Implementing the G4 principles and preparations for reporting according to this format	+	In 2014 and early 2015 the reporting infrastructure was set up in accordance with the G4 guidelines. Among other things, an internal training program was prepared for corporate social responsibility leaders. The 2014 Report was written in accordance with the G4 guidelines.
	Initiating and supporting projects in conjunction with the business lines and staff units	+	Implementation of several joint projects and processes in the field of corporate social responsibility in the Bank unit's began in 2014, including implementation of CSR procurement processes and assistance programs for customers in debt.
	Objectives for execution by end of 2015		Main activities planned
Leumi	Initiating and supporting projects in conjunction with the business lines and staff units		Assimilating corporate social responsibility criteria in the supply chain (see chapter on "Integrating Socio-Environmental Considerations in Procurement") Employment placement program for customers in debt (additional pilot)
	Leading processes for advancement and assimilation of corporate social responsibility issues		Expansion of activities in issues identified as material Implementing annual reporting processes Expanding discourse in the organization and making the report accessible to employees, customers and investors
Arab Israel Bank	Maintaining the Platinum Plus ranking in the Maala 2015 Index		
Leumi Card	Promoting corporate social responsibility issues in procurement processes		See chapter on "Integrating Socio-Environmental Considerations in Procurement"
	Assimilating the vision and values of the company		Creation and implementation of activities on an organizational-wide and unit basis. See chapter promoting business ethics

+ Completed    + Partially Completed    - Not Completed

# ECONOMIC IMPACTS AND RESPONSIBLE MANAGEMENT



## ECONOMIC IMPACT ON ISRAELI SOCIETY

Leumi Group, as one of the largest banking groups in Israel, has expansive economic impact on the Israeli economy and the stability of the economy.



This impact is divided into two parts:

- Direct impact on the economy and society in Israel:** the impact stems from the Group being a leading financial entity in the economy, providing services to millions of customers, whose business success is related to the social and economic strength of the community in Israel. Also, as one of Israel's largest employers, the Group also has an impact on employees and their families - in terms of employment, maintaining their safety and health, in their professional and personal development, and in promoting employment in various sectors. The Group's impact is also reflected in the volume of its engagement with local and international suppliers.
- Indirect impact on the economy and society in Israel:** the impact stems from the payment of taxes to the State treasury, from financing of infrastructure projects, supporting growth sectors (such as small businesses and the conversion of factories to operating with natural gas), involvement in the capital market, from services with social and environmental value, local purchasing, hiring employees and from a financial contribution to the community.

Leumi Group, as an organization that works within the community, understands its responsibilities as a body that can empower the Israeli society, deal directly with the weaknesses in society, and strengthen the entities that can develop and implement appropriate solutions. Leumi Group is deployed throughout the country to provide the full range of its services and products to all its customers wherever they are.

Bank of the Year in Israel – The Banker Magazine, fifth time in the last ten years  
The Best Bank in Israel – World Finance Magazine, fourth consecutive year

### The Economic Value Created by the Bank in 2014

Below is a table showing the economic performance of Leumi Group for the years 2011–2014:

Economic performance	2011	2012*	2013*	2014
Net profit for the shareholders of the banking corporation (in NIS millions)	1,891	922	1,982	1,502
Basic net profit per share (in NIS millions)	1.28	0.63	1.35	1.02
Return on equity (%)	8.30%	3.80%	7.80%	5.50%
Dividend	0	0	0	0
<b>Profit and loss</b>				
Total Group revenue (in NIS millions)	11,282	12,182	12,874	12,536
Total operating expenses (in NIS millions)	8,341	9,120	8,892	9,311
Total expenses in respect of credit losses (in NIS millions)	734	1,236	268	472
Profit before taxes (in NIS millions)	2,207	1,826	3,714	2,753
Total tax expenses - consolidated (in NIS millions)	418	800	1,397	1,281
Net profit attributed to shareholders of the banking corporation (in NIS millions)	1,891	922	1,982	1,502
Operating efficiency ratio (ratio of operating expenses to operating income (%))	73.9%	74.9%	69.1%	74.3%
Capital adequacy ratio (Tier 1) (%) - Basel II (in 2014 - Basel III)	8.07%	8.55%	9.32%	9.21%
<b>Assets</b>				
Total assets (in NIS billions)	366	376	375	396
<b>Operations</b>				
Number of branches in Israel	269	278	274	268
Salary expenses (including provisions for pension) (in NIS millions)	5,061	5,310	5,133	4,968
Average annual salary to employee position including bonus (in NIS thousands)	217.2	220.2	245.4**	225.3
Annual cost of salary of the Chairman (in NIS millions)	3.12	3.30	5.24	3.08
Annual cost of salary of the President & Chief Executive Officer (in NIS millions)	6.04	5.16	6.29	4.13

\* Restated pursuant to a change in accounting method for accumulating employee rights. For further information see the financial statements for the year 2014, Note 1.R.

\*\*Data for the year 2013 include the effect of the cost of employees of Bank Leumi Mortgages that was merged with Bank Leumi

## › The Economic Value for the Stakeholders

Below is a table showing the economic value created for the stakeholders of Leumi Group for the years 2013-2014:

Creating value for the stakeholders		Total in NIS millions	
Customers		2013	2014
Total credit		283,793	311,551
Private customers	Household credit	106,698	116,578
	Of which: mortgages	69,422	75,125
Businesses (small, medium and large businesses)	Credit	133,575	135,417
Participation as distributor or underwriter of issues through the subsidiary company Leumi Partners Underwriters	Value of issues	About 16,500	About 14,000
Credit provided to different sectors of society in Israel and abroad			
Infrastructure*	Credit	25,178	27,592
Industry	Credit	23,603	23,304
Commerce	Credit	23,005	24,547
Agriculture	Credit	1,825	1,939
Public and community services**	Credit	7,848	9,277
Employees			
Salary expenses (including provisions for pension)		5,133	4,968
Shareholders			
Return (net profit attributed to shareholders of the banking corporation)		1,982	1,502
Dividends distributed		0	0
Society and community			
Tax expenses		1,397	1,281
Percentage of tax provision from the profit before taxes		37.6%	46.5%
Donation to the community		25.6	29.4

In 2014, the Group did not receive any government support, except for a tax credit in respect of donations to the community.

\* Infrastructure construction, electricity, and water

\*\* Public and community services – hospitals, health services, social services, educational institutions and universities, community centers, sports bodies, museums and more.

## The Economic Impacts of Leumi Group by Selected Segments

### Strengthening Households and Individuals

Leumi Group provides services to households and individuals through the Banking Division at Leumi, the Arab Israel Bank, through Leumi Card, and through Leumi Private Banking. The Group offers these customers advanced banking services tailored to their needs, while creating a multi-channel customer experience – in branches, call centers, internet, mobile, Leumi information kiosks, and ATMs.

Retail Banking works at continually improving the level of service and at tailoring value proposals to customer needs according to the stages in the life of the customer. The main products supplied to this population segment are checking account services, deposits and savings, consumer credit, credit cards, mortgages, investment

counseling and pension counseling.

As part of the value proposals and services to these customers, Leumi Group offers credit channels at preferential terms for special sectors such as students, youth, and more.

The total of credit to households and individuals at the end of 2014 was NIS 116.6 billion, of which housing loans totalled NIS 75.1 billion.

Deposits from households and private customers in Leumi Group at the end of 2014 totalled approximately NIS 150.3 billion.

### Strengthening Small and Medium Businesses

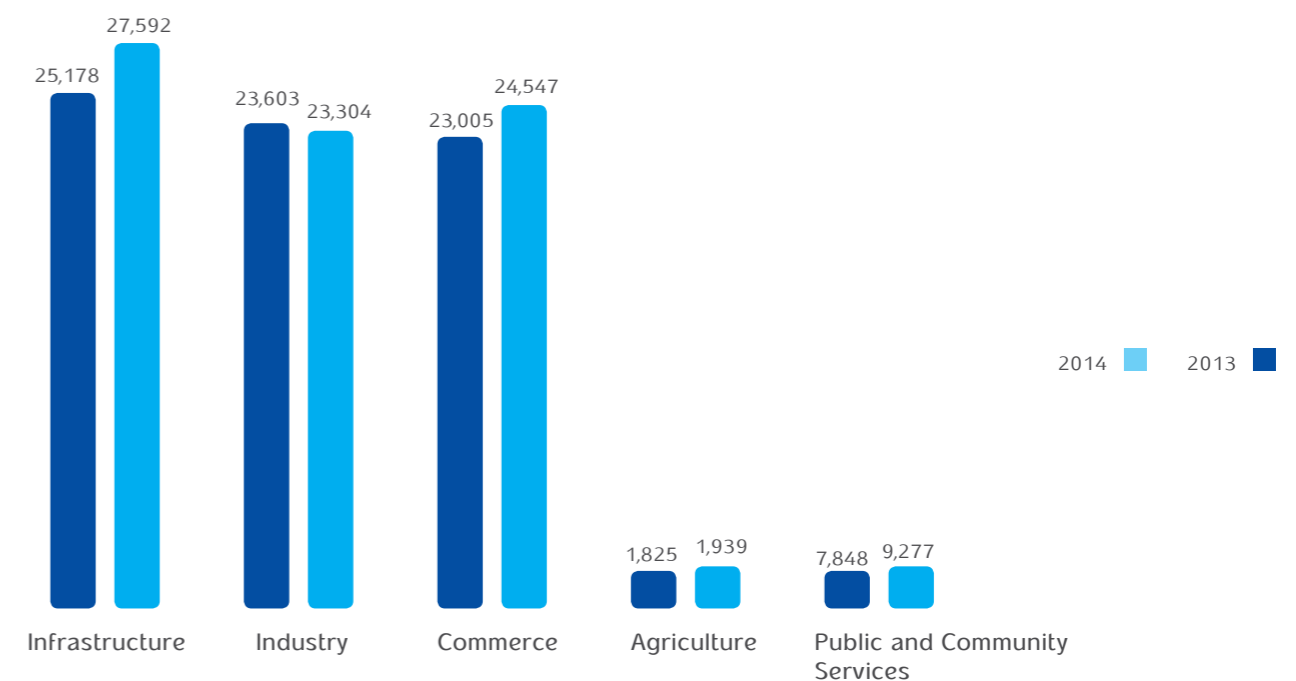
99.3% of businesses in Israel (514,000 businesses) belong to the micro, small, and medium

business sector, as defined by the Government of Israel<sup>12</sup> and it is one of the growth engines of the Israeli economy. This sector provides work for 1.34 million people in Israel and is responsible for 49% of GDP<sup>13</sup>. Strengthening the survival of small and medium businesses is important to strengthen the economy and support the young population, the weaker sectors, and the peripheral areas.

Small and medium businesses sometimes face bureaucratic difficulties, lack of managerial knowledge and limited access to credit. Many small and medium businesses find it difficult to cope with conventional credit tracks due to lack of capital or appropriate financial collateral.

In 2014, Leumi Group continued to focus on these businesses and

## › The Changes in the extent of credit provided to different sectors of society (NIS Millions)



12. Data for 2013, Central Bureau for Statistics, Annual Statistical Report 2014, Table 18.3

13. As of 2011 from: Periodic Status Report regarding Small and Midsize Businesses in Israel, the Small and Midsize Businesses Authority, September 2014 (<http://sba.economy.gov.il/about/researches/pages/sba-israel2013-2014.aspx>)





# 76.7

**NIS 76.7 billion**

The total cumulative credit provided to small and midsize businesses at the end of 2014

initiated a number of measures in favor of this sector, including the Business School - see page 60.

Alongside the range of services and credit tracks, Leumi Group also offers unique tracks and benefits for small business entities operating in peripheral areas and organizations engaging in social activities

Total credit provided to small businesses at the end of 2014 was approximately NIS 24 billion and the total credit extended to the mid-sized business sector (commercial) at the end of 2014 was approximately NIS 52.6 billion. A total cumulative of NIS 76.7 billion.<sup>14</sup>

Deposits of small and medium businesses in the Leumi Group at the end of 2014 amounted to NIS 92.8 billion.

#### Strengthening Large Businesses

Leumi Group provides banking and financial services to the leading corporations in the economy, including corporations in areas such as construction and real estate, infrastructure, industry, transport, chemicals and technology. The ability of the Group to provide financing and services to these corporations has made a crucial contribution to the growth of the economy.

The services given include, among other things, ongoing financing according to the customers' needs, financing investments to maintain and expand operations, providing solutions in the area of finance and international trade, financing and supporting national and international projects, financing mergers and acquisitions, organizing syndicates, financial instruments to hedge against currency risks, interest risks and changes in commodity prices, investment services and capital market activities.

Total credit provided to the large business segment at the end of 2014 was NIS 58.8 billion.<sup>14</sup>

Deposits of large businesses in Leumi Group at the end of 2014 amounted to NIS 27.8 billion.

#### Strengthening Israeli High-Tech

The high-tech sector in Israel accounts for about 20% of GDP and 30% of exports. Every year there are 5,000 companies working in high-tech and 500 new companies are established. However, most of the high-tech industry relies on foreign capital and most of the financing is equity. Leumi identified the need for available Israeli capital to serve as a complementary source of funding available.

In recognition of the Israeli high-tech industry as a growth engine of the Israeli economy, Leumi decided to expand its activities in the industry as part of the Group's strategy. For this purpose, Leumi established Leumi-Tech - a wholly owned subsidiary of Bank Leumi Le-Israel, whose sole purpose is to promote the financing and development of the high-tech industry in Israel and abroad, while focusing on providing large-scale credit, for development of products and software tailored to the industry and to establish it as a focal point, and for the supporting and adoption of new technologies.

Leumi-Tech offers companies an envelope of solutions adapted to their needs; global support in high-tech centers worldwide in Silicon Valley (Palo Alto), New York and London; dedicated teams that are well-acquainted with the industry and the financial needs of companies based on their type and their current stage of business. These teams help companies address the challenges facing them. In addition to financial tools, Leumi-tech works in partnership with the main players in the industry to maximize the benefits it can provide to companies.

#### Strengthening the Capital Market

The Group's activity in the capital market includes investment consulting and pension consulting to retail customers, investment counseling for customers of the Corporate and Commercial Division, brokerage in securities, including activities carried out through the Israeli and foreign securities dealing rooms, activity of customers in the foreign currency and derivatives area with market-making in the foreign currency and derivatives dealing rooms; banking and financial services for entities active in the capital market, and brokerage and custody services.

Through the activities of the Capital Markets Division and Leumi Partners, the investment arm of the Leumi Group, Leumi Group helps its customers manage risk and build up their activity, creating growth opportunities for companies in the different stages of the business, and supporting mergers and acquisitions. In addition, Leumi Partners is engaged in management and underwriting of offerings (private and public) of securities in the Israeli capital market.

In 2014, Leumi Partners Underwriters, a subsidiary of Leumi Partners, participated in public offerings totalling about NIS 14 billion, and led about 23 public offerings totalling about NIS 4 billion. In the 2014 ranking of underwriting companies of Globes and DUN'S 100, Leumi Partners Underwriters came second among underwriting companies in Israel and was responsible for 17%<sup>15</sup> of the total of large offerings.

Deposits of institutional and financial customers in Leumi Group at the end of 2014 amounted to about NIS 32.5 billion.

#### Relationship with Shareholders and investors

The relationship with shareholders and investors is maintained through regular updating of the Investor Relations website, through conferences, group and individual sessions, personal conversations and quarterly conference calls regarding the financial statements.

From the dialogue that took place with investors, the following material issues arose:

- **Excellence in financial performance** - Achieving leading risk-adjusted financial performance over time that meets the expectations of shareholders and creates added economic value for all stakeholders.
- **Corporate social responsibility** - more and more institutional investors take into account social and environmental criteria when considering the possibility of investing in the company. Sometimes, institutional investors will begin the review process only after ensuring that the company survey meets clear criteria of corporate responsibility.
- **Upgrading operational excellence** - achieving savings, streamlining and optimization by the allocation of organizational resources in order to achieve the goals.



In the 2014 ranking of underwriting companies of Globes and DUN'S 100, Leumi Partners Underwriters came second among underwriting companies in Israel and was responsible for 17% of the total of large offerings.

14. This credit does not include off-balance sheet credit and financial instruments.

15. Ranking of leading underwriters 2014, DUN'S 100

## PROMOTING BUSINESS ETHICS

Leumi is Israel's leading financial corporation and as such has a significant impact on the social and economic fabric of the country. This realization led to Leumi's worldview and the norms to which it is committed. "Leumi Way", the Leumi Code of Ethics, was formulated in 2005 and was the first written code of ethics in the banking system in Israel.

"Leumi Way" is an expression of Leumi's values and the spirit of the organization since its founding; constantly striving to comply with the highest criteria of ethical, moral and responsible conduct with all its stakeholders. Leumi believe that an inspiring corporate culture and a high level of ethical behavior are essential components necessary for the success of the organization. On this basis, we must examine constantly the changes in the social and business environment to outline the desirable directions for the Group and ways of proper behavior.

The Group operates in accordance with its defined Vision, Code of Ethics and Core Values. The code obligates all those involved in working for the Group: Members of the Board of Directors, Management and all employees - and is assimilated in all units of the Bank, depending on the nature of their activities.

Leumi Group has to deal sometimes with issues of conflict of interests in business and with customers. The Group takes steps to identify in advance the possibility of situations of conflicts of interest and prevent their happening. In all cases of concern of conflict of interests, employees are instructed to act in accordance with Leumi procedures on "Prohibition of Existence of Conflict of Interests".

The area of ethics is managed by the Training Sub-Division, which is responsible for implementing the code of ethics, for training on the subject, for managing the Ethics Hotline, for publishing ethical dilemmas and distributing materials. The Training Sub-Division is also responsible for the Head Ethics Committee - a cross-group body that meets twice a year. Ethics representatives of Group units report to the

Head Ethics Committee on the dilemmas arising in the units. The Committee reports to Management, discusses the dilemmas, and makes recommendations.

### Initiatives to promote business ethics

#### Leumi

- **Implementation of the Code of Ethics in all units:** Leumi employees participate in cross sectional activities related to the field of ethics on an annual basis. In addition, specially adapted activities are held in Divisions and units. In 2014, the Code of Ethics was launched and implemented in all units so as to encompass most of the employees, through a virtual discussion forum on the subject of values and their meaning. Some 4,200 employees and managers, led by Leumi Management, participated in forum discussions.

Launching the Code of Ethics was also carried out at Division level in conferences on the subject of the work plan and at the entire Group level at the Managers' Conference by the President and Chief Executive Officer. After the launch, Division heads were instructed to formulate plans for implementation in the Divisions: in each Division, one of the five core values was selected as a value on which the Division will focus, and implementation activities were conducted on assimilating the vision and values. At the beginning of 2015, a mandatory online tutorial was distributed on the issue, and all the managers in the organization chose the outstanding employees in implementing the vision, serving as a model for value-based

behavior that promotes the Leumi Vision. In addition, the subject was integrated in employee surveys and in processes for evaluating employees.

- **Integrating training programs:** The issue of ethics is integrated in training programs and in orientation days for new employees in the organization. In early 2015, a short video tutorial was produced on the subject.
- **Development of charters derived from the Code of Ethics for relations with stakeholders:** In the spirit of the Leumi Code of Ethics and with participation of professional units, documents and charters have been developed in recent years to regulate the desired behavior in specific areas of activity of the Leumi Group. In this context were developed a code of ethics for investment consultants, a charter for relations with suppliers, a pension consulting charter, a charter for conduct in social networks, a charter for ethical conduct in the internet environment in Leumi, and a reserve soldier's charter.
- **Appointment of ethics trustees in the units:** Every unit in the Bank appointed an ethics representative, who is responsible for the preparation of an annual work plan and its implementation. In addition, divisional ethics committees were established, headed by an ethics representative, whose job is to discuss intra-divisional ethical issues.
- **Ethics Hotline:** The Ethics Hotline is available to employees by phone or email and they are welcome to contact it, anonymously or openly, for advice on ethical issues. The

Hotline is committed to reply to the applicants within 24 hours in order to receive more information about the call.

#### Arab Israel Bank

Arab Israel Bank employees participate on an annual basis in cross sectional activities in the field of ethics in coordination with Leumi. At the same time, special activities are held in sub-divisions and branches.

In 2014, all branch and sub-division managers were given guidance in conveying the five core values to employees. In addition, branch ethics trustees were selected to serve as a source of knowledge in the field of ethics and helped to assimilate it.

At the beginning of 2015, a mandatory online tutorial was distributed on the code of ethics, and was carried out by 88% of the employees.

#### Leumi Card

- **Formulating a new vision:** During 2014, Leumi Card's management led a process of re-examination of the Company's vision and values. As a result of this action, a new corporate vision was formulated for the Company and Company values were rewritten. The new vision and values were approved by Company Management and the Board of Directors of Leumi Card. The Code

of Ethics will be updated and re-launched during 2015

- **Creating an ethics dialogue within working groups:** Leumi Card employees participate on an annual basis in cross-organizational activities on the issue of the code of ethics and on the subject of the prevention of conflict of interests. Training programs include the use of digital measures and frontal encounters. In 2014, as part of the review process of the Company's vision and values, employees and managers participated in focus groups in which the Company's values and the gaps to be bridged in this context were discussed.



Employees have several channels available for inquiries and reporting on ethical matters: The “hotline” for leaving voicemail anonymously, sending an anonymous letter, anonymous reporting on a form linked to the organizational portal, and sending email to: whistleblower@leumi-card.co.il (this option is not anonymous).

**Performance**

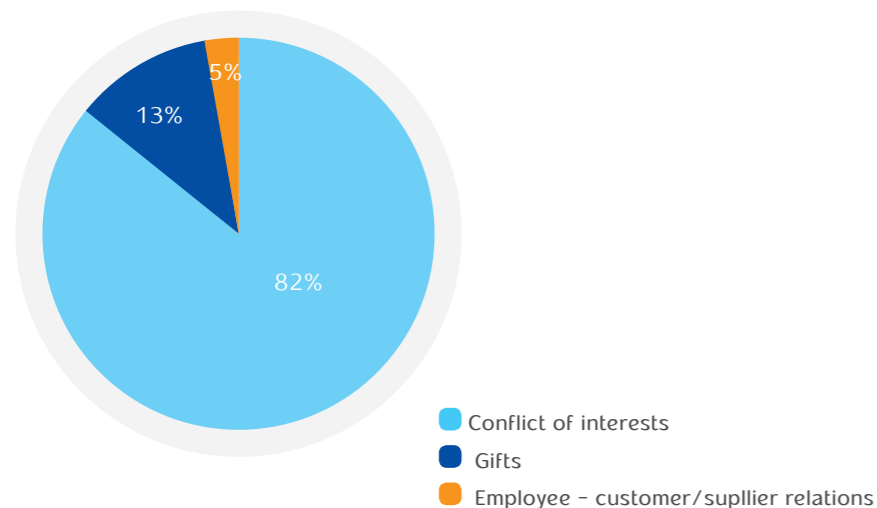
**Implementation of the Code of Ethics:** In 2014, the revised Code of Ethics was distributed to all employees in Leumi and the subject was addressed by the President and Chief Executive Officer in the Managers’ Conference and other events throughout the year. More than two thousand employees participated in frontal training on the Code of Ethics (“Conversation with Value”), and 66% of Leumi employees carried out a tutorial on the subject. Assimilation activities were held throughout the year in all the units of the Group.

In total, at least 80% of Leumi employees took part in various assimilation activities.

**Ethics Hotline**

During 2014, the Leumi Ethics Hotline received 45 inquiries, most of which were made for advice on issues related to conflict of interests, as detailed in the chart below.

› Distribution of calls by Bank Leumi to the Ethics Hotline in 2014



**MEETING PRESENT AND FUTURE OBJECTIVES**

Company	Objective set for end of 2014	Status	Explanation
Leumi	Launch and implementation processes for “Leumi Way - Vision, Core Values and Ethics” for all the Bank	+	Assimilation processes were carried out at the entire Group level and at the unit level.
Arab Israel Bank	Adapting the Group Code of Ethics to the organizational and cultural reality of the Bank and its assimilation among employees	+	In 2014 operations were performed in assimilating the Group Code of Ethics among Bank managers and employees
Leumi Card	Formulation of a new remuneration policy pursuant to new directives of the Banking Supervision Department	+	
	Refreshing the Leumi Code of Ethics in the spirit of the revised Code of Ethics of Leumi	+	During 2014, Leumi Card’s management led a process of re-examination of the Company’s vision and values. As a result of this action, a new corporate vision was formulated for the Company and Company values were rewritten. The new vision and values were also approved by Company Management and the Board of Directors of Leumi Card
Leumi Partners	Launch and assimilation of the revised Code among employees	+	Launching the new vision and Company values for the employees took place in March 2015. The Code of Ethics will be updated and re-launched during 2015
	Continued cooperation with the Leumi Ethics Team and formulation of a plan to assimilate the new Code	+	A representative was sent to the forum and training as part of the formulation of a plan for assimilating the Code
The Trust Company	Holding quarterly meetings on ethics with participation of all company employees	+	
		Objective for execution by end of 2015	Main activities planned
Leumi		Continued assimilation processes of the “Leumi Way - Vision, Core Values and Ethics” for the entire Bank	
Arab Israel Bank		Working meetings with the CEO and Vice President of Human Resources	Eight meetings with participation of eighty to one hundred employees, as part of the assimilation process of the “Leumi Way”
Leumi Card		Launch and implementation processes for the vision, core values and code of ethics of Leumi Card for all employees of the Company	<ul style="list-style-type: none"> <li>The launching of the Company’s vision and values in the 2015 Working Plan Conference</li> <li>Launching the updated Code of Ethics</li> <li>Implementing training and intra organizational communication activities</li> </ul>
Leumi Partners		Defining a new code of ethics in the spirit of the “Leumi Way” in accordance with the Company’s activities	
The Trust Company		Semi-annual meeting of Company employees on ethics	

+ Completed + Partially Completed - Not Completed



**Leumi aspires to manage environmental risk and to reduce it as far as possible, while maintaining ongoing dialogue and cooperation with its community of customers, out of an understanding that steps taken in this direction are long-term measures that benefit both customers and the general public.**

## RISK MANAGEMENT

Leumi Group, being responsible for managing other people's money, is committed to act responsibly while minimizing all kinds of risks. Leumi is engaged in a wide range of financial activities involving the taking of risks. Management of these risks is a prerequisite for meeting the long-term goals of the Group. The main objective of risk management in Leumi is to maintain the stability of the Group and compliance with the risk appetite, as determined by the Board of Directors. In addition, the goal of risk management is to support the achievement of the business objectives, while working constantly to upgrade the infrastructure of risk management and analyze the risk picture, enabling informed decision-making and expansion of its operations.

The main responsibilities of the Risk Management Division include deciding the risk policy of Leumi for all essential risks, assisting the Board of Directors in formulating limits to the risk appetite of the Group, making an independent analysis during strategic decision making and approval processes for new products, and creating an overall and current picture of the risk so as to make decisions in real time.

Methods and working practices in the field of risk management in Israel and abroad are reviewed and updated regularly, taking into account the changes occurring in the business environment, as well as the guidelines and requirements of the Bank of Israel and other regulatory authorities in Israel and abroad. The main tools used in risk management are: determination of the risk appetite, defining, inter alia, policy and risk limits for each type of risk; determination of work processes for analyzing and managing the risk at the level of the individual transaction and at the portfolio level; preparation of periodic reports for risk assessment, on the basis of quantitative and

qualitative indicators of Leumi's portfolio and with reference to changes in the environment in which the Bank operates; implementation of potential scenarios of varying severity assessment of potential losses and their impact on Leumi. Based on these scenarios, performed at both the overall level of Leumi and specific types of activities and risks, an action plan is defined for dealing with risks.

The overall assessment of risks for Leumi, and at the level of an individual transaction carried out, is based on many structured methodologies. Some of these methodologies are based on expert assessments in each area of activity, and others based on historical data and various types of statistical models. Changes in the risk environment globally and in Israel, and changes in the perception of risk, require Leumi to update its estimates and methodologies that it uses, while constantly challenging all parties involved.

The Chief Risk Officer, who is a member of Management of Leumi and Head of the Risk Management Division, is responsible for managing

the risks of the Group, apart from legal risks, which is under the responsibility of Leumi's Legal Advisor, and reputational risk that is led by the Head of Marketing. The Risk Management Division is an independent entity with an overall perspective that is involved in decision-making on a real-time basis.

Reporting to the Chief Risk Officer are managers of credit risks, market risks, operational risks, return risks, and the Head of Compliance. Risk managers in the subsidiaries in Israel and offices abroad report on a professional level to the Chief Risk Officer.

The Board of Directors of Leumi determines the risk appetite, the criteria for risk assessment, and the framework for working on an ongoing basis. The Board of Directors carries out ongoing monitoring and supervision of the execution of policy and risk developments, both in plenary sessions of the Board of Directors and in the sub-committees designated for the various risks, the Risks Committee and the Audit Committee.

### Environmental Risk Assessment

Leumi aspires to manage environmental risk and to reduce it as far as possible, while maintaining ongoing dialogue and cooperation with its community of customers, out of an understanding that steps taken in this direction are long-term measures that benefit both customers and the general public.

In compliance with the 2009 Directive of the Supervisor of Banks, Leumi updated its credit policy in terms of managing environmental risk, and drew up a methodology in this area. The methodology deals

with the analysis of the levels of risk characterizing different customers in accordance with their sphere of business, level of assimilation of internal policy to reduce environmental risk, and customer compliance with the various legal and regulatory requirements in this regard. The element of exposure to environmental risks is currently presented as part of the totality of risks that are taken into consideration in the Bank's decisions involving extension of credit.

Since the assimilation of a process of identifying and managing environmental risk in credit activity

involves a change in organizational culture, training has been held for a series of key sectors involved in credit in Leumi, with the aim of raising awareness of this issue.

### Leumi Card

The Credit Policy Document of Leumi Card stipulates that the company shall not finance activities resulting in a significant increase in exposure to environmental risks.

## COMPLIANCE

**Leumi Group is subject to a wide range of domestic and international laws, orders and regulations, including directives of the Supervisor of Banks. In accordance with the organizational culture of Leumi Group, compliance with legislation is incorporated in various work processes.**

The Group assimilates procedures relating to what is permissible and what is prohibited for its employees in their duties, and preventing abuse of position or authority to obtain benefit or personal gain. All Leumi Group employees are responsible for understanding the professional, legal and ethical issues in their field and for the proper behavior this entails.

The subject of compliance is the responsibility of the Chief Compliance Officer of the Leumi Group, who reports to the Chief Risk Officer of the Group. The Chief Compliance Officer is also responsible for preventing money laundering and financing of terrorism and serves as head of enforcement of securities laws. The Chief Compliance Officer assists the Board of Directors and Management to discharge their duties, comply with and maintain the provisions of consumer legislation in various areas, including the prohibition of money laundering and terrorist financing, securities law and international regulation, within the provisions of the FATCA (taxation

of US customers) and the 'declared money' policy. He is also a partner in the formulation of work processes, developing new products and advising on complex transactions.

**The Group's commitment includes a focus on a number of levels:**

- **Prohibition of Money Laundering and Financing of Terrorism:** Banks and other financial institutions are often used to carry out actions aimed at money laundering and / or transfer of funds to terrorist organizations, and hence the important role of the banking system to prevent them. Leumi acts in accordance with the relevant legislation.
- **Declared money policy:** The Bank has adopted a "Declared Money Policy" which purpose is to deal with and mitigate the risks arising from the possibility that the funds managed and received by the Group are not reported as required by the tax authorities in the country of tax residence of the customer. In addition, under the aforementioned policy, a

risk-oriented plan was defined for treatment of new and existing customers of the Bank, in order to obtain information that their money has been declared or is in the process of declaration.

- **Reducing or Avoidance of Business Activities:** In the framework of the Group's risk management and compliance policy, several areas of activity have been defined where Leumi aims to reduce or refrain from business activities. These include, among other things, diamond trade, gambling, Bitcoin and pornography.



**Leumi sees every one of its employees as a partner in the proper management of the bank. Accordingly, Leumi expects all unusual action to be reported immediately by employees to their managers. Each employee, at all levels, can contact and report any unusual activity related to banking work**

## PREVENTING BRIBERY AND CORRUPTION

**Taking action against bribery and corruption:** The Leumi Group is subject to regulation against bribery and corruption in every country in which it operates. Group employees are forbidden to offer, guarantee, accept, or grant payment or any other item of value, including employment opportunities, including employment opportunities, in order to influence the recipient to perform any official act or refrain from it, in order to cause the recipient to engage in business with Leumi Group and / or to gain an unfair competitive advantage. The system for engagement with suppliers is based on price, quality, availability, reliability, service and terms. Leumi Group makes every effort to avoid discrimination among suppliers, along with maintaining the best interests of the Group, ensuring confidentiality of the information that the suppliers provide and making decisions on an objective and impartial basis.

**Systems for monitoring and prevention of fraud and embezzlement:** Leumi Group has various systems, in the

relevant units, which monitor and track incidents of fraud and embezzlement regularly. When this type of event is discovered in Leumi an investigation is performed, conclusions are drawn and systems are amended accordingly. Incidents are reported to the Bank of Israel, and if necessary to the Israel Securities Authority and the Israel Police. If wrongdoing of customers occurred, the Bank will work with them to restore the status quo ante.

**Prohibition on accepting gifts and benefits:** The Group maintains a strict procedure prohibiting gifts and benefits from customers, suppliers and / or any other parties with whom the Group has working relationships. Giving gifts, benefits or special terms to customers will be made only in accordance to the Bank policy, by those authorized to do so after due judgment. In any case of doubt, a consultation with and approval of the commissioner is needed.

### Initiatives to prevent corruption, fraud and embezzlement

#### Leumi

**Internal Audit:** The Internal Audit Division is responsible for auditing all of the Leumi Group, in all of its units in Israel and abroad, in accordance with a multi-year work plan, helping the Group in achieving its objectives. Audit sees its mission as an aid to the proper and effective operations of the Group, represents a management tool for supporting the managerial backbone of the Bank, and assists the Board of Directors and Management in fulfilling their responsibilities.

In accordance with Proper Conduct of Banking Business Directive No. 307, the Audit Division carries out an independent evaluation of the effectiveness of the Bank's internal control framework, in order to increase the value and improve the operations of the Bank and the Group. The functions of the Audit Division are:

- An integrity check of the Bank's operations concerning keeping the law, regulation, policy and procedures of the Bank.
- An examination of the carrying out of decisions and directives of the Board of Directors and its committees.
- Review and assessment of internal control systems and their effectiveness.
- An overview of the implementation and effectiveness of risk management procedures and risk assessment methodologies.
- A review of the steps taken to maintain the Group's assets, with an emphasis on savings and efficiency.
- Special inspections and handling complaints from employees in the context of unusual activity and the concern for impact on proper conduct or integrity.

**Operation of reporting channels:** Leumi sees every one of its employees as a partner in the proper management of the bank. Accordingly, Leumi expects all unusual action to be reported immediately by employees to their managers. In addition, each employee, at all levels, can also contact and report any unusual activity related to banking work through other channels such as telephone, email, mail, fax, and any other way available to him.

**Embezzlement and fraud risk review:** The issue of corruption is reviewed once a year as part of the embezzlement and fraud risk review by Bank units supported by the Risk Management Division. All units of the Bank, including its subsidiaries in Israel, were reviewed during 2014 in order to identify the risks associated with bribery and corruption. As part of the risk assessment on bribery and corruption, possible scenarios were analyzed. In every scenario, the quality of the existing control was examined in order to prevent it and set activities to minimize risk. In 2014, no material incidents of corruption, embezzlement or fraud were discovered except for an exceptional event of data theft and attempted blackmail.

**Implementation of FATCA guidelines:** As part of Leumi's commitment to proper conduct and assimilation of FATCA guidelines, an extensive campaign was undertaken in 2014 for employee training and implementation of the guidelines. The compliance function, in cooperation with the Training Center, initiated a move aimed at training employees, each according to his position, to act in accordance with the FATCA guidelines.

#### Bank Leumi UK (BLUK)

**Whistleblower protection** – The Bank is committed to maintaining high ethical standards. Bank employees are subject to a consistent policy under the “Whistleblower Law” (Public Interest Disclosure Act 1998 – “The Whistleblowing Policy”). The law provides for protection against dismissal and harassment for employees raising concerns of improper behavior such as corruption, crimes, and breach of duties prescribed by law.

In a letter distributed by the Human Resources Unit of the Bank, the main points of the Law were explained to employees and the relevant parties in the Bank to contact in order to report corruption. The Bank encourages its employees to contact Management and pledges to maintain the confidentiality of the applicant. The letter indicated other parties outside the Bank, who can be contacted if the applicant considers that an appropriate response was not given inside the Bank.

#### Bank Leumi Romania (BLROM)

**Obligation to report any suspected corruption:** Within the framework of maintaining responsible conduct, Bank employees are required to report to the Internal Audit Department any acts of corruption committed or that may be committed. Referral can be made both orally and in writing. The employee can choose whether to apply to the Head of Internal Audit directly, by email or by phone. Contact can be made anonymously by using a dedicated application. The treatment of a report is conducted in complete secrecy both by investigators and by Management. Information on whistleblowing may be found on the Bank's Intranet system, so that it is accessible to all employees of the Bank. In 2014, there were no reports on incidents of corruption.

### Business continuity and preparedness for extreme situations

As part of Leumi's preparedness for extreme situations, Leumi examined the potential consequences of an earthquake scenario, as sent by the Bank of Israel within the framework of reference scenarios defined by it. In addition to the potential consequences, the business and operational aspects of the scenario were practiced; an estimate was made of anticipated losses and the services and resources that could be affected within the framework of the event; measures were examined for maintaining continuity of service and actions were determined to minimize the damage.

The Bank's preparedness for an emergency scenario of this kind is good. An extreme event does not endanger the Bank's business, but its impact is significant: foreign currency liquidity in particular, provisions, earnings, capital, and also in terms of public and political pressure on banks.

In accordance with Bank of Israel directives regarding the objectives of essential services that Leumi is required to provide in an emergency (business continuity management, the Supervisor of Banks: Proper Conduct of Banking Business), deployment and drills were carried out in Leumi to provide the services required and the Bank is prepared to continue providing vital services to customers.

#### נתקלתם במעולה בלתי חוקית או שאינה אתית?

#### אל תתלבטו!

לכל עובד, בכל דרגה יש את הזכות ואת החובה לדווח על כל פעילות חריגה לפנהלי הישר או לגורמים אחרים בהנהלה במספר ערוצים: בטלפון, במייל, במכתב או בפקס.

באפשרותכם לבחור באם לפנות באופן בלתי אנונימי -  
אם פתחייכם לספק בכל פנייה באופן אפקטיבי, הוגן, אמין ובלתי חלוי!

הצגים לדעת עוד לגבי ערוצי הדיווח על פעילות חריגה?

**לחצו כאן**

בברכה, חסיבת משאבי אנוש

### Performance

#### Raising Awareness to the Prevention of Corruption

During the year, the issue of corruption was communicated to Group employees, managers and members of boards of directors as part of the communication activities of the revised Code of Ethics. In addition, the following was circulated to all Leumi employees:

- **Online tutorial on compliance and money laundering:** This tutorial outlines the actions, work practices and regulatory requirements that should prevent cases of corruption. 83% of Leumi employees successfully completed the tutorial.
- **Procedure for the prohibition of existence of conflict of interests:** Once a year, Leumi employees are required to declare that they are not in a situation of conflict of interests while performing their duties. In the event that the employee declares a conflict of interests, the issue is sent for review by their manager.
- **Online tutorial on the subject of FATCA:** 88% of Leumi employees successfully completed the tutorial.
- Information about the channels for reporting illegal or unethical activity.
- **Advisory Law:** Mandatory annual online tutorial on the subject of securities laws. 86.6% of employees successfully completed the tutorial.

## LEGAL PROCEEDINGS AND UNUSUAL EVENTS DURING THE REPORTING PERIOD

Incident of attempted blackmail: In November 2014, together with the Israel Police, an attempt was thwarted of blackmail led by a former employee of Leumi Card, who claimed that he had details of credit card data of the company's customers, and sought financial consideration for the same. This event was dealt with by the involvement of the Israel Police and the Bank of Israel from the beginning. As a means of control, monitoring was activated of all credit card transactions and no unusual activity was observed in the cards. At the same time, in accordance with procedures in such cases, the company prepared for various scenarios in order to prevent any damage to the customers. Throughout the event, the company was careful to avoid causing any damage to customers.

### Arrangement with the U.S. authorities

In 2011, the Bank was informed that an investigation was being carried out against the Bank Leumi Group by the U.S. Department of Justice (DOJ) in connection with the Group's activity with customers who are taxpayers in the United States (hereinafter: "the U.S. customers") of a suspected breach of Federal law in the United States.

As part of the investigation, the Group cooperated with the U.S. authorities in furnishing information and in the required procedural proceedings, according to that permitted under the law. As part of this cooperation, and in accordance with DOJ directives, an independent and comprehensive examination of the Group's activity vis-à-vis the U.S. customers was carried out by an international firm of accountants.

In 2014, the Bank was informed that, in addition to the aforesaid investigation, the Securities & Exchange Commission (SEC) also opened an investigation of a suspected breach by the Group of the securities laws in the United States, and an additional investigation was opened by the New York Department of Financial Services (NYDFS) in connection with the Group's activity regarding the U.S. customers.

On 22 December 2014, Leumi Group signed arrangements with the DOJ and the NYDFS, pursuant to which it admitted, inter alia, that from 2002 and until 2010, the Group had willingly assisted in the preparation and submission of false tax returns to the U.S. tax authorities in breach of US law.

In accordance with the agreements that were signed, Leumi Group paid

DOJ a total of \$270 million, without a criminal conviction or restriction on the Group's operations in the United States. In addition, Leumi Group paid NYDFS a civil monetary penalty of \$130 million. An investigation is pending by the SEC against the Group.

The arrangements relate to the responsibility of Leumi Group only and are in accordance with US law. The arrangements do not provide any exemption for officers or employees in the Group, past and present, and do not obligate the officers or employees of the Group.

Even before the completion of the investigations conducted against the Group, and as part of the arrangements signed with the said US authorities, Leumi carried out several key actions to meet the new regulatory requirements of the international private banking world.

#### These actions include, among others:

- Adoption and implementation of a strict "declared money policy" in order to ensure that new funds transferred to the Bank from various countries by foreign resident customers, are declared by the customers in their countries of origin. In addition, under the aforementioned policy, a risk-oriented outline plan was defined for dealing with existing customers of the Bank, to ensure that their money is declared or is in the process of declaration.
- Exiting international private banking operations, including the closure of most of the Bank's representatives outside Israel, the sale of operations of the office of the Bank in Switzerland and a decision to exit operations of the Luxembourg office.

- Development and implementation of an effective program to ensure compliance with the FATCA provisions, both in Leumi and in its subsidiaries, while assimilating internal controls to prevent potential abuses.
- Closing all accounts in Leumi Group of customers who refuse to sign the FATCA forms.
- Opening new accounts for US customers only if it is ensured that they are declared and will be subject to reporting to US authorities by Leumi Group.
- Appointment of an independent monitor in Bank Leumi USA (BLUSA) for a period of one year, whose role is to examine the Bank's compliance plan, including policies and work processes in this context, to ensure they meet the requirements of the law in the United States and the State of New York.

Leumi estimates that, as a result of the above actions, and mainly due to the adoption and assimilation of a "declared money" policy, the Bank's customers - most of them foreign residents - closed accounts and withdrew money from the Bank totaling over US\$ 3 billion, starting in 2011 until close to the end of the period of the financial statements of the Group for the year 2014.

More information on the subject may be found on pages 228-232 of the financial statements of Leumi Group for the year 2014.

In 2014, no fines were imposed on Leumi in respect of failure to comply with laws and regulations relating to services and products (Consumer Directives), except as part of a settlement with US authorities.

CREATING VALUE FOR CUSTOMERS



## LEUMI'S WAY OF DOING BUSINESS

Nowadays, the Israeli customer expects banking to be fair, available, accessible, and transparent. The customer has high consumer awareness and is in contact with other consumers, especially through social networks. The customer accesses information and uses services through a variety of digital and physical channels and expects a unified service experience through the various interfaces with the Bank. The customers are at the core of our activities: they expect professional, quality, courteous and efficient service, so that at the moment of truth we will be there for them – attentive with appropriate and useful value propositions.

Leumi customers are at the heart of the daily routine of the Group's employees. The various service standards enable the Group's employees to nurture and strengthen the relations with their customers and to build mutual trust, with the goal of continuing to be their preferred choice. Delivering a high quality customer experience is to understand the customer's needs, his individuality and to provide a customized basket of solutions and services without discrimination of any kind. The group is obligated to maintain a professional approach when verifying the customer's needs.

Fair, responsible and professional management of the customer's money, while understanding their needs and attending to their wishes, is at the core of Leumi's operations. In order to achieve this objective the Bank first and foremost maintains fairness and transparency. This year, as always, the Bank took various measures to comply with the principles that guide its operations in this matter:

- Creating a tailored customer experience.
- Maintaining transparency and providing all necessary information to customers about the products and services available to them.
- Maintaining banking confidentiality and the protection of customer privacy.
- Fair sale of financial products and services to customers.
- Maintaining the Bank's strict ethical principles, as well as preserving human dignity,

protecting privacy and refraining from discrimination and prejudices.

### Initiatives to preserve fair business

#### Leumi

**Commission-free track:** As part of the Bank's commitment to fairness, Leumi offers a variety of fee and account management tracks, allowing its customers to choose the value proposition best suited to them, particularly the unique service launched in 2012 - Leumi Total Digital - that enables independent digital account management via the Internet and direct channels, without direct channel commission fees and other benefits as outlined in the Bank's list of commission rates (customers will not be eligible for any additional, personal, sectoral, or other benefit).

**Fairness in capital market activity:** trading activity in the securities dealing rooms is carried out vis à vis customers who are associated to performing direct activity in each room, in accordance with the framework of the activity determined by the business person in charge of the customer in the relevant business line. As a general rule, customers associated to carrying out direct activity in securities in the dealing rooms are qualified customers as defined in the Investment Counseling Law, and possess a high level of knowledge and understanding with regard to the relevant capital markets.

Analysts in the securities dealing rooms prepare micro and macro reviews and analysis on Israeli and foreign securities. This analysis is

intended for the use of qualified customers as defined in the Investment Counseling Law. In addition, the dealing rooms provide a solution to the Bank's branches in performing broker deals in Israeli and foreign securities on behalf of customers who are not directly linked to this activity.

Traders in the dealing rooms uphold the rules of fair competitiveness and respect for competing entities - banks and non-bank brokers. Furthermore, traders in the dealing room are highly cognizant of all the regulatory rules and the rules of professional ethics. These issues are given emphasis and managerial attention by all relevant entities - the Head of the Capital Markets Division, the Manager of the Securities Trading Department and managers of the dealing rooms.

**Fairness in capital market consultancy:** Investment consulting at Leumi is done professionally and objectively, in accordance with customers' needs, and subject to all relevant provisions of the law. Leumi's consultancy always places the best interests of the customer as its top priority and operates according to high professional standards. Leumi constantly aims to minimize potential conflict of interests of investment consultants vis-à-vis their customers, and in cases where it is impossible to completely eliminate conflict of interests, the customer is fully disclosed in this regard. Leumi investment consultants operate professionally and with full transparency in accordance with the Bank's Code of Ethics for Investment consultants and in line with "Leumi's Way".



**Fair, responsible and professional management of the customer's money, while understanding their needs and attending to their wishes, is at the core of Leumi's operations. In order to achieve this objective the Bank first and foremost maintains fairness and transparency.**





**Code of Ethics for investment consultants:** In 2011, Leumi became the first in the Banking system to launch a code of ethics for investment consultants. The code, based on "Leumi's Way" sets out clear rules of operation regarding what is permitted and prohibited for consultants, and reflects the uniqueness, the sensitivity and the complexity of the investment consulting profession. The code helps the consultant prepare for providing personalized service to customers, with sensitivity and caution in managing their money, insight into their specific needs, presenting the full picture, with transparency and sensitivity to a conflict of interests. The Arab Israel Bank also implemented the Code of Ethics for investment consultants.

**Fairness in advertising:** Prior to all advertising, the legal advisors examine its integrity, including in relation to regulatory requirements, reputation and ethical considerations.

### Initiatives to improve the customer experience

Leumi believes that the creation of high quality customer experience is based on a deep understanding of the customers' needs in general and particularly in moments of truth. This understanding of the customers' needs, through listening and in-depth questioning, allows the Bank to provide customers with high quality professional service,

offering them the financial solutions best suited to them. Leumi invests considerable effort in providing its customers with service when and where they require it, and continuously improves accessibility to customers across all channels (branches, call centers, website and Leumi App). Leumi believes that its duty is to be pro-active with customers and reach out to them when identifying financial solutions that are suited to them.

### Leumi

**Products and services to improve the customer experience:** In 2013, the Leumi Group launched a number of innovative services, aimed at improving service and the customer experience. During 2014, additional services were launched.

These services enable households and small business customers to save time and help them manage their accounts sensibly and with an awareness of important events in the account. These services include, for example, mobile check deposits, a quick account balance check, a SmartWatch app, mobile cash withdrawal, fully opening of an account on the Internet, identification questions for business customers, a call center for businesses, a service for booking a return call and saving a place in the queue in Leumi Call, an automatic service to assist customers in carrying out transactions on the website, and more.



Leumi Trade: "Best capital market website" - Webi Awards competition 2014 for the ninth consecutive year.

Leumi Trade: "The website with the best usability and customer experience in Israel" - Webi Awards competition 2014, for the second consecutive year

Leumi: "The organization with the best digital platform in Israel" - Webi Awards 2014



#### Mobile Check Deposit:

Customers can deposit a cheque using their cellular phone without the need to go to the branch.



#### Leumi App:

The removal of an identification field. It is now possible for customers to enter their account after two identification fields instead of three, with the aim of improving the customer experience.



#### Cash by Mobile:

Cash withdrawals via a cellular phone instead of a card



#### SmartWatch:

A smartwatch app allowing customers to view current account balances and credit card debits (up to five cards) and to receive alerts relating to their account (depending on the customer's "Leumi on Time" service package).



#### Instant Balance Check:

Customers can check their account balance on their cellular phone without going into their account and without the need for identification.



Cash withdrawals without a card via SMS

**The digital assistant:** An innovative service that helps Leumi customers manage their bank account on the Internet and on their mobile phone. The personal digital assistant reminds and updates customers, inter alia, on events in their accounts, without having to register to the service and at no cost, thereby saving time and facilitating the management of the customers' bank account.

**Israel Arab Bank**

In 2014 the digital cellular service was updated to improve the customer experience; the Bank's call center service for customers was also upgraded.

**Leumi Card**

Customer surveys on specific

topics: In 2014 periodic customer satisfaction surveys included, for first time, specific reference to processes performed by customers, such as password recovery, website registration, receipt of a card, etc. These surveys are designed to obtain feedback on the processes defined as important to the company regardless of specific interaction with a representative, with the purpose of improving and streamlining them.

**Cooperation and Dialogue with Customers**

**Dialogue with customers in the digital media and on social networks**

Leumi's activity on social networks and in digital media channels

is based on the principles of accessibility and availability to the customer, inviting dialogue, openness and transparency. Activity in digital media channels allows the Leumi Group to conduct direct and continuous dialogue with customers, include them in processes, understand the issues that are significant to them, and act accordingly. These measures help to increase the trust between the Group and its customers.

Leumi customers can express their opinion and refer to the products and services of the Bank, offering ideas for streamlining and development, and consult with experts in designated blogs and in the financial arena, all done quickly, openly and without the need for intermediaries.



**+ 100,000 surveys**

In 2014, about 100,000 initiated surveys were conducted that monitored the satisfaction of Leumi customers with the service they receive in the branches.

**Customer Satisfaction with the Service**

In 2014, about 100,000 initiated surveys were conducted that monitored the satisfaction of Leumi customers with the service they receive in the branches. The surveys use different metrics, in accordance with customer type and the topics under Leumi's focus. For example, this year, under examination were Leumi's availability to its customers; its response time to customers' queries; its initiative, flexibility, understanding and familiarity with its customer's needs; personal attention; the professionalism of its bankers etc.

The following table sets out the results of the overall satisfaction survey (on a scale of 0-10)

Unit	2011	2012	2013	2014
Bank Leumi - Banking Division	8.54	8.46	8.51	8.86
Bank Leumi - Leumi Call	8.89	8.88	9.02	8.67
Bank Leumi - Leumi Direct	8.23	8.3	8.25	8.13
Bank Leumi - Corporate	9.13	9.06	8.74	Not yet conducted
Bank Leumi - Construction and Real Estate	8.93	9.24	9.32	9.14
Bank Leumi - Commercial	9.1	9.09	9.04	9.05
Bank Leumi - Private Banking in Israel	8.49	8.56	8.35	8.36
Bank Leumi - Private Banking Overseas	8.71	8.84	9.06	Not conducted
Arab Israel Bank (weighted satisfaction score)	7.97	8.08	8.45	8.35

1. The survey of the Corporate Function will be carried out in the second quarter of 2015.  
2. It was decided not to conduct the survey set for the summer due to "Operation Protective Edge" and the reduced number of visits in Israel.

In cases of exceptional results, Leumi monitors and deals with this through quality control and in the detection of failures and ways to correct them. In addition, branch staff contact customers at their own initiative in order to learn from positive feedbacks, understand the reasons for customer dissatisfaction and how to improve the service. Leumi encourages and strengthens the focus on service and the customer experience by training employees and by continually measuring the customers' satisfaction with the service.

**Leumi Card**

In 2014, some 12,300 initiated satisfaction surveys were conducted among Leumi Card customers (telephone surveys and surveys conducted by email). After analyzing about 5,000 of these surveys, the main results obtained are as follows:

- 29% of Leumi Card customers indicated that the service they received was beyond their expectations.
- 60% of customers indicated that the service met their expectations.
- 64% indicated that the service representative showed very high personal responsibility in handling their enquiry.

Bank Leumi

Monthly average of 641 customers' service enquires on the service app of Leumi Card on Facebook

**641 Service Enquiries**

Monthly average of 450 service enquires on Leumi's Facebook page

**450 Service Enquiries**

150,000 friends on the Leumi Digital Facebook page

**150,000 Friends**

About 22000 friends on the Leumi Business page on Facebook

**22,000 Friends**

207,000 Friends on the Leumi Card Facebook page

**207,000 Friends**

3,700 followers on Twitter

**3,700 Followers**



## MEETING PRESENT AND FUTURE OBJECTIVES

Company	Objective set for end of 2014	Status	Explanation
Israel Arab Bank	An increase in the level of satisfaction of the Bank's customers, as to be measured in surveys	+	In 2014, no increase was measured in weighted satisfaction. The objective was placed as a two-year objective and is earmarked for execution in 2015
Objective for execution by end of 2015		Main activities planned	
Leumi	Measuring in customer satisfaction surveys the extent to which the value of "the customers are at the core of our activity" is implemented		

+ Completed   + Partially Completed   - Not Completed

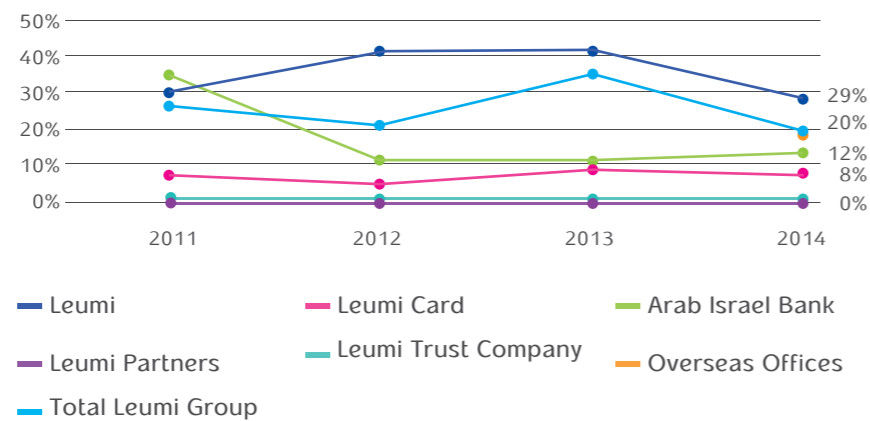
### Handling Public Enquiries

The Public Enquiries Bureau which reports to the Legal Counsel Division, helps management to get feedback on the quality of services provided by Leumi. Enquiries reach the Bureau in several ways: directly from customers, or via entities such as the Bank of Israel, the Israel Consumer Council, the media, the Office of the President of the State of Israel, offices of members of the Knesset, Leumi employees, and others.

Enquiries received by the Bureau are checked in depth and are handled with concern and professionalism, and with all the units of the Bank - employees and management - recognizing the importance of dealing with enquiries. The units of the Bank are measured by how they handle customer complaints, and the Bureau assists the branches to provide optimal solutions to customers, and raise with the business lines and management those issues that require improvement on a broad basis.

In 2014, Leumi Group received 1,558 complaints, of which some 329 were found to be justified.

### Percentage of Justified Complaints Over Time in Leumi Group Companies



In 2014 the data also includes overseas offices (Bank Leumi UK and Bank Leumi Romania)

### Subject of complaints received in Leumi Group, 2014:

	Protection of Privacy		Marketing and Communication		Services and Products		Employment Conditions and Employee Rights		Other		Total	
	Complaints	Justified	Complaints	Justified	Complaints	Justified	Complaints	Justified	Complaints	Justified	Complaints	Justified
Leumi	30	19	5	4	816	237	2	1	69	7	922	268 *
Leumi Card	3	1	50	4	476	39**	0	0			529	44**
Israel Arab Bank	3	0	1	1	37	5	1	0	9		51	6
Overseas Branches***	1	0	0	0	55	11	0	0			56	11
Leumi Partners	0	0	0	0	0	0	0	0			0	0
Trust Company	0	0	0	0	0	0	0	0			0	0
<b>Total</b>	<b>37</b>	<b>20</b>	<b>56</b>	<b>9</b>	<b>1384</b>	<b>292</b>	<b>3</b>	<b>1</b>	<b>78</b>	<b>7</b>	<b>1558</b>	<b>329</b>

\*Of which 58 are partially justified.

\*\* Of which 8 are partially justified.

\*\*\* Not including BLUSA.

The Public Enquiries Bureau did not handle complaints about customer discrimination.



## ACCESSIBILITY OF FINANCIAL KNOWLEDGE

Leumi Group strives to provide all its customers with advanced financial tools for the purpose of establishing an economic infrastructure that will have an effect on their personal, professional and business development. The Group works at all times to address its customers' expectations, while maintaining the highest level of professionalism, providing high quality service, an attentive ear and personal attention at all junctures of business decisions and opportunities.

Financial orientation is closely related to the subject of consumer protection. A considerable part of the population is not aware of the financial products and tools available to them for managing finances wisely. At various stations in their life, consumers are faced with a wide range of needs, and often have to make decisions that may contradict their financial situation or lead to the payment of superfluous management fees and commissions. This unawareness and misunderstanding of financial products may adversely affect the reputation and trust given to the Group's companies by its customers and the communities in which the Group operates, and thus Leumi attaches great importance to providing tools on this subject to its customers.

Therefore, alongside the management of customers' money, the Group works diligently to equip its customers with the knowledge and tools for informed economic

management. In this way, the Group not only strengthens the trust of its customers but also the public's perception of the financial sector as an expertise in the area and promotes the involvement of employees in the community they operate.

**Management of the area focuses on two levels:**

- **Strengthening the customer's financial knowledge:** a better understanding of financial issues may lead to an improvement in the economic situation, especially for young people. The access of the Group's customers to financial knowledge enables them to independently balance between their needs and their financial capabilities in the short-term and the long-term, in matters such as pension, saving trends, information on the capital market, housing market, and more.

- **Development of additional channels for the customer:** The group's commitment to provide tailored banking services to all customers motivates the Group to make accessible the products and services it offers. The Leumi Group is working hard to develop digital tools that allow customers to independently carry out banking operations, to enrich their financial knowledge and increase their freedom of action to perform such activity when and where it suits them.

### › Initiatives to increase customers' financial knowledge

#### Workshops in personal budget management

In 2014, workshops in personal budget management for customers were held at conferences at the branches.

#### Customer conferences, courses and training sessions

Customer conferences in the divisions enable the Bank to establish a focused and meaningful dialogue with its customers, broken down into relevant groups and sectors. In customer conferences, important information is presented related to managing the family budget and the business and the financial tools available to customers. The conferences offer customers the opportunity to increase their knowledge in relevant areas and improve their personal and business transactions.

#### Development of digital tools for improving customers' financial behavior and knowledge

These tools include the Leumi business community on Facebook, the financial forum on Leumi Blog, short video lectures on financial issues on the YouTube page, tools for personal budget management and a mortgage guide.

#### Promoting the financial information in the ultra-Orthodox sector:

In 2014, ten conferences were held for the ultra-Orthodox sector aiming to provide customers of this sector with tools in home economics management and help in managing the family's finances.

#### Financial guidance for youth (14-18):

In 2014, some 20 financial guidance conferences for youth were held throughout Israel.

#### Arab Israel Bank

The bank's employees give lectures on financial issues to various Arab populations, including students, women and the elderly.

#### Pension consulting services

The Bank offers suitable customers a comprehensive pension advisory service which is professionally tailored to the customers' needs and their plans for retirement.



**Leumi Blog**      **Financial Forum**      **Mortgage Planning App**

About 8 new columns are published per month in the Leumi Blog.  
An average of some 20,000 entries per month.

Surfers are invited to ask Leumi's experts questions on various matters: the capital market, mortgages, financial consumerism and business, digital and innovation.  
4 16 calls were received.

A variety of calculators, guidebooks and video clips to assist in mortgage planning.  
About 2,500 app downloads each month.

**5 Minutes on...**      **Personal Budget Management**

About 50 videos on the "5 minutes on..." channel in Leumi Digital on Youtube with over one million viewers.

Total number of users in the personal budget management service on Leumi's website: some 200,000 accounts.

**MEETING PRESENT AND FUTURE OBJECTIVES**

Company	Objective set for end of 2014	Status	Explanation
Leumi	Economic and financial support to the family unit in the ultra-Orthodox sector.	+	Ten conferences were held throughout Israel for the ultra-Orthodox sector of a workshop on family budget management.
	<b>Objective for execution by end of 2015</b>		<b>Main activities planned 2015</b>
Leumi	Economic and financial support to young people and the ultra-Orthodox sector.		Ten conferences will be held for students and twelve conferences for the ultra-Orthodox sector on budget management.

+ Completed    + Partially Completed    - Not Completed

## ACCESSIBILITY FOR THE DISABLED

About 18% of Israel's population have physical, sensory (vision and hearing impaired), emotional and/or mental disabilities. This group numbers some 700,000 people for whom accessibility is critical. In other words: this may constitute a barrier to consuming services. (According to data from "Access Israel" organization)

Accessibility is a way to overcome these barriers. According to the Equal Rights for Persons with Disabilities Law, 1998, "accessibility" means: "The possibility of access to a place, including movement and orientation within; the use of and benefit from the service; receive information provided or produced in the framework of the place or service or related to them; the

use of facilities and participation in programs and activities held in these facilities, and all this in an equal, respectful, independent and safe manner."  
All companies in the Leumi Group provide in a meticulous manner, equal, respectful and considerate service to all its customers, including customers with disabilities. This is in addition to the accessibility of

services and facilities in accordance with the customers' various needs. According to service accessibility regulations, the Leumi Group is working to make all of Leumi's branches accessible by October 2017, as well as all banking information services in accordance with the timetables set out in the regulations.

### Initiatives for making services accessible to individuals with disabilities

**Accessibility:** Full accessibility was made in 59 (bathrooms, customer service workstations, ATMs, informational and directional signs, passageways, etc.). In addition, the user interfaces at public stations were made accessible and adjustments were made to the Leumi-queue system to support customers requesting service at an accessible station. Leumi operates to disseminate information on accessible branches.

**Accessibility for ATMs:** A "talking ATM" system was installed in 99 ATMs. In addition, a user interface was developed with a clearer display, and the required contrast level, the height of ATMs was adjusted for use by short people and those sitting in a wheelchair, and more.

**Work Procedures:** Adjustments were made to procedures and to provisions for providing accessible service

**Forms with large font:** In 2014 a pilot was carried out for printing forms with large font, followed by the development of an infrastructure for printing forms with large font. This service has been offered to the Bank's customers since April 2015.

**Inductive loopset:** A device that can block background noise and the transmission of what the banker says directly to the hearing device of hearing-impaired customers - this was installed in about 150 branches.

**Information and training for employees:** In 2013 an accessibility site was launched on the Intranet with detailed information about the different types of disabilities and the unique services that Leumi offers to the disabled. In addition, an implementation and training program was built for all employees and courseware was developed for implementing accessibility of service.

**Arab Israel Bank:** In 2014 seven branches were made accessible, in line with a three-year work plan. Accessibility includes physical and operational accessibility of service.

**Leumi Card:** In 2014 Leumi Card worked to improve customer accessibility. For example, measures taken by the company in the last year: accessibility of the company's Internet website, creating alternative ways of answering the telephone and accessibility of information to customers, adjustments in the company's call routing system and refreshing the subject of accessibility to all the company's employees.

**Accessibility trustees at branches:** Accessibility trustees were trained in the branches of the Bank and accessibility coordinators were appointed from the aspects of construction and service. In addition, bankers in the branches have been trained on the subject of accessibility.

**Voice operated guidance system (Step Hear)** that serves as a "voice signboard" was installed in about 110 branches.





Leumi Group is working to make all of Leumi's branches accessible by October 2017, as well as all banking information services in accordance with the timetables set out in the regulations.

**Performance**

The subject of accessibility in the Bank is measured by seven indicators that examine the extent of the branch's physical accessibility and the accessibility of services provided at ATMs:

- Easy access to the branch
- Accessible signage
- Elevator or wheelchair lift
- Handicapped restroom
- ATM
- Inductive loopset at the banker's work station
- ATM software text-to-speech (TTS)

		Physical Accessibility							Service Accessibility			% of Fully Accessible Branches, Including ATMs (at 31.12.2014)
		No. of Branches	Parking for the Disabled	Accessible Work-Sations	Easy Access to Branch	Accessible Signs	Elevator or Wheelchair Lift	Restroom for the Disabled	ATMs	Inductive Loopset Devices	Talking ATM - TTS	
Leumi	No.	231	93	136	136	126	136	136	136	150	99	59
	%	86.2%	40%	59%	59%	55%	59%	59%	59%	65%	43%	26%
Israel Arab Bank	No.	37	7	16	25	16	0	25	25	25	25	7
	%	13.8%	19%	43%	68%	43%	0%	68%	68%	68%	68%	19%
<b>Total in Group</b>	%	<b>268</b>	<b>37%</b>	<b>57%</b>	<b>60%</b>	<b>53%</b>	<b>51%</b>	<b>60%</b>	<b>60%</b>	<b>65%</b>	<b>46%</b>	<b>25%</b>

82.4% of employees were briefed by means of courseware on the subject of accessibility.



**MEETING PRESENT AND FUTURE OBJECTIVES**

Company	Objective for end of 2014	Status	Explanation
Leumi	Accessibility of the user interface at public stations.	+	
	Adjusting the Leumi-queue system to support customers requesting service at an accessible station.	+	
	Full accessibility of at least 50 additional branches in line with the service accessibility regulations.	+	
	Installation of TTS systems in at least 100 ATMs and in 60 public stations.	+	Performed in ATMs only
	Accessibility of 60% of the bank's internet websites according to the AA accessibility standard.	+	In 2014 a designated product was examined and purchased for accessibility of the bank's websites. The product will be assimilated in 2015-2016.
	Send postal messages in large font as per the customer's request.	+	Development of the product has concluded. Printing houses need to make the necessary preparations.
	Possibility for enlarged font on forms used often.	+	The service is offered to customers since April 2015.
Arab Israel Bank	Training bankers at branches on issues of accessibility.	+	
	Accessibility of 15 branches in aspects of physical and service accessibility.	+	In 2014, 7 branches were made accessible. By the end of 2015, 15 additional branches will be made accessible.
<b>Objective for execution by end of 2015</b>		<b>Main activities planned</b>	
Leumi	Expansion of the number of accessible branches to 120		61 additional branches to be made fully accessible so that the number of accessible branches will total 120.
	A total of 200 ATMS to be made accessible		The TTS system to be installed for voice support.
	Accessibility of 60% of the Internet pages on the Bank's websites according to accessibility standard AA.		
Arab Israel Bank	Physical accessibility of an additional 15 branches.		Including conducting accessibility surveys at branches intended for accessibility, accessibility to passageways, adjustment of elevators, services to the disabled, service stations, waiting areas, signs and entrance doors.
	Service accessibility in an additional 15 branches.		Including the distribution of accessibility accessories: templates for checks, clipboards and earphones, inductive loopsets, accessibility of ATM machines.

+ Completed + Partially Completed = Not Completed

## PROMOTION OF SMALL BUSINESSES

Leumi's small business sector is characterized by providing financial services and financial value offers to businesses with a turnover of up to NIS 5 million. These offers and services are provided to customers according to their changing needs.

The Bank defined small businesses as a population that needs to be focused on, and accordingly launched Leumi's business arena – a basket of exclusive and innovative tools and services. The arena consists of four worlds of content:

**A world of credit:** credit products tailored to the needs of small businesses.

**A world of availability and service:** Available professional and fast service at flexible hours through a business hub manned by professional bankers providing solutions also during hours when the branch is closed.

**A world of digital tools:** receiving information and carrying out operations in the business account anywhere, anytime and through a variety of media such as the Internet, mobile and tablet.

**A world of expertise and content:** customer management tools via different medias (see School of Business Management, Business Community on Facebook )

### Main initiatives in promoting small businesses:

**Business School:** In 2014, Leumi launched the "Business School" in cooperation with "Tafnit" the Open University's school for managers. As part of the project, some 500 Leumi customers, with small and medium-sized businesses from around the country participated in a free vocational course of 25 academic hours in which they acquired a variety of practical tools to help their business grow and develop. The course was held at eight locations across the country, ensuring adequate deployment in peripheral areas.

**Assistance to customers during operation "Protective Edge":** Operation Protective Edge, that paralyzed business activities in southern Israel for two months in the summer of 2014, left the economy in southern Israel with many problems. During and also following the operation, Leumi initiated several actions to help its customers and residents of the south:

- **"Kulanu Darom" (we are all South) web site:** After businesses in the south suffered many financial losses during the operation, Bank Leumi, McCann advertising Group and the Israeli Post Office initiated the project "Kulanu Darom" – an online platform allowing any business owner from the South to offer their merchandises to residents throughout the country. The site that was set up was actually a "digital mall" allowing business owners to increase awareness of their business and the circle of their potential customers. The site is open to all businesses in the south, without limitation.
- **Operation Protective Edge Koret Fund:** The fund granted loans to help companies in southern Israel

whose businesses were harmed during Operation Protective Edge. Loans of up to NIS 100 thousand, 50% of which was guaranteed by the Koret Fund.

- **Leumi and the Bureau of Tax Advisors assist small businesses in the south following Operation Protective Edge:** Free consultancy of a tax consultant from the Bureau of Tax Advisors in all matters relating to direct or indirect compensation from the State covering the economic harm caused to businesses as a result of Operation Protective Edge.

**Leumi Fund for Small Businesses:** In 2013, Leumi launched a special fund, in the amount of NIS 3 billion, to provide a solution to small businesses with good business feasibility, whose collateral and / or equity is not sufficient for credit in the amount requested. The Fund grants loans to small and medium-sized business with better terms. Since it is an independent fund of the Bank, without Government guarantees, its response time is fast and it can approve loans within just 14 business days from the date of presenting all relevant documents.

The Fund provides loans of up to NIS 1 million per year for small businesses at attractive interest rates. The review process and loan approval is done in cooperation with business consultancy companies and is built with an emphasis on speed of response.

**Leumi-Koret program to promote small business in periphery:** The program has been operating since 2009. Leumi and the Arab Israel Bank give loans at preferential terms to small businesses in periphery.



### MEETING PRESENT AND FUTURE OBJECTIVES

Company	Objective set for end of 2014	Status	Explanation
Leumi	Development of tools and providing knowledge to small businesses	+	In 2014 Leumi's Business School concluded its first year of operation.
	<b>Objective for execution by end of 2015</b>		<b>Main activities planned</b>
Leumi	Continued expansion of value propositions to small businesses		<ul style="list-style-type: none"> <li>• Credit products for small businesses</li> <li>• Two additional years of Leumi's Business School</li> <li>• New credit card for businesses</li> <li>• "Leumi comes to you" process: Hundreds of managers "go into the field" to make an acquaintance with customers and provide a quick business response.</li> </ul>
Arab Israel Bank	Leveraging and expanding cooperation with the Koret fund, loan initiative for any purpose provided to small and medium-sized businesses, loan initiative for small and medium-sized businesses to purchase a private car.		
Leumi Card	Launch of Leumi Card's digital package for businesses 2.0.		Broadening the variety of innovative solutions offered to the company's business customers, aimed at expanding the company's business operations vis-à-vis its customers.

+ Completed   + Partially Completed   - Not Completed

## PROMOTION OF DISADVANTAGED POPULATIONS

The Leumi Group is working to produce accessible, clear and simple products and services to all its customers and supports the promotion of positive social change by means of the products and services it offers.

The Group is working on this matter on several main levels:

- **Promotion of social businesses:** businesses promoting a solution to social problems within the framework of their business activity, for example, the employment of people with disabilities or youth at risk.
- **Development of products and services that have social value:** the Group offers its customers a broad range of services intended to create shared value - social value for customers and for the community, coupled with creating business value.
- **Assistance to customers who are struggling** and to unique populations such as customers in debt, women and the Ultra-orthodox.
- **Accessibility to periphery:** the Leumi Group deployed its branches across the country to provide the full range of services and products to all its customers, wherever they are.

In addition, the Group provides credit for the development of social and communal infrastructures such as hospitals, green areas, local economies, and more.

### Initiatives to promote populations through products and services

#### Leumi

**Program to minimize customers' debts:** Leumi holds direct, sensitive, speedy and businesslike dialogues with customers in financial difficulty, by individually examining their ability to settle the debt and to find the most convenient solution. In 2014, about 180 customer days were held, during which Leumi representatives

met with about 4,000 customers in debt in an effort to assist them in finding the best solution to settle their debts. In addition, Leumi operates an "early collection center" aiming to minimize credit losses and to avoid the need for legal proceedings and sanctions against customers. When a deviation from the customer's credit framework is detected, the center's employees contact the customers, drawing their attention to the deviation and if necessary, offer the customers banking assistance. Leumi also takes part in the activities of government authorities, aimed at assisting people in debt to come to an arrangement with the bank.

#### "Mortgage Time Out"

A service designed to make it easier for purchasers of apartments who have taken a new mortgage. Customers meeting the conditions can take a "mortgage time out" and enjoy three months deferral of payments per year, out of a "basket of months" allocated to them.

#### Giving a future - Loans for small entrepreneurs

A joint venture with "Latet" organization which locates and accompanies entrepreneurs experiencing economic difficulties, business owners, or business ideas, while Leumi supplies the financing and grants loans of up to NIS 40,000.

#### Arab Israel Bank

The Bank's in-depth familiarity with its customers and their distinctive characteristics allows it to initiate innovative value packages that are suited to the needs of its customers and to the social needs of Arab society. Thus, for example, the Bank

**4,000**  
customers in debt met with Leumi representatives in an effort to find the best solution to settle their debts.



### Initiatives to promote populations through products and services

#### Leumi

Main initiatives to promote populations through products and services

**"Back into the workforce"** - assistance to unemployed customers in debt. In 2014, Leumi's Mortgage Function initiated an innovative program, in which customers with mortgage debts living in the South of Israel were integrated in a training program that would prepare the groundwork for their entry into the workforce. Service and debt collection representatives of the Mortgage Function, on their own initiative, contacted hundreds of customers to determine their employment status and offered them assistance that would provide them with regular employment. During the program more than a hundred customers expressed an interest to integrate into the work force. Customers were referred for further assistance to the Beer-Sheva Life Cycle and Employment Center. The program was carried out in cooperation with social organizations, including the JDC Israel, The Rainmakers, and the Life Cycle and Employment Center founded by the Beer-Sheva municipality, the Ministry of Social Welfare, Yachdav and JDC Israel.

**Social credit** - loans to social institutions and to employers of people with disabilities: As part of the new cooperation with the Koret Fund, Leumi offers loans to entities engaged in social activities or employing people with disabilities. The program is intended for customers who without the backing of the Koret Fund could not have received a loan from the bank. In addition, these customers enjoy relatively attractive rates and unique service in preparing a business plan. In many cases, social entrepreneurs are not familiar with economic and financial issues so this service contributes to the development of their business and its survival.

**Benefits to customers living in the South:** During and after Operation Protective Edge Leumi customers on the frontline received services, products and benefits to facilitate their coping with the situation. Inter alia, a "hot line" was established for customers; the branch's official authorizations were extended to approve exceptions, unique credit products were offered, fines for breaking deposits and limitations on cheques without cover were cancelled, an emergency mobile branch was established, and so forth.

identified the change that is taking place regarding the employment of women from the sector, the unique challenges facing Arab youth, and the bureaucratic barrier facing mortgage seekers in Arab society, and succeeded in offering unique, innovative services with added social and business value for its customers.

**Housing loans without the need to mortgage the asset:** Many bureaucratic difficulties and discrepancies in the registration of property in the Israel Land Registry block the purchase of an apartment and improving housing in the Arab society. In response to

this need, the Arab Israel Bank, at the beginning of 2014, launched a new and innovative service, granting customers housing loans without the need to mortgage the property. In this framework, housing loans of up to NIS 400,000 are offered for either building or renovating a home, to be repaid in up to 12 years. This product was again upgraded at the beginning of 2015 in order to suit the customers' needs.

**Special tracks for women:** In recent years, increasing numbers of Arab women are working outside the home, and are even setting up their own small businesses. This social

change requires an appropriate banking response and the support of professionals in the field. The Arab Israel Bank offers a unique service package that is the first of its kind for women, and which closely accompanies them at every stage of life: as singles, as students, as mothers, as salaried employees and as freelancers. The package includes loans and benefits suited to the lifestyle of women in the Arab society, such as loans for driving lessons, studies, opening a business, health care, and savings for children.







כסף קטן  
משנה  
הרבה  
עיגול  
לטובה

2.5

NIS MILLION

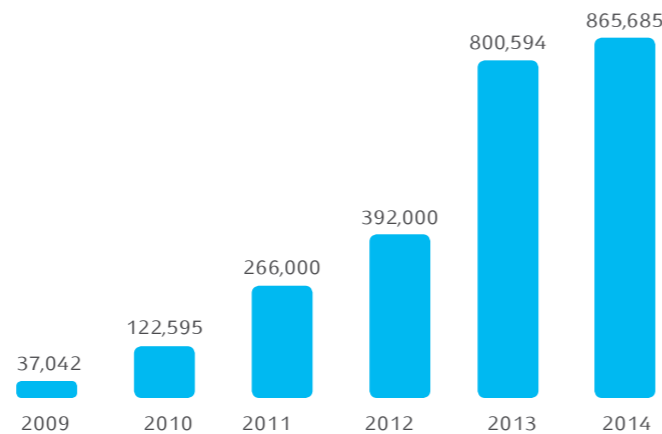
Since the beginning of cooperation with the "Round Up" organization, Leumi Card customers have donated a total of about NIS 2.5 million to organizations of their choice.

**Special youth track- Issamiyun ("Aspiring to succeed"):** Arab youngsters in Israel embark on their professional lives, as students or employees, at an early age (18). To make it easier for them to cope with the challenges they face, a special track was established at the Arab Israel Bank, allowing them to receive account benefits until the age of 21 - a period of time that corresponds to that of military service in the IDF. Customers in this track receive information about proper account management and the financial options available to them. They are offered unique value packages, such as loans for driving lessons and for preparatory courses for the psychometric exam.

**Leumi Card**

Leumi Card continues to offer its "Round Up and Donate" service, in cooperation with the "Round Up" organization, for the fifth consecutive year. The service allows the company's customers to round up the sum of transactions carried out at businesses to the nearest NIS, with the difference transferred as a contribution to a range of non-profit organizations as per the customer's choice. In 2014, 3,521 new customers joined this service.

› "Round Up and Donate" Donations over the years in (NIS)



In 2014, some 21,000 Leumi Card customers rounded up sums. Since the beginning of cooperation with the "Round Up" organization, Leumi Card customers have donated a total of about NIS 2.5 million to organizations of their choice.

**Bank Leumi US (BLUSA)**

**Reinvestment in the community**

Bank Leumi US is working to promote low-income populations, inter alia, under the Community Reinvestment Act (CRA) with the aim of encouraging commercial banks to meet the needs of borrowers from all sectors of the community in which they operate. In 2013, the US authorities reviewed the activities of BLUSA with regard to the performance of CRA in 2010-2012. BLUSA was awarded an "outstanding" score from the two organizations that conducted this review. The high score stems from, inter alia, the fact that CRA loans account for about 10% of the BLUSA's total assets during the three years under review.

In 2014, in the framework of CRA, a total of \$ 310 million were granted in loans.

› Each area of BLUSA's activity focuses on issues relevant to the needs of the population in the same region:

**California:**

Loans to businesses operating in the southern part of Los Angeles that support the local community by providing employment.

**Illinois:**

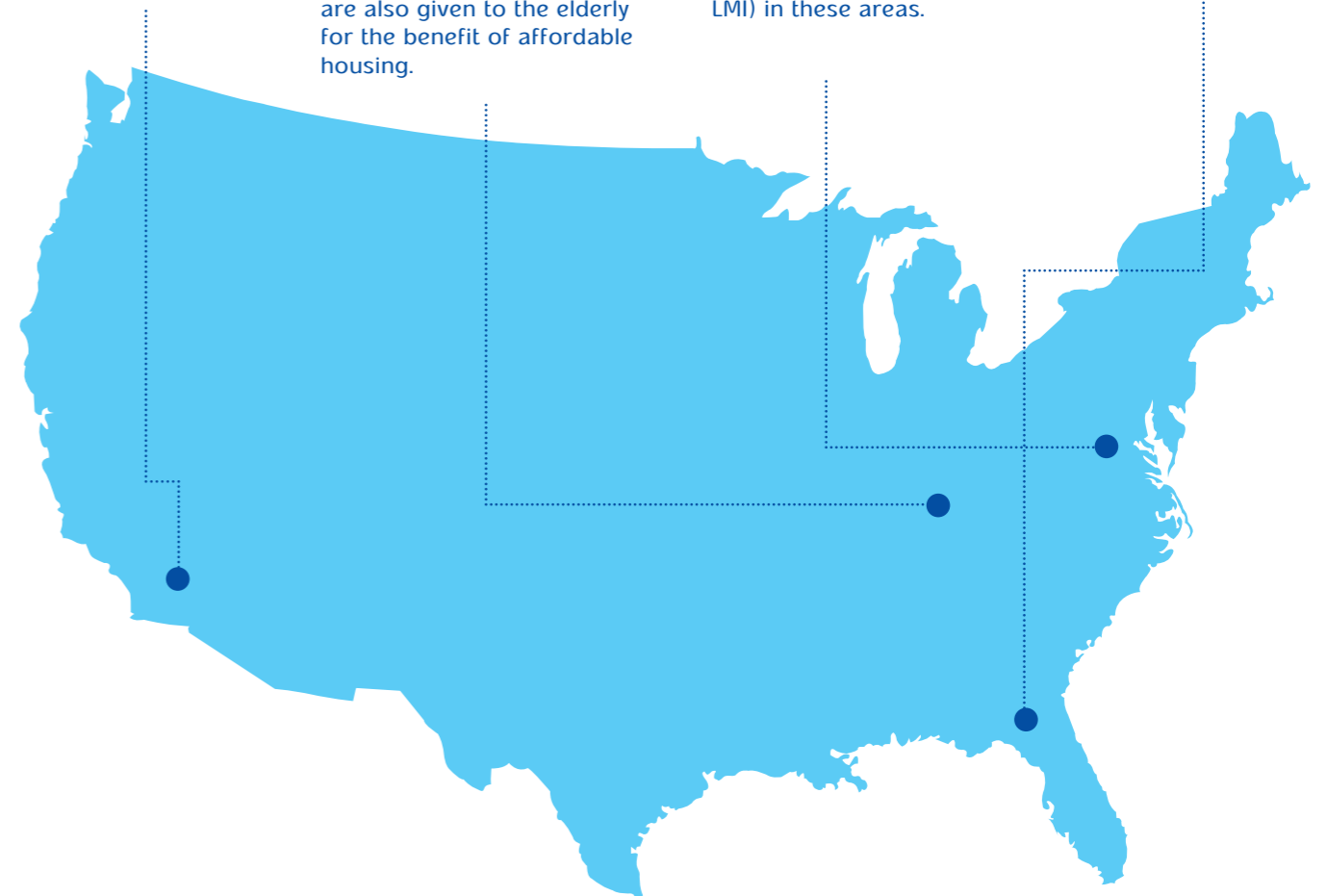
Loans to nursing homes, rehabilitation centers and other centers engaged in medical care to those eligible for loans as part of government health insurance for the benefit of the low-income population. Loans are also given to the elderly for the benefit of affordable housing.

**New York:**

Loans to real estate and industries operating in underprivileged areas. This allows affordable housing for the low-income population (Low and moderate-income; LMI) in these areas.

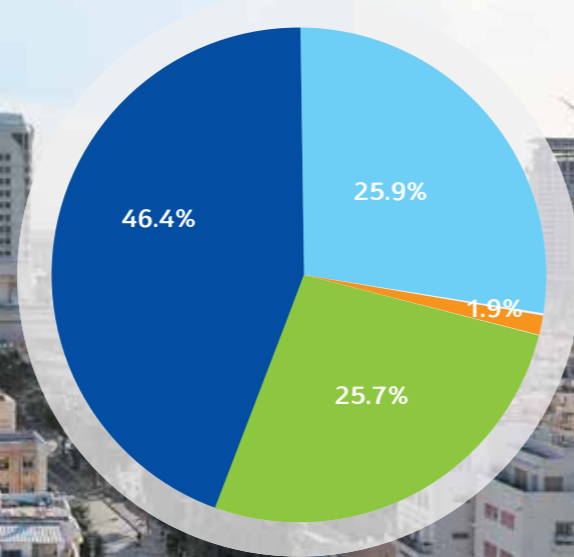
**Florida:**

Loans to businesses in economically disadvantaged areas, supporting and enabling the stability and development of the local community.



› Breakdown of loans promoting social issues\* (NIS 291 million in 2014)

- Fund for small Businesses
- Koret Fund
- Financing medical equipment for hospitals
- Housing loans without the need to mortgage the asset



› Deployment in the periphery and among low-income populations

Among the Group's **268** branches in Israel, 135 branches are located outside the Tel Aviv metropolitan area and the large cities.

**43** of the Group's branches are located in the heart of peripheral towns.

**46** of the branches are located in Arab population concentrations.

**25** branches are located in population concentrations of ultra-Orthodox or provide service to a mainly ultra-Orthodox population.

\*The data presented was compiled specifically for this report and at this stage without automated retrieval.



MEETING PRESENT AND FUTURE OBJECTIVES

Company	Objective for end of 2014	Status	Explanation
Leumi	Continued cooperation with the Koret Fund.	+	Continued activity in Keren Koret (Koret fund) and the establishment of Keren Koret –social credit fund and Keren Koret – Operation Protective Edge.
	Meetings with 4,000 customers with problematic debt.	+	About 180 meetings were held with 4,000 debtors to arrange debt settlements.
	Promotion of partnerships and supporting proposals to promote small businesses and social initiatives.	+	Cooperation with Keren Dror (Dror fund) that promotes social businesses. The agreement was signed in 2014, operations will begin in 2015.
Arab Israel Bank	Continued cooperation with the Koret fund in granting loans to businesses in the Arab sector in Israel.	+	In 2014, cooperation with the Koret fund continued. As of the end of the year, loans were granted in the amount of volume of NIS 25 million.
	Housing loans without the need to mortgage the property.	+	Due to the low response, conclusions were drawn in 2014 and according to the results, the product was upgraded and re-launched in 2015.

	Objective for execution by end of 2015	Main activities planned
Leumi	Continued cooperation with the Koret fund and the Dror fund.	Granting social loans in accordance with terms of the funds.

+ Completed    + Partially Completed    - Not Completed

## DEVELOPMENT OF ENVIRONMENTAL PRODUCTS

Leumi Group attaches great business value to the advancement of sustainability, while examining the challenges facing its customers in this area and the development of products that provide them with solutions. These challenges will have an affect, inter alia, the agriculture, construction, transport, energy and water sectors, requiring a change in mindset, in light of environmental challenges.

Together with this, the Israeli economy has in recent years gone through significant changes in the area of renewable energy and the shift to natural gas, while reducing consumption of polluting energy and reducing greenhouse gases. The Group is preparing for these changes and is developing new products and services, while recognizing the potential risks of some of its areas of activity, and is therefore applying the precautionary principle that requires particular attention in order to avoid causing harm.

This matter is being handled by the Group's Corporate-Commercial Division, Leumi's International Credit and Real Estate Division, and the Banking Division that have developed several solutions and business services that assist the Group's customers to minimize their impact on the environment:

- Financing of environmental infrastructure projects such as solar energy installations and water desalination and projects for converting plants for natural gas.
- Green loans to private customers such as small solar installations, and to finance the purchase of hybrid vehicles.

### Initiatives for the Promotion and Development of Products with Environmental Value

**Loans for the establishment of private solar installations:** Leumi provides its customers financing tracks for small and medium-sized solar installations intended for customers who own a roof, a structure or land on which the facility can be built, as well as to

entrepreneurs who want to rent a roof or land and build a facility on it.

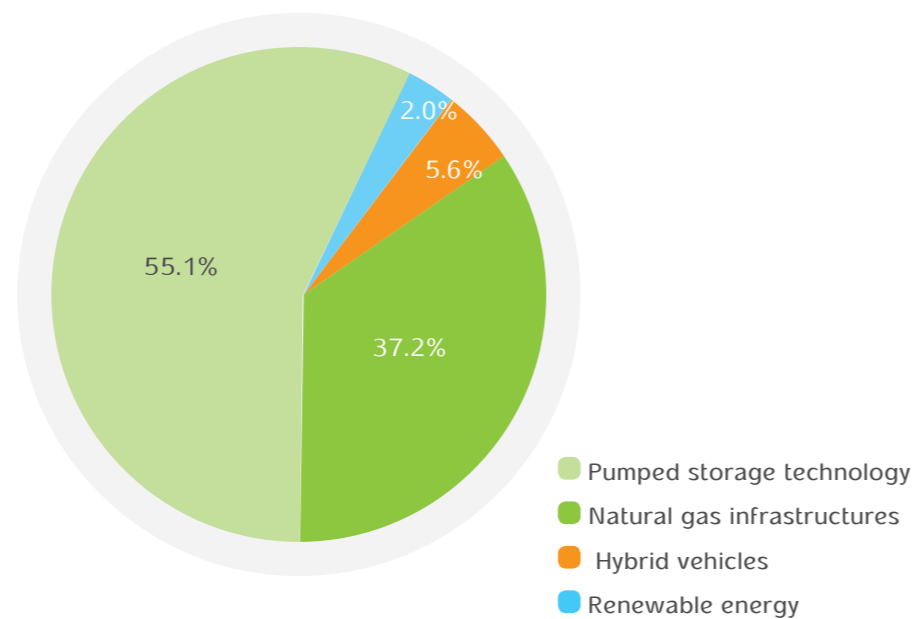
**Loans to finance the purchase of hybrid vehicles:** Leumi offers private customers special financing for the purchase of hybrid vehicles.

**Financing environmental infrastructure projects:** In 2014, Leumi participated in the financing of several large projects with a positive effect on the environment such as installations for generating electricity from sunlight.

**Green Mail Service:** a service that allows customers to receive mail from the bank by digital means instead of paper, considerably saving paper. In 2014, some 25,000 customers joined the service (in

total over 40,000 have customers have joined the service to date). Some 20,000 customers of the Arab Israel Bank joined the "green mail" service in 2014.

### Breakdown of loans promoting environmental issues\* (NIS 428 million in 2014)



\*The data presented was compiled specifically for this report, and at this stage without automated retrieval.



### Green Mail Service:

A service that allows customers to receive mail from the bank by digital means instead of paper, considerably saving paper. In 2014, some 25,000 customers joined the service (in total over 40,000 customers have joined the service to date).

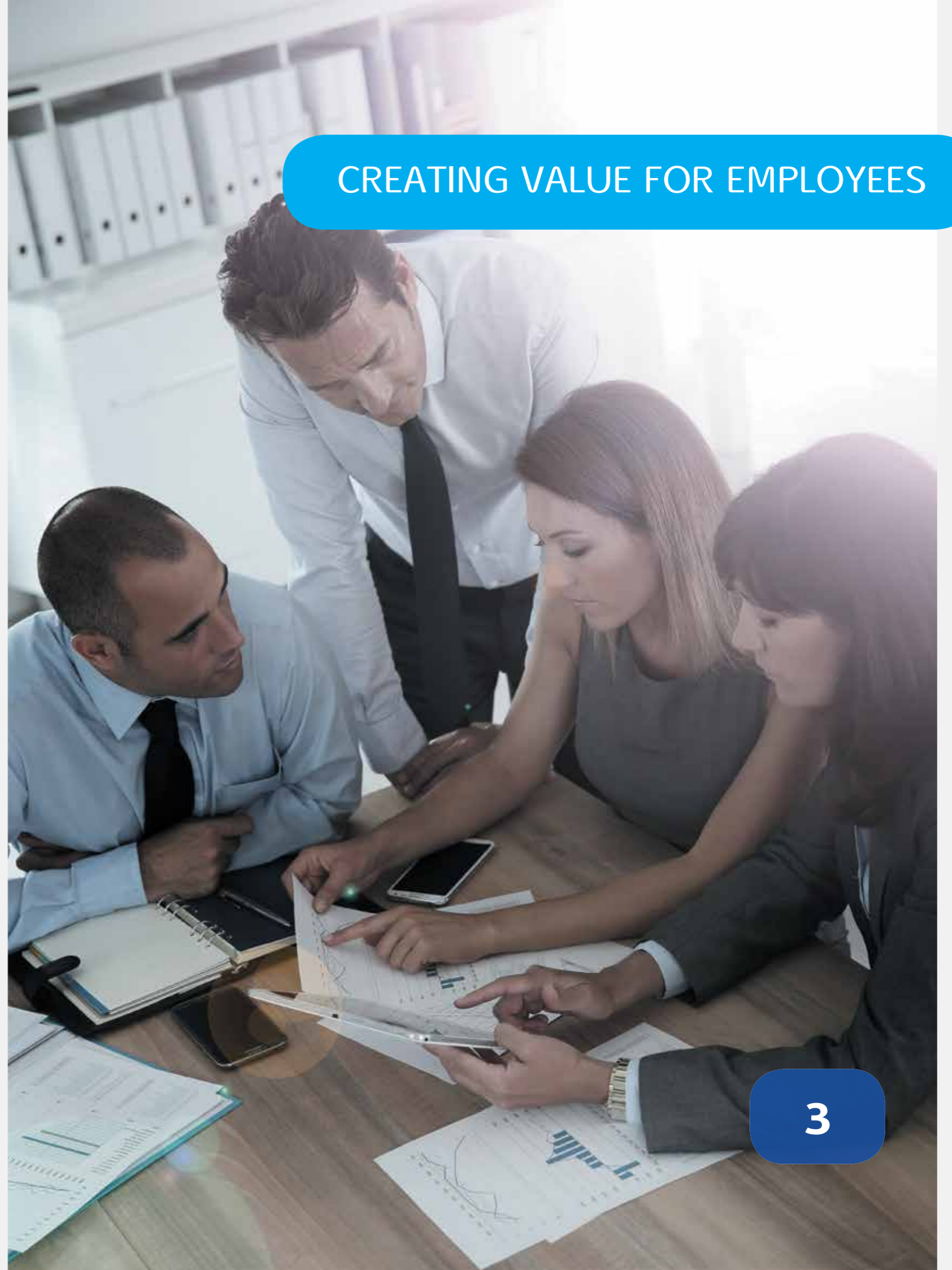


## MEETING OBJECTIVES

Company	Objective for the end of 2014	Status	Explanation
Leumi	Continued promotion and development of Leumi's green products	—	After reviewing this subject and the decision to deepen cooperation with social funds, no new products were developed in this area during 2014.

+ Completed + Partially Completed — Not Completed

# CREATING VALUE FOR EMPLOYEES



## EMPLOYEES OF LEUMI GROUP

The Leumi Group employs more than 12,000 employees in Israel and abroad, and regards its employees as a central factor in its success. The Group attaches great importance to the welfare, satisfaction, and professional and personal development of its employees. Within this framework, the Group promotes and maintains transparency, fairness, equal opportunity and diversity in employment while avoiding harmful employment; it cultivates excellence and innovation; cooperation and a dialogue with the employees, and is concerned about their health and welfare.

The following is a breakdown of employees of the Group as of 31 December 2014 regarding previous years. The breakdown presents the employees in each of the companies of the Group in a manner which enables a comparison between the years. This year, the scope of employees in the Bank's overseas offices is

Total Employees\* in the Group by Year 2011-2014

	2014	2013	2012	2011
<b>Leumi</b>	9,402	9,610	9,760	9,890
<b>Arab Israel Bank</b>	448	448	452	453
<b>Leumi Card</b>	1,469	1,481	1,498	1,525
<b>Leumi Partners</b>	37	35	37	36
<b>The Trust Company</b>	21	20	22	25
<b>Overseas Offices**</b>	866	923	928	996
<b>Total***</b>	12,243	11,594	11,769	11,929

\* Unlike the financial statements published by Leumi, the data in these tables and in the entire report (unless otherwise specified) relate to employees of the Group and not to positions (after deducting unpaid vacation and maternity leave, including specific overtime hours, not including external employees).

\*\* Between 2011 and 2013 the overseas offices data refers to positions and not to employees, and they include the subsidiaries in Bank Leumi U.S., Bank Leumi United Kingdom and Bank Leumi Romania.

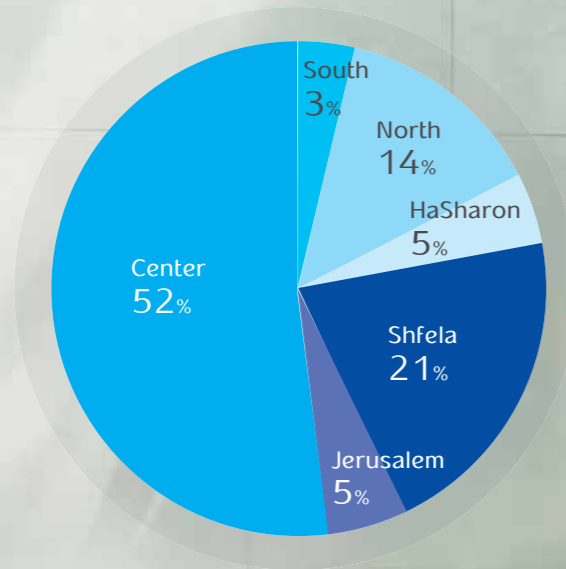
\*\*\* Total employee figures for the years 2011-2013 do not include overseas offices (see note on the subject).



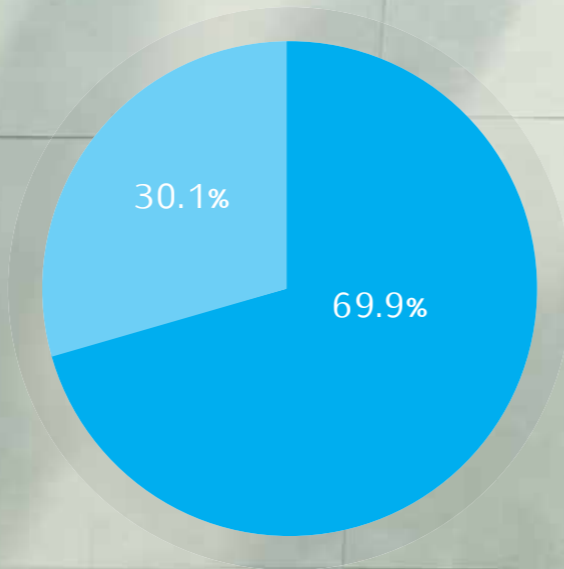
The Group promotes and maintains transparency, fairness, equal opportunity and diversity in employment while avoiding harmful employment; it cultivates excellence and innovation; cooperation and a dialogue with the employees, and is concerned about their health and welfare.



› Geographic Distribution of the Group's Employees in Israel in 2014

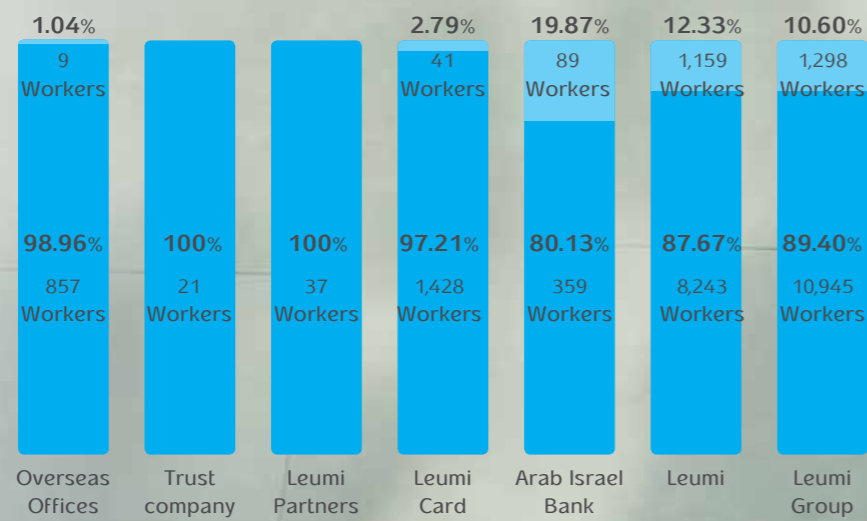


› Percentage of Executives/Clerks in Leumi Group in 2014



● Executives ● Clerks

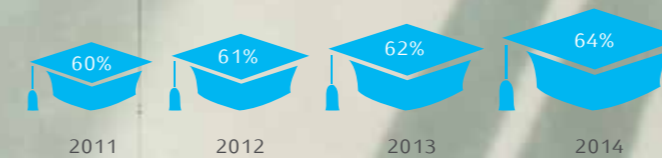
› Breakdown of the Group's Employees by type of Contract in 2014



● Temporary employees  
● Permanent employees - with tenure, experience and personal contracts

› Breakdown of the Group's Employees by Gender and Age

		Women	Men	Percentage of Women
The Number of Employees in Senior Management	30 and under	0	0	---
	Ages 31-50	42	49	46%
	Age 51+	29	52	36%
	Total	71	101	41%
The Number of Employees in Middle Management	30 and under	0	3	0%
	Ages 31-50	261	238	52%
	Age 51+	136	247	36%
	Total	397	488	45%
The Number of Employees in Junior Management	30 and under	35	20	64%
	Ages 31-50	1,124	794	59%
	Age 51+	292	361	45%
	Total	1,451	1,175	55%
The Number of Clerks and Employees Who are not in Management Positions	30 and under	1,493	686	69%
	Ages 31-50	2,263	1,400	62%
	Age 51+	1,890	828	70%
	Total	5,646	2,914	66%
Total in the Organization		7,565	4,678	62%



Percentage of Academics in the Group's Companies in Israel Over Time





The guiding principle: diversity in manpower that corresponds to the diversity in Israeli society, with an awareness of the needs of the society and the customers, with the aim of reflecting Leumi Group's responsibility towards the community in which it operates.

## DIVERSITY AND EQUAL OPPORTUNITY IN EMPLOYMENT

Leumi Group believes in equal opportunity and honors the principle of diversity in manpower that corresponds to the diversity in Israeli society, with an awareness of the needs of the society and the customers and in order to reflect its responsibility towards the community in which it operates.

Leumi Group strives to create employment opportunities for employees of all ethnicities and faiths and for employees with disabilities, with a view that such diversity contributes to equal opportunities in Israeli society and broadens horizons for all the employees, while at the same time reflects a dynamic, challenging, creative and progressive organization.

Leumi Group opposes discrimination of any kind and prohibits discriminatory behavior within the organization for whatever reason. Decisions of the Group concerning employees and candidates for employment, their recruitment and promotion are made on the basis of objective considerations of performance and skills, without discrimination on the basis of religion, race, color, gender, sexual orientation, personal status, ethnicity, nationality, age or disability. Leumi Group acts in accordance with the law in all

matters pertaining to employment. The Group does not employ minors.

The Diversity and Equal Opportunity Policy in Leumi Group places emphasis on activity in three main areas:

- **Recruitment of employees from diverse populations:** with an emphasis on underemployed populations - Arab population, Ethiopians and Ultra-Orthodox Jews, by adjusting the criteria for hiring and granting special assistance.
- **Recruitment and promotion of employees with disabilities:** Integration of employees with disabilities is an inseparable part of responsible recruitment in Leumi Group.
- **Equal gender opportunity:** In all its activity, at all levels and in all fields.

The Administration and Operations Sub-Divisions in the Human Resources Division in Leumi is responsible for the area of

employment diversity and for measuring the issue annually and in an organized fashion. The team of recruiters in the Sub-Division includes a diversity supervisor, whose duty is to recruit employees from underemployed populations vis-à-vis the placement agencies and screening centers and vis-à-vis the units in the Banks.

Over the years, Leumi has accumulated a great deal of knowledge and experience regarding the possible barriers faced by these populations, and has developed relevant solutions and adjustments in order to assist in getting to know the candidate beyond the cultural barriers and the routine threshold criteria.

The guiding principle: diversity in manpower that corresponds to the diversity in Israeli society, with an awareness of the needs of the society and the customers with the aim of reflecting Leumi Group's responsibility towards the community in which it operates.

### Initiatives for Integrating Employees from Diverse Populations

#### Leumi

- **Prioritizing** the resumes of candidates from targeted populations.
- **Assistance in screening tests:** Significant additional time (30%) in cognitive tests; adjustment of languages on the day of the evaluation; the existence of a non-screening evaluation day (candidates from targeted populations undergo all the stages on the evaluation day, without eliminations in the early stages, unlike other candidates); integration of Arab evaluators on screening days on which candidates from the Arab sector are participating, and more.
- **Alleviation in the minimum requirements:** Performing adjustments in the job requirements; recruitment of candidates from the ultra-Orthodox population who do not have matriculation certificates or an academic degree, while providing the option of completing a Bachelor's Degree on the job during the first four years of employment.
- **Summon to frontal interviews:** Candidates who received a

borderline score at the screening center get a second chance and are summoned for an interview at the Recruitment Section, in order to examine in-depth their potential suitability to the position and to Leumi and in order to avoid situations in which a suitable candidate is overlooked.

- **Promoting candidates from targeted populations vis-à-vis the recruiting business units:** The Recruitment Section contacts the recruiting executives in order to promote the candidacy of people from these populations.
- **Proactively approaching organizations, associations and placement agencies** in order to receive resumes of candidates from targeted populations, continuous contact and periodic meetings with associations that represent these populations.
- **Spotlight days** for candidates from the ultra-Orthodox population (women and men separately). The Recruitment Section participates in conferences and seminars in order to promote recruitment of candidates from this sector.

At the beginning of 2015, Leumi approached the Adam Milo Institute with a request that it examine the performance gaps between candidates of Ethiopian extraction

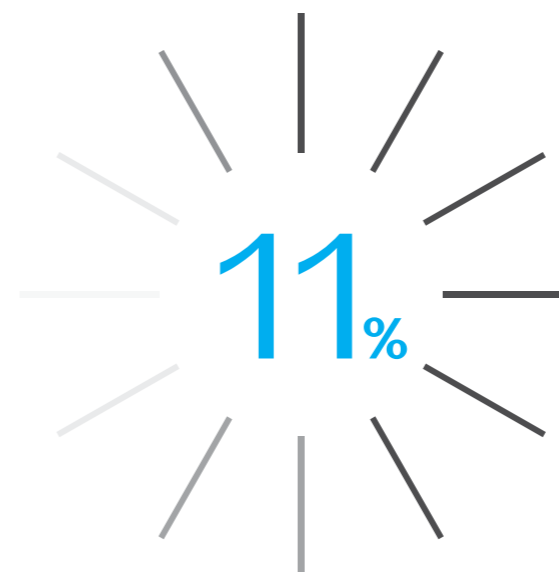
and the rest of the candidates being examined for positions in Leumi. The examination was intended to permit the creation of adjustments and alleviation in the screening processes that would lead to an increase in recruitment of employees from the Ethiopian population. The results of the study shall serve Leumi and may serve as an anchor for other organizations as well, in order to pave the way for more reliable and valid tests for candidates of Ethiopian extraction.

The screening processes for the targeted population will be examined in 2015 at the screening centers.

- **Systematically dealing with discrimination:** Leumi views incidents of discrimination with great severity, and deals with them immediately. In 2014 there were no reports of discrimination within the Group.

#### Bank Leumi in the United States of America (BLUSA)

**Internship Program at the Bank:** A three month employment internship program for disadvantaged populations has been in operation at the Bank for 13 years and implemented thirty internships, of which led 17 of them to continue at the Bank as employees.



11% of all those recruited by the Group in 2014 were Arabs, ultra-Orthodox, Ethiopians or people with disabilities.

91% of those employed in the Arab-Israel Bank are part of the Arab population.



The median average monthly wage (not including the highest wages) in the organization for women increased by 2% in 2014 while the median average annual wage for men increased by 1%.

**Gender Equality of Opportunity**

Leumi Group seeks to maintain a high percentage of women at all levels of the Bank and to integrate them into key positions, as can be seen in the data presented on the following page:

**Fair Pay**

Wages in Leumi are set in accordance with the relevant considerations such as professional experience, evaluation, seniority in the organization in 2014, the minimal monthly average wage paid to a woman in the organization for a full time position was about 22% higher than the minimum wage in the economy and the minimal monthly average wage paid to a man in the organization for a full time position was about 25% higher than the minimum wage in the economy.

A comparison of the wage gaps between the minimal monthly wages paid in Leumi and the maximum monthly wages paid in Leumi revealed that in 2014 the wage gaps between seniors and juniors shrunk by about 0.5%<sup>16</sup>. In addition to this figure, the median average monthly wage (not including the highest wages) in the organization for women increased by 2% in 2014 while the median average annual wage for men increased by 1%.

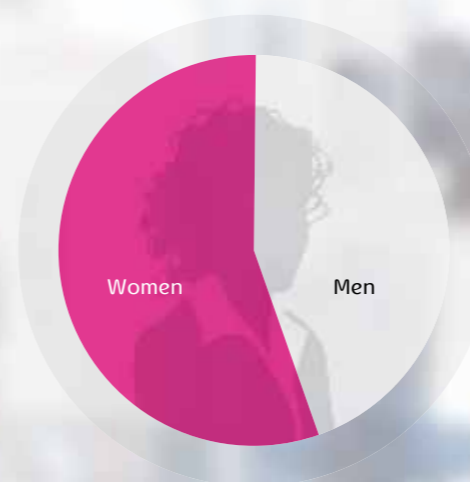
As of the end of 2014, the gap between the median average wages for men (not including the highest wages) and the median average wages for women (not including the highest wages) stands at 17% in the men's favor.

At the high pay grade in the organizations, among the 10% who received the highest wages in the organization, 64% are women.

The Adva Center conducted a comprehensive study in 2012 that dealt with the wage gaps between women and men in Israel.<sup>17</sup> The results of the study revealed that the average wage of a woman in Israel in 2012 stood at 66% of the wages of a man. According to the study, in the last decade - and in comparison to 2002 - the gap shrunk by about 5%. The issue of wage gaps was examined in the Bank and the wage gaps between men and women can be seen in the graph on page 80, broken down by pay grade, it can be seen that the wage gap between men and women in the bank is lower than the average in Israel. We emphasize that the examination was performed in relation to the average monthly wage at every grade.

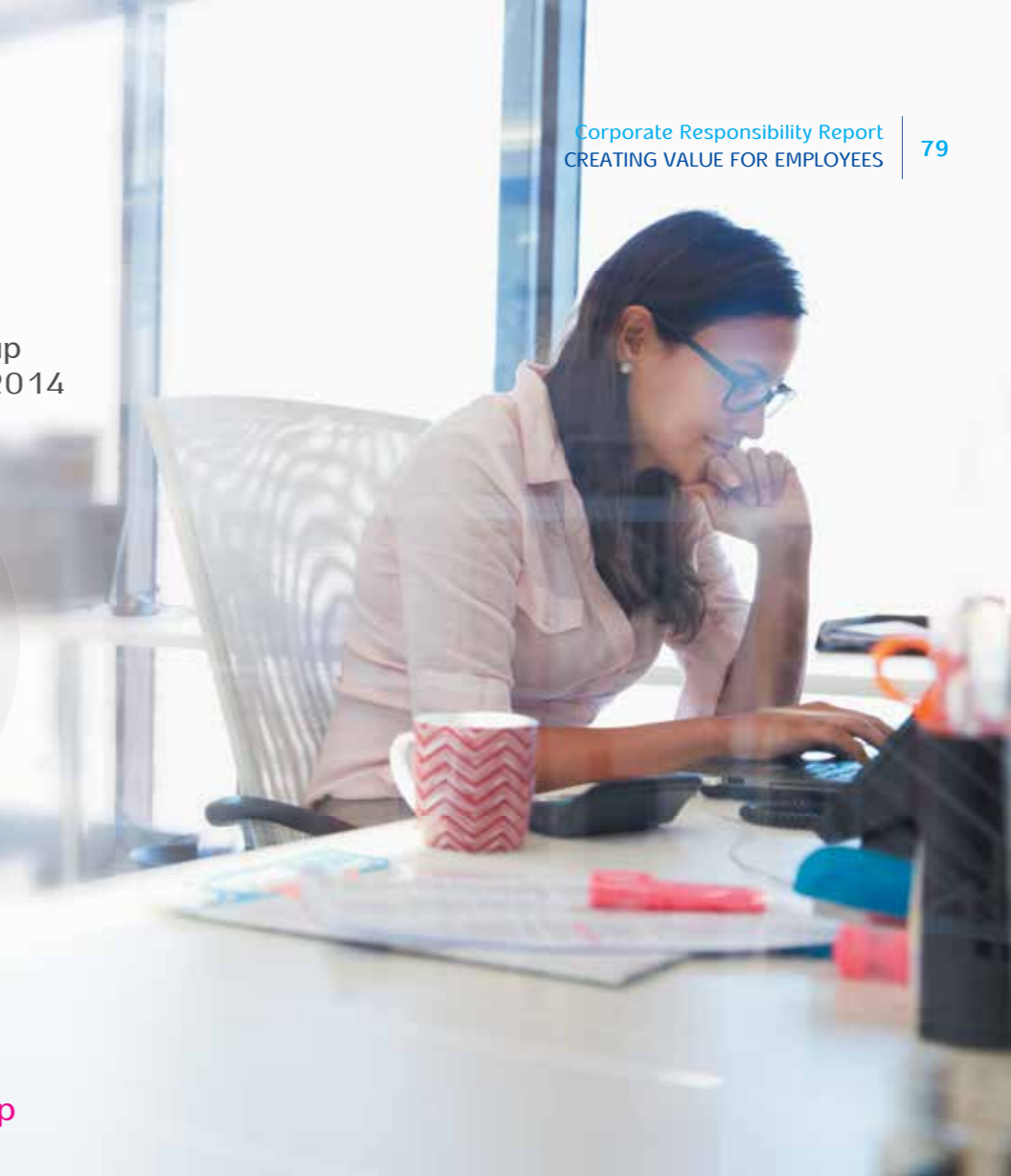
16. An expansion regarding the wage gaps between the CEO's wages and the annual average for employee offices can be found in the financial report on pages 240, 259.  
 17. [www.adva.org/uploaded/EqualPay\\_mail.pdf](http://www.adva.org/uploaded/EqualPay_mail.pdf)

› Breakdown of Leumi Group Employees by Gender in 2014

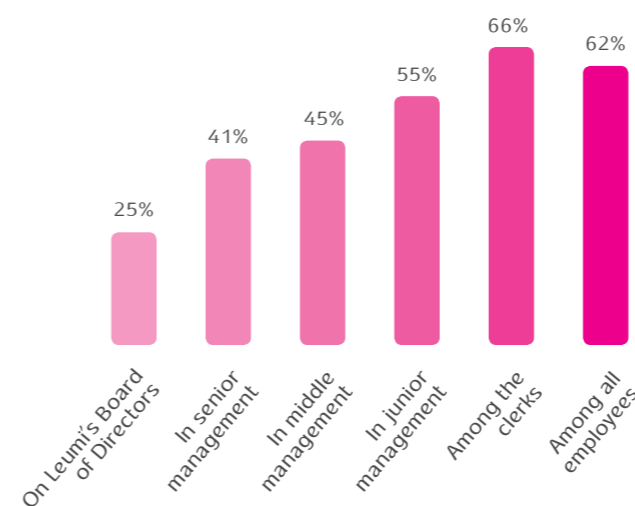


62%

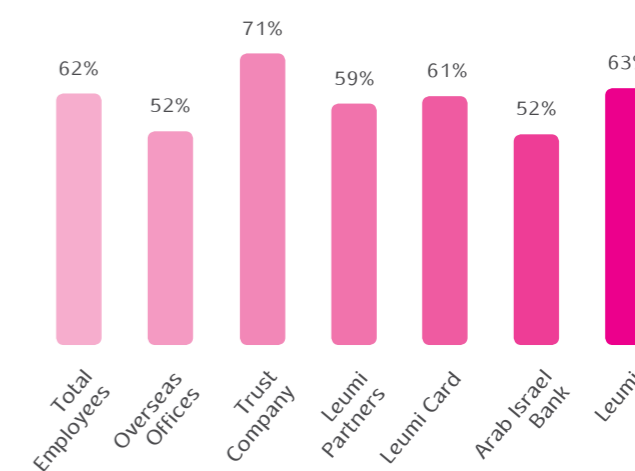
The Percentage of Women in Leumi Group



› The Percentage of Women in Leumi Group by Rank in 2014

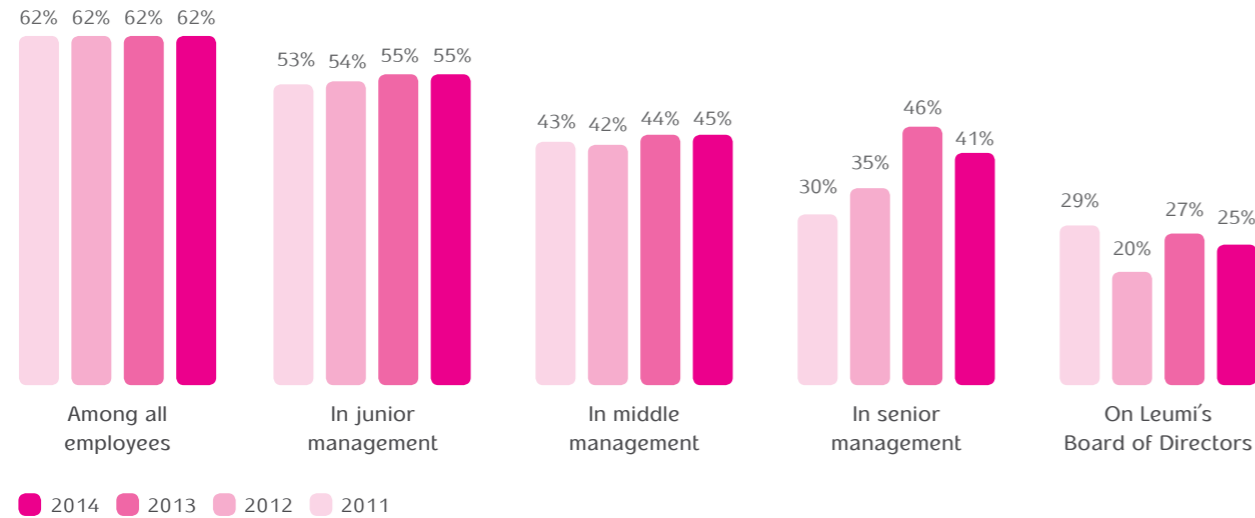


› The Percentage of Women in the Group's Subsidiaries in 2014

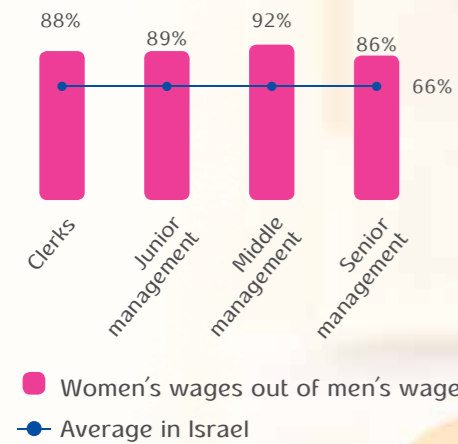




› The Percentage of Women in Leumi Group 2011-2014



› The Ration Between the Average Wages for Women and Average Wages for Men by Pay Grade in 2014



**Maintaining Proper Work Relations**

Leumi Group believes that a fair, transparent and cooperative relationship with the employees' representatives contributes to the advancement of business of the Bank and of the Group as well as contributing to employee satisfaction. Since its founding, an employee representative body has operated in Leumi that represents the employees vis-à-vis the Bank's management. Every employee can approach the employee representative body in the Bank at any time and on any matter and raise it for discussion.

At Leumi and at Arab Israel Bank, work relations between the Bank Management and the employees (via the employee representative body) are based on a system of collective agreements and other accords

created over the years, including ad hoc agreements between the Bank Management and representatives of the employees.

In 2014, relations between the management and employee representatives continued to be conducted in a proper manner, and based on mutual respect and attentiveness. In 2014 there were no strikes or lockouts initiated by the employee representative bodies at Leumi and at the Arab Israel Bank. During the negotiations on the first collective agreement in Leumi Card, a work dispute was declared by the Histadrut at the end of 2014. The negotiation continued until the signing of the agreement on 29 April 2015, and the dispute was then cancelled.

In 2014, 85% of Leumi Group's employees and managers in Israel

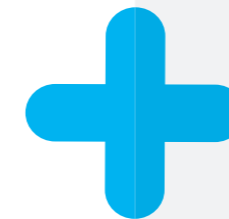
were employed under collective agreements. The rest of the Group's employees, including employees of Leumi Card, Leumi Partners and the overseas offices, where there were no collective employment agreements in 2014 - are employed under personal contracts.

**Arab Israel Bank**

The new collective agreement applies, word for word, to the Arab Israel bank and its employees.

**Leumi Card**

During 2013 a Workers' Union was established at Leumi Card. The company recognized the Histadrut as the organization representing its employees. Negotiations on the first collective agreement commenced at the end of 2013. The agreement was signed on 29 April 2015.



**New collective Agreement at Leumi**

At the beginning of 2015, Leumi Management and the National Employee Organization of Leumi signed a new four-year collective agreement (2015-2018). The outline of the agreement was achieved based on the guidelines of the previous collective agreement of Leumi employees, with several key changes that place an emphasis on maintaining long-standing employees' rights and improving the terms of employment of the younger employees and those at a relatively lower pay grade. It was agreed, inter alia, that:

The average increase in the average annual wage to all employees will stand at 4% in 2015 and 2016, and at 3.5% in 2017 and 2018.

Employer contributions to pensions of young employees with a cumulative pension will increase by 50% - from 5% to 7.5%.

The wages of employees currently earning minimum wage will increase by about 15% and in a single instance to NIS 5,000 a month. In this way, Leumi is two years ahead of updating the minimum wage for its employees.

Leumi will increase the rate in which external employees are brought in as regular employees. The employment outline and its scope will be determined at a later stage.

For the first time, a principle decision was made regarding compensation for the accumulation of sick days. The compensation will be granted upon retirement. A new mechanism for remunerating employees for non-utilization of sick days by granting vacation days was also established.



Within the framework of the collective agreement that was signed in Leumi at the beginning of 2015, an increase in the wages of employees of manpower companies that the Bank employs at the equivalent of NIS 5,000 a month already during 2015



Leumi and its subsidiaries hired 285 employees of external companies, which constitute 23% of the new employees that the Group hired.

**Prevention of sexual harassment**

Leumi treats sexual harassment in the workplace very seriously and attaches great importance to its prevention. In order to prevent such transgressions and create a fair, respectable and pleasant working environment, one which promotes equality and mutual respect, Leumi appointed a senior lawyer to be responsible for the prevention of Sexual Harassment, and to receive complaints relating to sexual harassment. It was also established that sexual harassment is a serious disciplinary transgression and a set of standards in this regard is conveyed personally to each of its employees and is given to every new employee at the Bank upon intake. The standards and the contact details of the senior lawyer appear on the Leumi organizational portal. In 2014, the

standards were distributed once again to all branches and units of the Bank, and they are displayed on the noticeboard of every unit. Complaints in this regard are treated professionally, efficiently and quickly. In 2014, a few solitary complaints were lodged concerning sexual harassment: An inquiry was conducted in each instance by the appointed lawyer in accordance with the Sexual Harassment Prevention Law.

**External Employees**

Leumi receives services from manpower companies covering a range of positions, including tellers at the branches, telephone call center personnel, computer and programming personnel and more. In 2014, the scope of services Leumi received from such external employees was 921 positions (Some

of the external employees provided the Bank with services in part-time positions). These figures do not include service company employees in the fields of security and cleaning. In 2014, Arab Israel Bank received services from external employees in the scope of 51 positions and Leumi Card 57 positions. The rest of the companies in Israel and the world received services from a total of three external employees.

**Hiring of Contract (External) Employees:**

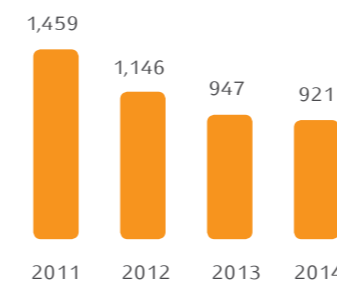
In 2014, Leumi and its subsidiaries hired 285 employees of external companies, which constitute 23% of the new employees that the Group hired.

**Improvement in the Terms of Wages of Contract Employees:**

Within the framework of the collective agreement that was signed in Leumi at the beginning of 2015, an

increase in the wages of employees of manpower companies that Bank employs at the equivalent of NIS 5,000 a month already during 2015, even before the entry into force of the Guidelines updating the minimum wage sum established by the Government's decision, this due to concern for employees earning a low wage.

**External Employees in Leumi**



**Employee Absences**

In 2014, employees of the Group took 260,386 vacation days.

Days of Absence of Employees	Total in the Group
* Due to employee illness (not including an absence due to work accidents)	91,251
Due to the illness of a family member (*)	16,261
Due to a vacation	260,386
Due to a school vacation (**)	2,036

\* Sick days in the Arab Israel Bank include sick days of a family member.  
\*\* School vacation in Leumi Card is included in the regular vacation.



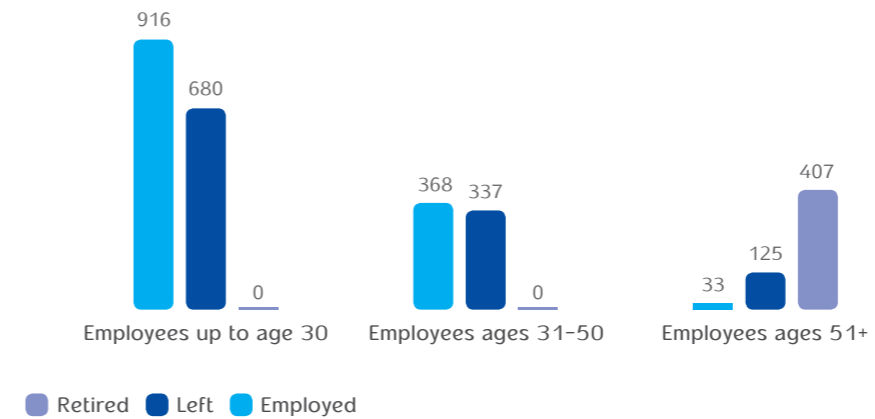
**Balancing home and work**

Leumi Group recognizes the importance of balancing home and work and allows its employees a reasonable balance between work and their private life. The employment terms at Leumi allow for a successful combination between building a professional career and a family life (raising children, caring for elderly parents etc.). The overall terms of employment, together with the organizational culture in Leumi, provide a supportive environment for every employee (man or woman) to balance between their family and their work.

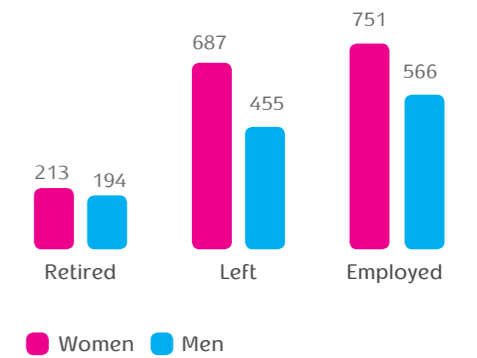
**The Group implements several practices that are intended to support this balance:**

- A five day and 39 hour work week - less than is customary in the economy.
- According to a permanent guideline, overtime hours will only be worked if necessary and on the instruction of a manager.
- The quota of vacation days for employees is higher than what is stipulated by law.
- The rule for accumulating and utilizing sick days benefit the employees beyond what is stipulated by law, both for employee illness and for the illness of family members (children and elderly parents).
- Nursing mothers in Leumi are entitled to an hour of nursing which exceeds the time stipulated by law, out of the desire to assist an employee returning to work after maternity leave.
- Leumi participates in the reimbursement of employee expenses for pre-school activities and summer camps.
- Leumi reimburses eligible employees for the college tuition of their children.
- Leumi offers outings to its employees and their families.

› Employee Turnover in Leumi Group By Age Groups in 2014



› Employee Turnover in Leumi Group for 2014



**Employee Turnover**

In the figures concerning employee turnover in the Group, we can see that the scope of young and middle-aged employees joining the ranks of the Bank exceeds the scope of those leaving, which indicates that the companies of the Group are desirable and attractive workplaces. It should be noted that a large number of those who leave after the age of 50 (407 employees) are long-standing employees who are retiring after many years of service in the Bank.

**Streamlining program**

With a view to supporting the Bank's business objectives, Leumi announced a three-year streamlining program in 2012, aimed at bringing about substantial savings in the Group's operational costs, as well as improving its efficiency ratio on an ongoing and long-term basis, while instilling a culture of operational savings and efficiency.

The program includes taking measures in the area of human resources as well as in other areas accruing material expense. The streamlining program is based on organizational and structural changes (such as establishing specialization centers and reducing manpower in the branches) as well as on the extent of natural retirement and an early retirement plan.

As part of the streamlining program, about a thousand positions were reduced in Leumi Group in the years 2012-2014. As part of this program, 670 employees signed on voluntary early retirement. This was carried out in full cooperation with the employees' representative body and through respectful, open dialogue with the retiring employees.


The reduction in the number of positions allowed for a reduction in the Bank's facilities and the expenses thereof. As a result of the

reduction, the rental agreement on assets that became redundant were sold or terminated.

Within the framework of the strategic objective of improving efficiency and flexibility, Leumi Group plans to reduce the scope of the positions in the Group over the next three years (2015-2017) by an additional thousand positions. This reduction is based on streamlining throughout the Group - primarily in Leumi, on the basis of the scope of natural retirement, including in the subsidiaries in Israel and abroad, on the basis of continued streamlining in the Group's activity in Israel and closing or selling part of its activities abroad.

**Natural retirement**

In 2014, 119 employees retired as part of natural retirement. In the coming decade, about 2,150 employees are expected to retire naturally, 80 of them already in 2015.

 **FUTURE OBJECTIVES**

	Objective for execution by end of 2015	Main activities planned
Leumi	Encouraging the hiring of diverse populations in Leumi	Adjustments and alleviation in screening tests for diverse populations, while focusing on populations with disabilities in particular.

## EMPLOYEE DEVELOPMENT AND EXCELLENCE

The challenges and the changing reality obligate Leumi to continually strive to improve. The Group strives to create value for its customers and for the stakeholders by way of excellence in service and products. This concept is based on the quality of the people, on a high level of professionalism and on an organizational culture that focuses on constant improvement.

The human factor is at the top of the Group's quality components and is the basis for its operations and success. Leumi Group's objective is to nurture and retain its human resource, to inspire a sense of pride in the workplace among its employees and to attract quality individuals. Leumi Management has set itself the goal to support the business units in achieving their business objectives through learning and training processes, which focus upon improving the professional and managerial capabilities of the employees and managers. Leumi employees receive professional and managerial training when transferring to new positions, and in light of the relevant changes; in professional and managerial "fitness centers"; in training sessions according to rank for executives; in the branch managers club; in external seminars; in enrichment workshops for the development of personal and interpersonal skills; in e-learning of professional subjects, and more.

The Training Sub-Division in the Human Resources Division is responsible for annually and methodically managing and measuring this area in the Group. In addition, the Sub-Division operates the training center in which all the training and learning programs for Leumi Managers and employees are planned and built. The training center advocates learning processes that are interwoven and integrated into the work routine so as to promote the business objectives of the Group and to benefit the personal and professional development of employees. The training center is also at the disposal of the subsidiaries in the Group: every subsidiary participates in the activities of the center according to its unique needs.

The Sub-Division, in cooperation with additional units in the Group, is leading several key processes:

- **Training Courses and Programs:** The training programs in the core banking fields and in accordance to business objectives such as credit, investment consulting, service and sales and managerial training, including comprehensive training and assimilation of the issue of regulation and compliance among the employees.
- **Measurement and Assessment of Effectiveness:** With the aim of improving the proposed training programs for employees and to ensure that they provide solutions to needs in the field.
- **Learning via Online Channels:** Within this framework, Leumi enables its employees to efficiently learn professional contents, at a good pace and within a framework convenient to them via a computerized system.
- **Personal Mentoring:** Personal mentoring processes with the aim of advancing employees and managers with professional and managerial development potential.
- **Managerial Reserve Program:** As part of the promotion of excellence in Leumi, programs were written for the development of managers with high potential, in preparation for more complicated duties further in their careers. These programs are managed in the Headquarters, Work Relations and Staff Administration Sub-Division.
- **The Hundred Forum:** Includes approximately a hundred heads of sub-divisions (senior managers). The Forum was established with the aim of nurturing the managers, increasing their involvement and influence in the activities of the Bank, and building an expanded management, together with the members of Leumi Management. (Managed in the Headquarters, Work Relations and Staff Administration Sub-Division.)
- **Promoting Academic Studies:** As part of the policy for nurturing excellence, the Group funds higher education for its employees who meet the criteria.

### Initiatives for developing excellence and training employees

#### Leumi

**Sales Simulator:** An innovative and unique training and learning space for developing interpersonal skills: Service and sales skills, interpersonal communication skills, management skills and negotiation skills.

**Leadership Program:** A two-year program for the development of senior middle management, led by members of management and members of the Hundred Forum. The program deals with three axes of development: Self-management, management of relationships and management of complex systems. The program is unique and was established in order to give senior executives the tools to successfully handle Leumi challenges.

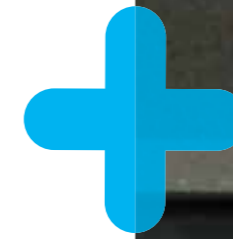
**Headquarters Track:** A new track that addresses Headquarters members in specific units, in order to assimilate a concept and effective

skills for Headquarters duties. The emphasis in the track is given to expanding knowledge, familiarity with Headquarters duties and with the business and its challenges, and networking to promote the business.

**A Club for Branch Managers:** Annual and every-other-day activity, which is intended for branch managers in the business divisions. The goals of the club are to create a platform for dialogue and networking, self-empowerment and a dialogue with Leumi Management. This year was dedicated to activity in the development of skills for effective communication.

#### Leumi Card

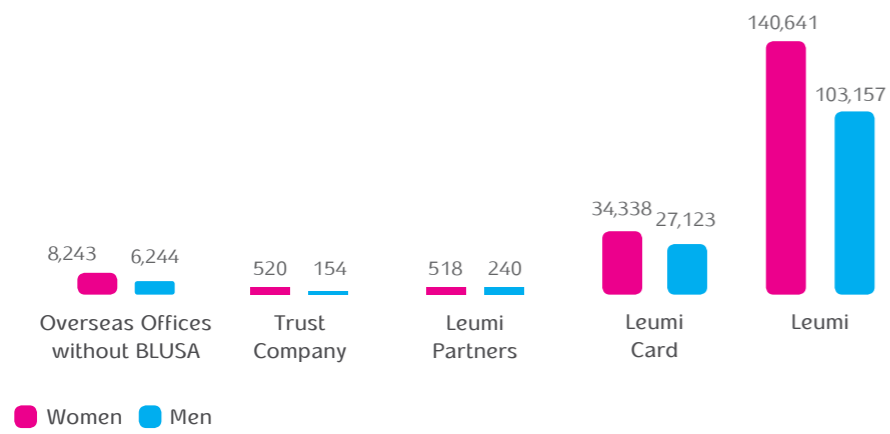
The company holds training courses for new representatives and individual training programs for new employees in professional positions. Leumi Card additionally maintains a yearly program of ongoing professional training, in keeping with the changing needs of the organization's units and the company's business needs. In addition to all these, Leumi Card offers its employees a range of courses and workshops for professional and personal enrichment on subjects relating to finance, computer applications, interpersonal skills, and more, within the framework of "Leumiyeda" - the organizational campus. In addition, Leumi Card maintains a program for the training and development of managers at all levels for the development of managerial capabilities and skills, personal development and growth. The program includes different activities such as management courses, sessions with colleagues, managerial forums, consulting processes and personal mentoring.



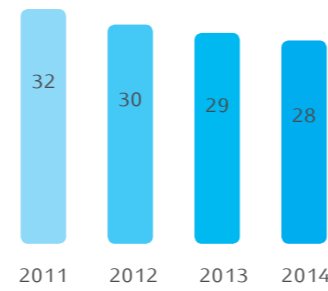
Leumi Group's objective is to nurture and retain its human resource, to inspire a sense of pride in the workplace among its employees and to attract quality individuals.



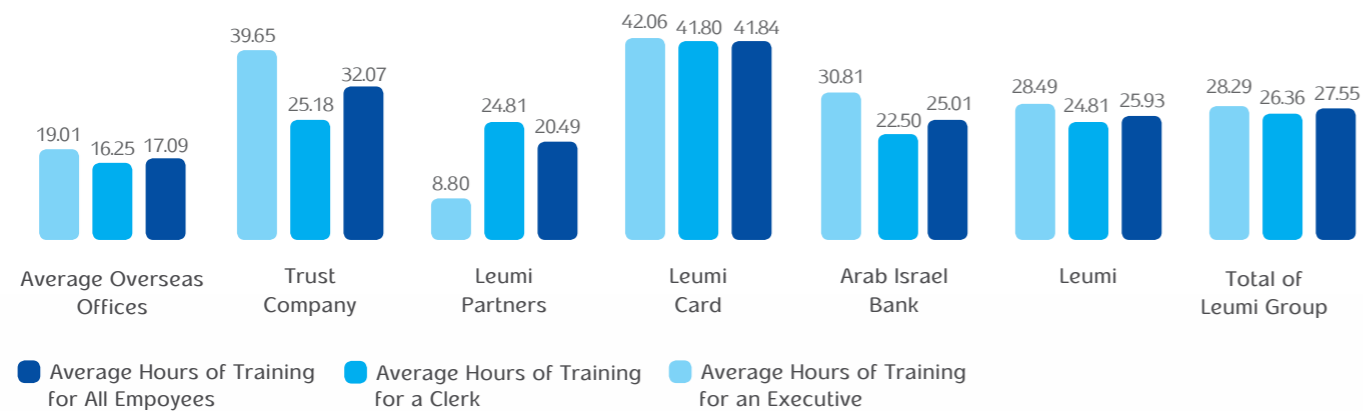
Hours of Training by Gender in Leumi Group in 2014



Average Hours of Training Per Employee in the Group in 2014\*



Average Hours of Training Per employee in 2014\*



\* The data does not include Bank Leumi USA.

The decline in reported training hours per employee, is due to increased field learning hours and distance learning; learning at the branches with internal advisors or with branch and sector managers, which is not measured by the computer systems



## MEETING PRESENT AND FUTURE OBJECTIVES

Company	Objective for end of 2014	Status	Explanation
Leumi Card	Leading service quality processes at the centers outside of the Customer Service and Operations Division.	+	The main points of the training program regarding service quality were carried out.
	Implementation of 9 annual sub-divisional training programs intended for employees and managers of the company's sub-divisions.	+	Most of the activities planned for 2014 were carried out.
Leumi Partners	Continued development of a training and enrichment program for employees.	+	Training programs were carried out for most of the employees, each in their area of activity.
Trust Company	Workshops for development of managers and employees.	+	All employees underwent training in 2014.
Objective for execution by end of 2015		Main activities planned	
Leumi Card	Participation of 35% of the organization employees in the company's Leumiya activities.		Communicating and encouraging participation among company employees and managers in the Leumiya activities in 2015.
	Execution and implementation of 85% of the total activities defined in the departmental training programs.		* Leading a process for detecting the training needs vis-à-vis the sections managers. * Preparing a training program for the department, including activities, budget, vendors and schedules. * Defining and leading the learning processes in the program
Leumi Partners	Developing professional training and qualification for all the company's employees.		Increasing the number of training hours and the number of participating employees compared to the previous year.
Trust Company	Participation of most of the company employees in personal and professional development and enrichment workshops.		Cooperation with the training center and external professional functions for building and imparting relevant courses to the company's employees.

+ Completed    + Partially Completed    - Not Completed





In preparation for the "Employee Evaluation Process 2014" (implemented in February 2015) the format of the process was updated. The update was intended to make the process more significant both for the purpose of improving performance, development and empowerment and as a support tool for decision making.

**Feedback and Employee Evaluation**

Feedback and employee evaluation discussions are held annually. The feedback discussion is structured and includes such aspects as meeting objectives, performance methods and objectives for the following year. At the center of the process stands the dialogue between the employee and his direct superior, which provides the manager with an opportunity to provide the employee with feedback regarding his performance and the quality of his work in the past year, adjust mutual expectations with a look to the future and think together of possible ways to continue learning and developing.

The evaluation process includes filling in an appraisal on the

computerized system, which can be viewed by the employee at any time. In addition to this annual feedback process, there is also an annual "midway discussion" at Leumi and Arab Israel Bank, with the aim of providing an opportunity for open, two-way, informal dialogue. At Leumi Card and the Trust Company there is also a semiannual evaluation which assesses the extent to which objectives are being met, and adjusts them as necessary.

In preparation for the "Employee Evaluation Process 2014" (implemented in February 2015) the format of the process was updated. Among other things, a single format was established for staff and for officials, grading scales and evaluation characteristics were updated, the option of employee self-evaluation was added, and

more. The update was intended to make the process more significant both for the purpose of improving performance, development and empowerment and as a support tool for decision making.

In addition to evaluation and feedback, Leumi maintains manager evaluation processes at assessment institutes, as well as evaluations within the framework of managerial courses.

**Employee Satisfaction**

Since 2013 Leumi has conducted pulse surveys. These surveys are brief and focused, and allow for a quick, up-to-date and ongoing snapshot as to employees' views concerning major aspects of the organizational culture, the degree of satisfaction, the engagement and the assimilation of various processes.

During 2014, three pulse surveys were conducted. In the area of engagement, a high and stable response pattern was noted over the three surveys. More than 72% of Leumi employees reported that they would recommend Leumi to their friends "to a great extent" as a good place to work for.

In addition, Leumi allows BDI to conduct an external and objective survey of employee satisfaction in Leumi. This survey also serves to establish the Bank's ranking among

the one hundred most worthwhile companies to work for.

In 2014, the employee satisfaction grade stood at 7.94, maintaining its stability relative to 2013, when the grade stood at 8.00.

The results of the surveys are communicated to the Bank management and are taken into account while formulating recommendations for the improvement of processes.

**Leumi Jobs: Increasing Transparency of internal processes of mobilization and placement**

In June 2014, a new online system, which allows employees (clerks and executives up to the 10th rank) to view the open positions in the Bank and to apply to them, was launched. The creation of the website constitutes a change in the organizational culture and allows employees to take an active role

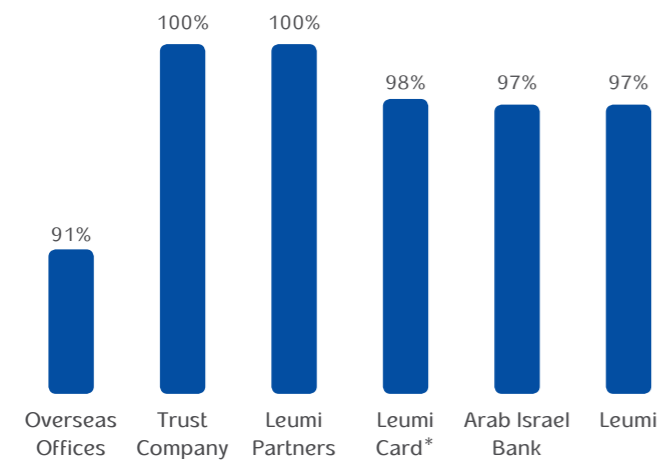
in the management of their career. In the first nine months of the system's operation, more than 350 applications were submitted and about 90 positions were filled.

**Leumi Card**

During 2014, a BDI satisfaction survey was carried out at Leumi Card and satisfaction surveys were conducted at the various service centers. The results of the survey appear at the top of the next page. The percentage is calculated out of all the service representatives who responded to the last survey.

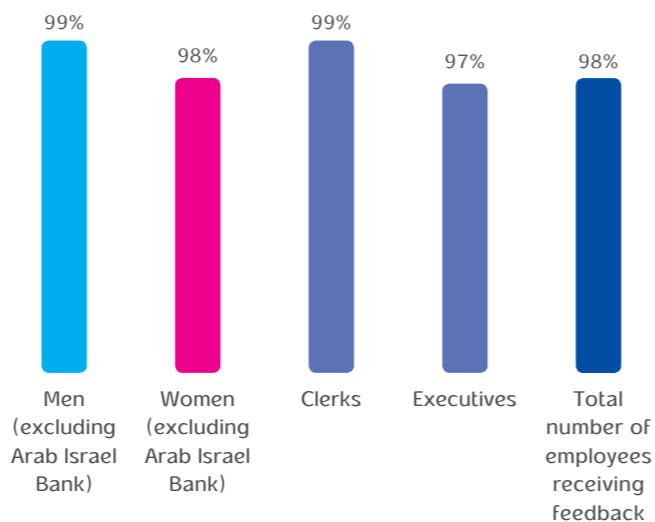
Leumi Card was ranked 21st among the one hundred "best companies to work for" in the BDI and The Marker survey.

› The Percentage of Employees who Received Feedback by Company in 2014



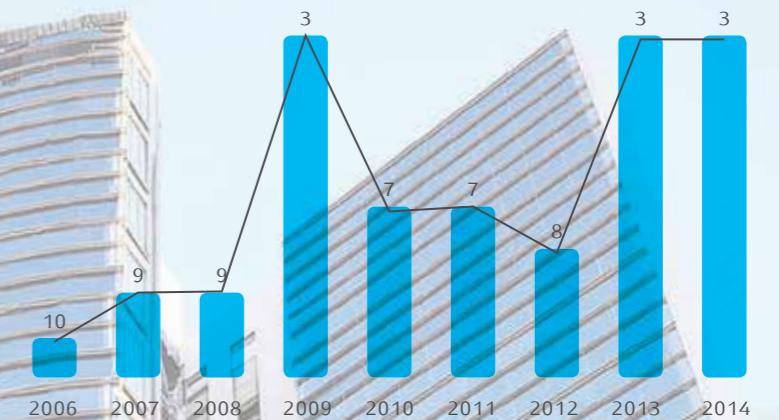
\* Calculating the percentage of those receiving feedback in the Leumi Card Company is based upon the percentage of those receiving feedback out of the total of those with the potential to receive feedback and not out of the total number of employees, as is calculated for the rest of the Group.

› Percentage of Employees who Received Feedback in 2014 by Rank and Gender



› Leumi's Ranking in the "100 best companies to work for"

In 2014, Leumi was ranked in 3rd place at "100 best companies to work for" (Second year in a row) by "The Marker" and BDI





**87% expressed a high level of satisfaction from Leumi Card as a workplace**



**88% asserted that they intend to continue to work in Leumi Card over the next few years**

**Involving the Employees and Increasing Transparency**

To maintain open dialogue with employees and allowing them to express to management their views, needs and ideas, and allowing management to be in touch with the field and to become familiar with the employees, a number of structured mechanisms were established for discourse between employees and management. The main points of these discussions and encounters are documented for the benefit of gaining insights and initiatives for the future:

- **Employee meetings with the CEO and the division heads:** Throughout the year, initiated meetings are held between groups of employees and the CEO and division heads. These meetings allow for open and direct discourse between management and various employee groups. In addition, members of management conduct tours of the branches and regional offices, which include meetings between employees at the branches and the senior managers, in small groups.
- **Open Line to the Management of Human Resources Division:** Leumi offers an “open line” for its employees to contact the management of the HR Division with regard to any matter. As part of the open lines, members of the management in the HR Division initiate discourse with employees. In 2014, two “open lines” were held, and about 180 initiated and incoming conversations were held. The subjects raised included satisfaction with courses and training, information presented on the intranet website, Leumi Jobs, mergers, the values of Leumi and increasing transparency.



**A live broadcast meeting with the CEO:** In 2014, two virtual meetings were held with the CEO, within the framework of which a conversation with the CEO was broadcast live to all Leumi employees. Prior to the second meeting, and as part of the conclusions drawn from the first meeting, the employees were invited to send questions (either openly or anonymously) and the CEO replied to a series of questions live.



**MEETING PRESENT AND FUTURE OBJECTIVES**

Company	Objective for end of 2014	Status	Explanation
Leumi	Establishment of an internal Employee Placement system with the aim of promoting career development and supporting the mobility policy set by Leumi. In 2014, the system was planned to be operated for clerical and managerial 8-10 ranks.	+	
Arab Israel Bank	Conduct an updated organizational attitude survey, in a format similar to that conducted by Leumi.	+	Conducted at the beginning of 2015.
Leumi Card	Increasing the use of the “employee brings a friend” (Friends Plus) app to recruit employees for the company.	+	Actual implementation: Over a third of the recruitments in 2014 were performed through this channel.

	Objective for execution by end of 2015	Main activities planned
Arab Israel Bank	Conduct an up-to-date organizational attitude survey.	
Leumi Card	Reexamine the format of the annual evaluation process in preparation for 2016.  Conduct an organizational week of learning regarding personal and career development.	Lectures and workshops regarding personal and career development for all employees of the company.

+ Completed   + Partially Completed   - Not Completed

## EMPLOYEE SECURITY AND SAFETY

Leumi Group attaches great importance to maintaining the security, safety and health of its employees and therefore invests considerable resources in creating a safe and healthy working environment for them. This approach is reflected primarily on three levels:

**1. Promoting Employee Security:** The Security and Safety Section in the Human Resources Division, which is responsible for managing the security and safety of employees, with the aim of protecting human life (customers and employees) and Leumi property and treasure. The Section is responsible for imparting security and safety measures, the operation of security systems, protection and safeguarding. In addition, the Section is responsible for raising awareness of employees on issues of security, fire safety, preparation for emergencies, earthquakes and fires, as well as training employees how to behave in emergency and criminal events. A security and safety tutorial is distributed to the employees once a year. Additionally, guidelines and refreshers are distributed and evacuation drills are performed.

**2. Promotion of Employee Safety:** The companies of the Group treat the subject of safety in a comprehensive manner, with strict controls. Surveys of risks and hazards in the buildings, carried out in the organization from time to time, are meant to ensure, on an ongoing basis, that the Group's facilities provide a safe working environment and that potential hazards are avoided. In the event of a work accident, the Group's safety officers investigate and report to the relevant personnel for the purposes of drawing conclusions and dealing with maintenance and planning hazards, where necessary.

In 2014, the issue of safety was managed by the Acquisition, Construction and Logistics Function in Leumi and in the Security and Safety Sub-Division in the Human

Resources Division, via central mechanisms for promoting and ensuring occupational safety:

- **Safety Committee:** A committee comprised of representatives of professional units, employee committee representatives, and management representatives. The Committee holds eight meetings over the course of the year at which irregular events are discussed. The Committee members receive updates about ongoing activity and special projects which have implications for employee safety and hygiene. The Committee is comprised of representatives from the professional units - 50% of which are employee committee representatives and the rest are management representatives. The Committee also has representation from the various levels of management - 75% of its participants are managers and the rest are clerks. The issues of safety are not included in the agreement with the Employee Committee.

- **Conducting Surveys and Performing Checks in the Units:** Leumi adopts a pro-active and prudent approach in all matters related to a safe working environment, and regularly initiates a series of safety and environmental checks and surveys, including checking for the presence of pollutants, odor hazards, and more.

- **Preventing Occupational Illnesses:** The Bank takes care to prevent occupational illnesses, conducts environmental and health risks surveys and monitors exposed environments. As such, three units in the Bank are defined as being noisy work environments. Employees who are exposed to

noise that is slightly louder than that permitted under the standard are issued adapted equipment, trained and monitored medically.

- **Compliance with an International Occupational Health and Safety Standard:** Leumi complies with all laws, bylaws and compulsory standards in the realm of health and safety at work. In addition, Leumi maintains the ISO 18001 standard of the Standards Institution of Israel for occupational health and safety, and was the first financial institution in Israel to receive this standard.

### Initiatives for Promoting Security and Safety for Employees Leumi Card

Promoting Road Safety: Leumi Card ensures that every employee that is eligible for a company vehicle undergoes about five hours of theoretical and practical drivers' training, which includes training on a simulator that simulates driving while the vehicle is sliding or rolling over. The employees undergo this training routinely once every three years. In 2014, the process was also expanded to children of employees who are defined as new drivers and 26 children of employees underwent this training. In addition to this, the company publishes tips for safe driving on the daily e-mail and also uploads information to the organizational portal.

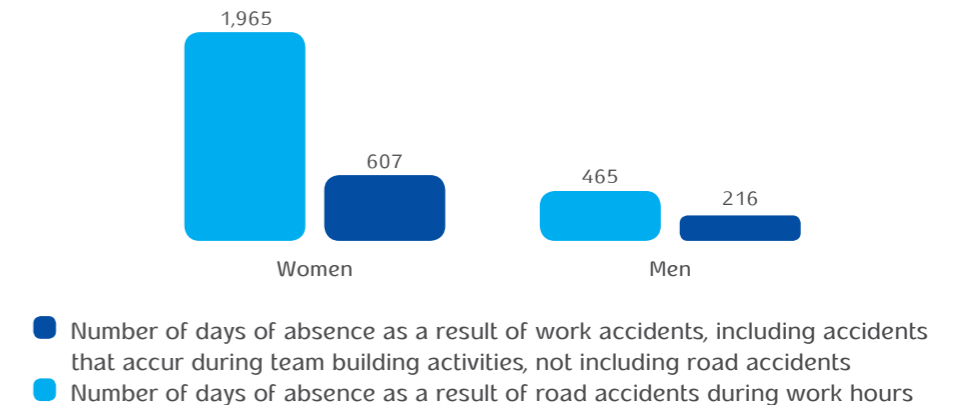
**Promoting Road Safety:** Leumi Card ensures that every employee that is eligible for a company vehicle undergoes about five hours of theoretical and practical drivers' training, which includes training on a simulator that simulates driving while the vehicle is sliding or rolling over. The employees undergo this training routinely once every three years. In 2014, the process was also expanded to children of employees who are defined as new drivers and 26 children of employees underwent this training. In addition to this, the company publishes tips for safe driving on the daily e-mail and also uploads information to the organizational portal.



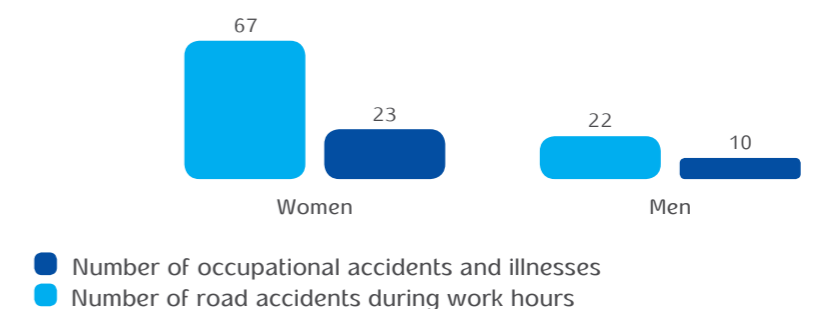
	Men	Women
Number of occupational accidents and illnesses*	10	23
Number of days of absence as a result of work accidents*	216	607
Out of all days of absence - the number of days of absence as a result of occupational illnesses	0	0
Number of cases of death as a result of work accidents*	0	0

\* Including accidents that occur during team building activities, not including road accidents.

› Number of days of absence due to accidents in the entire group\* in 2014



› The number of accidents that occurred in Leumi Group\* in 2014



\* Not including BLUSA data





## HEALTH AND WELFARE OF THE EMPLOYEES

Leumi Group promotes awareness of a healthy lifestyle among its employees, and invests in processes and tools intended to encourage them to maintain their health and their efficient performance at work, over time. The Group seeks to detect trends and sources of difficulty and to provide a solution to employees who require assistance. This matter is managed at the Welfare Section and at the Sports Area of the Human Resources Division at Leumi, which provides practical tools for altering behavior in the field of health.

### Initiatives for Promoting Employee Health and Welfare

#### Leumi

#### Initiatives for Promoting Employee Health:

- **Preventative Medicine:** Leumi allows eligible employees to carry out comprehensive periodic medical examinations for early diagnosis of diseases and their prevention. In addition, an anti-flu vaccine is offered during the fall and health insurance is offered in the framework of the employee committee. The Bank's internal website publishes professional information regarding domestic violence, alcohol, drugs and more, as well as recommendations to perform tests and preventative treatments in the fields of breast cancer, skin cancer, smoking cessation, etc.
- **Occupational Physician:** an occupational physician is at the disposal of the Bank and its employees. Among other things, the occupational physician accompanies employees during the process of their return to work following a long term illness.
- **Physical Activity:** The area of sport in Leumi offers the employees a variety of activities and benefits: discounted memberships at gyms, fitness groups at the workplace, participation in marches and competitions and more. A gym and sports auditorium was established at the Leumi Services Complex in Lod for the employees' use.
- **A Systemic Program for Promoting a Healthy Life Style:** In 2014, a pilot was developed that will begin operating in 2015 in the framework of which the

employees will be offered a health promoting program in several geographic regions. The pilot will address aspects of nutrition and physical fitness.

- **Blood Drives:** The Bank conducts blood drives within its facilities throughout the country and encourages its employees to donate.

#### Initiatives for Promoting Employee Welfare:

The welfare section at Leumi offers employees a wide range of services and activities, including:

- **A Team of Social Workers:** offers assistance to employees in situations of personal, familial, physical, economic or occupational distress. Over the past two years, much emphasis has been placed on assistance to HR employees and managers in the process of mobility among the Bank's units.
- **Assistance with Stress and Anxiety** arising in times of crisis (security situations, instances of robbery, fire and violence in the branches).
- **A Welfare Fund** for employees of the Bank who run into financial difficulty as a result of severe illness and health or social-related emergencies.
- **Workshops on Managing the Family Budget and Helping Employees with Exceptional Economic Difficulties.**
- **Support in Dedicated Groups:** families with a large number of children; bereaved families; children of retired Leumi employees who passed away and more.

- **Supporting Employees in Processes of their Children's Development:** from first grade, through adolescence and up to enlistment in the IDF.
- **Supporting Retirees:** cultural and recreational activities for Leumi retirees.
- **Subscriptions to Cultural Institutions:** Leumi offers employees and retirees subsidized subscriptions to cultural institutions such as museums, theaters, cinemas, opera houses and dance halls.



## MEETING PRESENT AND FUTURE OBJECTIVES

Company	Objective for end of 2014	Status	Explanation
Leumi	Lower the number of safety accidents by 2%	+	
Leumi Card	Train a new organizational safety officer for the company.	-	After reexamination of the subject, it was decided that there is no need at this stage to train an additional officer.
Trust Company	Carry out biannual training for employees, to refresh safety guidelines at work	+	Most of the employees and managers underwent training over 2014.
Objective for execution by end of 2015		Main activities planned	
Leumi	Reduce the scope of accidents in 2015 by 3% relative to 2014.		
	Certification of a safety trustee in 95% of the branches or assets in which there are more than 25 employees		Intended for employees that left or transferred to another position.

+ Completed    + Partially Completed    - Not Completed

**Appreciation to IDF reserve personnel**

In 2013 Leumi launched a "Reserves Charter" committing itself to upholding the rights of employees serving in the reserves and to support them, with the aim of promoting a sympathetic attitude from executives and colleagues to those serving in the reserves, with the view that there is a close link between service in the reserves and the quality of the employees - loyal people with values who greatly contribute to the organization and possess leadership and management skills.

In 2013, Leumi was awarded the "Reserves Shield" by the Minister of Defense, the Chief of Staff and the Chief Reserves Officer, which is awarded to the three companies that invest more than all others in employees who serve in the reserves.

In 2014, about 500 Leumi employees who serve in the reserves collectively contributed more than 9,000 reserve days.

This year, Leumi held a celebratory event to pay tribute to the reserves. The Bank management and the Chief Reserves Officer attended this event, to which the spouses of those serving in the reserves were invited. The event included a performance by the HaBima Theater. The Reserves Day was also marked by sending a potted plant to the homes of the employees, accompanied by a thank you note from the President & CEO to the employee and his spouse.

During Operation Protective Edge, Leumi supported the 225 Leumi employees (25 of them women) who were called in to the reserves: gift packages were sent to the family members, and every employee who returned from reserve duty during this period received an additional vacation day to rest and reorganize.

In addition to this, Leumi management approved a unique benefit to employees who are recognized as disabled IDF veterans.

This benefit allows them to redeem in cash or utilize their ten excess vacation days that are granted to them by virtue of their status as disabled IDF veterans, for the purpose of rehabilitation and recuperation.

**Leumi Card**

**Initiatives for Promoting Employee Health**

**Promoting Sport and a Healthy Diet:** Leumi Card offers its employees subsidized weight watchers classes that are held at the company's offices. In addition, once a week a "Meatless Monday" is instituted in the dining hall where employees are offered a variety of vegetarian meals.

**Initiatives for Promoting Employee Welfare**

The company places a range of services at the disposal of its employees and their families, including: psychological counseling at reduced cost; mortgage consultancy; a fund that aids employees in financial difficulty; participation in summer day fees -camps for employees' children; financing health insurance for employees and subsidizing health insurance at attractive rates for their families, and more.

In addition, the company awards its employees gifts for holidays and personal and family occasions, and maintains a rich informal program including team building activities and outings for the various units, activities during the holidays, social events, and more.

**Tribute to IDF reserve personnel**

During 2014 Leumi Card continued to support its employees serving in the reserves by a public show of appreciation in different channels; by granting a day's leave, at the company's expense, to employees serving 7 continuous days or more in the reserves; and an annual tribute for the employee and a spouse.



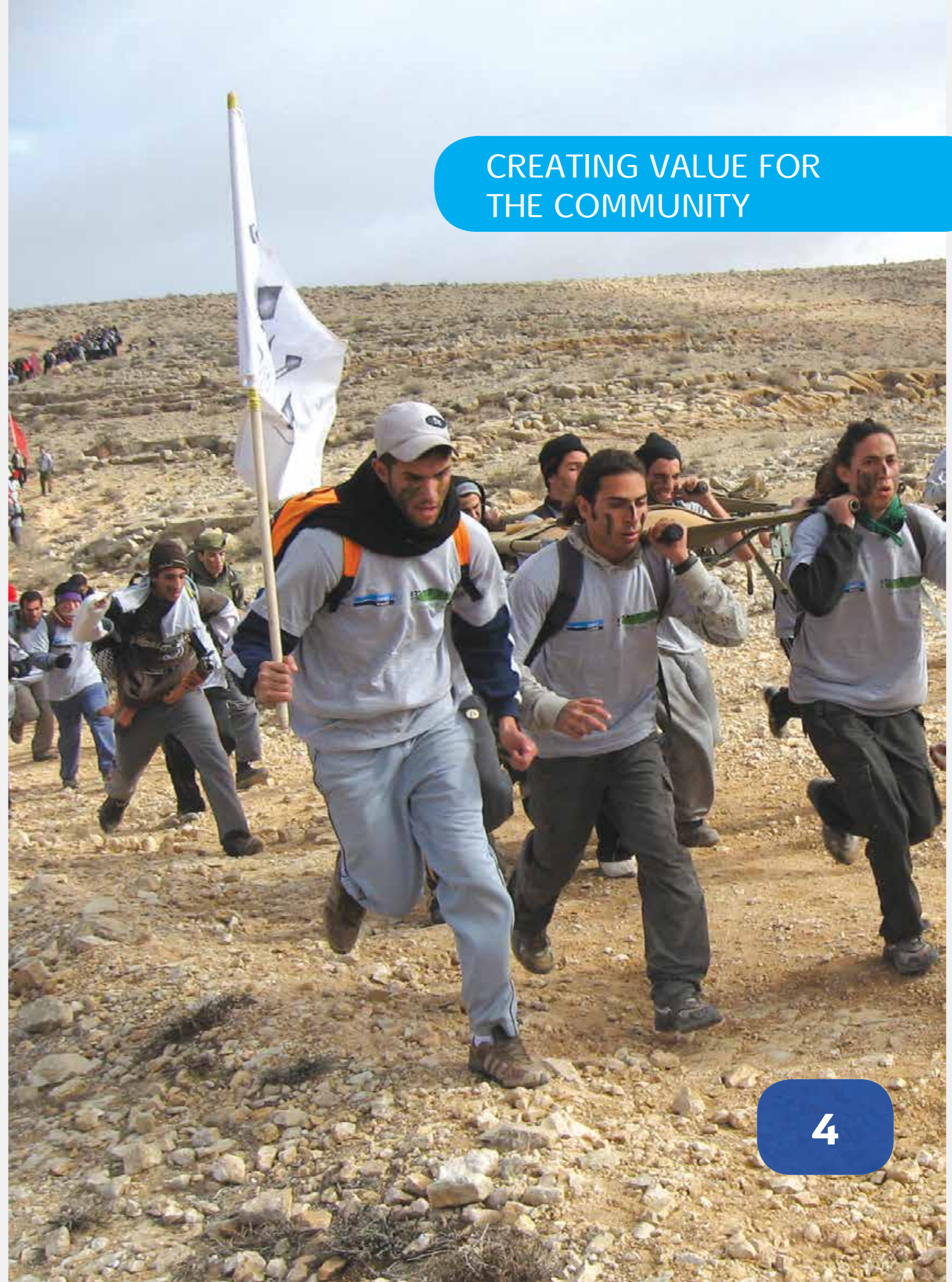
Leumi Group promotes awareness of a healthy lifestyle among its employees, and invests in processes and tools intended to encourage them to maintain their health and their efficient performance at work, over time.



**FUTURE OBJECTIVES**

	Objective for execution by end of 2015	Main activities planned
Leumi	Conducting a pilot program for a healthy lifestyle in two areas, with a view to expand the program to additional units.	As part of the pilot, the employees will be offered a health promotion program in several geographic regions. The pilot will address aspects of nutrition and physical fitness.
	Adapting the activity of the Section to the needs of the employees and Bank retirees in light of the changing reality.	

CREATING VALUE FOR THE COMMUNITY



## INVESTMENT IN THE COMMUNITY

The Leumi Group is a leading banking group and as such has notable and significant influence on the economic, environmental and social fabric of society in Israel. This understanding has generated the Group's world-view and the norms to which it is committed. The Group's commitment to the community is a societal and value-driven foundation that we continue to cultivate, and therefore the Group and its employees are committed to work towards developing society and the economy, and to reduce the negative effects of the Group on the environment.

The Leumi Group manages its community investment through two main channels:

› **"Leumi Tomorrow – the Centennial Fund for Endowing Israel's Future Generation":**

this is a registered non-profit organization working for the advancement of children and youth all over Israel. The non-profit organization is the Group's main channel for investment in the community, and is managed by a committee comprising senior managers in the Group. Headquarters operations of the non-profit organization are centralized in the Training Sub-Division of the Human Resources Division. The non-profit organization invests in meaningful social projects while monitoring their performance and measuring their effectiveness on a routine basis.

› **Donations and sponsorships** are granted to non-profit organizations and organizations promoting a range of social and community aims. Donations Committee members are appointed by the President and Chief Executive Officer, and they evaluate applications for support meticulously and thoroughly, in accordance with defined criteria. The Donations Committee is managed in the Training Sub-Division of the Human Resources Division, while the Sponsorships Committee is managed by the Marketing Division. The Group does not grant donations earmarked for political parties, or for promoting political aims.

**"Leumi Tomorrow – the Centennial Fund for Endowing Israel's Future Generation" (registered non-profit organization)**

This non-profit organization invests in the advancement of children and youth in peripheral areas by supporting educational programs to promote three main areas:

- › Developing leadership and promoting education for values and social involvement
- › Raising the number of high-school graduates entitled to a matriculation certificate and making an academic education accessible for youth
- › Raising the number of recruits for meaningful service in the IDF

The programs are carried out throughout the country, among a range of population sectors, and in cooperation with schools and institutes of higher education and with social non-profit organizations. The Fund is financed solely by donations of Leumi and its subsidiaries.

Projects supported by the Leumi Tomorrow non-profit organization in 2014:

**Aharai! – Youth leading change:** The organization acts to integrate children and youth at risk in Israeli society, through education towards values, leadership development, and the provision of tools. In 2014, "Leumi Tomorrow" directly supported 18 preparatory groups for the IDF in peripheral areas, 17 centers preparing dropout youth for matriculation exams, 14 groups integrating immigrants of Ethiopian extraction, and 11 adult centers. About 5,000 young people take part every year in the organization's activities, in about 100 communities throughout Israel.



Since its establishment up until the end of 2014, the "Leumi Tomorrow" organization invested an accumulated NIS 120 million in non-profit organizations and public bodies active on behalf of tomorrow's generation.



# 25,000

some 25,000 youth have taken part in activities supported by "Leumi Tomorrow"

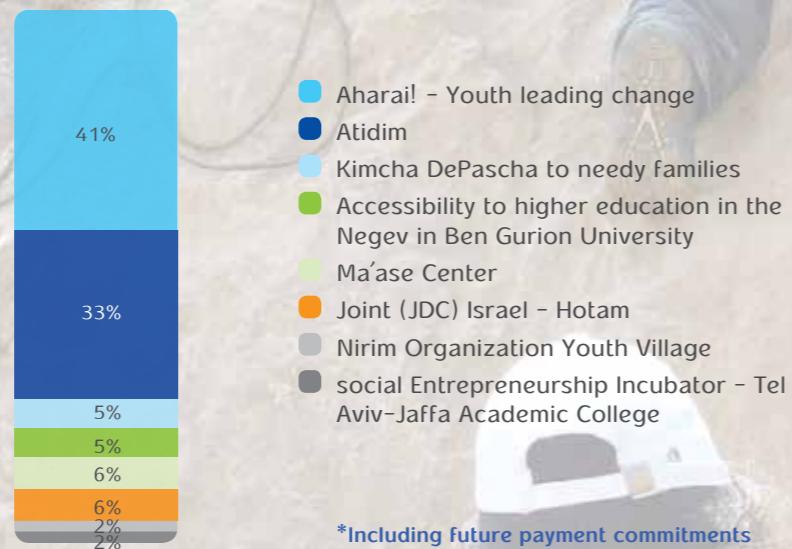


# 12 +

The "Leumi Tomorrow" organization invested a total of NIS 12 million in 2014 for tomorrow's generation. In 2014, some 25,000 youth from different population sectors, and families from weak socio-economic backgrounds have taken part in activities by non-profit organizations supported by "Leumi Tomorrow" in about 100 communities throughout the country.



Distribution of "Leumi Tomorrow" Donations in 2014\*



**"Friends of Atidim" non-profit organization:** "Leumi Tomorrow" supports two programs that are run by the Friends of Atidim organization:

**The Pre-Atidim program,** which promotes scientific excellence and empowerment among high-school students in peripheral areas. Some 16,500 young people participate in the program in 200 communities throughout the country.

**The N.A.M. Program** (an acronym in Hebrew for Outstanding Arab Youth) program, which acts to advance excelling youngsters from the Arab sector in the North towards higher education in prestigious tracks at the Technion and their integration at quality places of employment. In 2014, some 200 students participated in the program (with the support of the Arab Israel Bank).

**Hotam program - Improving Education Quality:** The Hotam program recruits quality youth with academic degrees and trains them to serve as teachers and leaders in the social and geographical periphery areas within the Israeli educational system. The program aims to reduce the social and educational gaps between the periphery areas and the center of the country, and to help enhance

the quality of education received by students in peripheral areas. In 2014, about 400 teachers participated in the program.

**Ma'ase Center - Development of Volunteering Skills:** The Maaseh Center acts to advance social leadership amongst at-risk populations, through a year of volunteering in the community. In 2014, "Leumi Tomorrow" supported activity for supplementary education and developing the face of the future of about 400 volunteers in their year of voluntary service or in national service.

**Program for Advancing Accessibility to Higher Education in the Negev:** A program to promote excellence and accessibility to higher education in the South, operated by the Ben-Gurion University of the Negev, through extra lessons and academic courses for 10th-12th grade students. In 2014, some 840 students participated in the program.

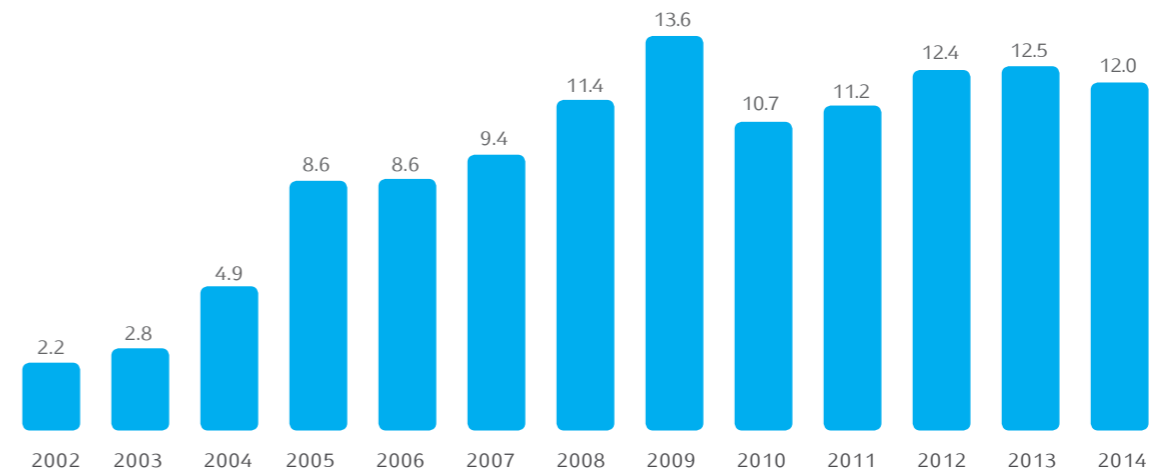
**Nirim Youth Village:** The Nirim Youth Village, located in Bustan HaGalil, allows high risk youth to complete matriculation studies and to take part in a unique process of rehabilitation and empowerment. In 2014, about 90 students studied at the village.

**Social Entrepreneurship Incubator at the Tel Aviv-Jaffa Academic College:** The Incubator operates with the aim of developing Jewish-Arab social entrepreneurship and leadership in Jaffa. In 2014, "Leumi Tomorrow" supported four projects developed by students in the program.

**"I am for You" in Arab Society - "Leumi Tomorrow",** the Arab Israel Bank, and the Latet organization initiated the "I am for You" program in Arab society. The program acts to educate towards social entrepreneurship and encouragement of volunteerism amongst youth from weak socio-economic backgrounds and youth at risk. In 2014, some 200 students participated in the program.

**"Kimcha DePascha" -** In anticipation of the Passover and Ramadan festivals, the Leumi Group and "Leumi Tomorrow" lead a campaign to distribute food packages to disadvantaged families throughout the country. Leumi employees take part in the campaign through monetary contributions, packing of the food parcels, and their distribution to families. In 2014, the "Leumi Tomorrow" organization and Leumi employees distributed food packages to more than 2,200 needy families throughout the country.

Leumi Tomorrow Donations Since its Establishment (in NIS millions) Total about NIS 120.5 million



## Leumi Tomorrow!- Main Results

95%

of Leumi Tomorrow! graduates that enlist, complete full army service

most Leumi Tomorrow! graduates that enlist, complete full army service

89%

out of Leumi Tomorrow! matriculation students passed in mathematics

most Leumi Tomorrow! matriculation students achieved 3 points mathematics matriculation

68%

are eligible for matriculation in Nirim

Most graduates of classes in Nirim Youth Village are eligible for full matriculation

72%

of Maaseh Center participants approved ability

Most participants of Maaseh Center felt great improvement in their ability to learn academic studies thanks to the program

48%

of the graduates of Maaseh Center continue to volunteer in the community

About half of the graduates of Maaseh Center volunteer in the community

73%

want to continue onto academic studies

For most participants in the "program for accessibility to higher education in the Negev", the program strengthened their desire to learn in the future in the university

85%

of Hotam teachers continue teaching

Most Hotam teachers continued teaching in their fourth year as well

87%

of N.A.M graduates are employed

Most graduates of the N.A.M. are currently employed in the profession they studied

## Additional projects that were granted donations and sponsorships

**Friends for Health (Haverim Le'Refuah) organization:** an organization that helps sick and disabled people in distress. Since 2010, the organization manages a fund for specialized support contributed by Leumi. In 2014, Leumi's contribution helped 200 patients.

**Yeladim - Fair Chance for Children:** an organization that works to help children in boarding schools and to give them an opportunity similar to that of children living with their families. Thanks to Leumi's contribution, seven therapeutic gardens were established in the framework of the "Flowering in the Garden", where Leumi employees volunteer on a weekly basis in partnership with boarding school children.

**Adopt a Soldier:** Leumi adopts three units as part of the "Adopt a Soldier" project of the Association for the Wellbeing of Israel's Soldiers (AWIS): the Field Intelligence School, the Central Knights Battalion, and the Duvdevan unit.

**Young Entrepreneurs:** The organization was adopted by Leumi since its founding in Israel, twenty years ago. About 4,000 youth participate in the program each year from all over the country and from all sectors. The young entrepreneurs are exposed to production processes and gain experience in marketing and sales, financial management and reporting. At the end of the program, they dissolve the company, distribute profits (if any), or decide on a contribution given to the community. Leumi supports the project both by a donation to the organization and by professional guidance and support of the groups of young entrepreneurs. Leumi branches adopt the young entrepreneur groups across the country and help them run their businesses. At the same time, the Leumi employees join in the enterprise and invest their

## Measurement of the effectiveness of community investment

"The Leumi Tomorrow Centennial Fund for Endowing Israel's Future Generation Organization is evaluating the effectiveness of its activity, including objectives, measurement, and evaluation programs. In 2013, the process of improving the reporting, control and measurement of the various "Leumi Tomorrow" projects was completed, and an emphasis was placed on measuring long-term results.

The unit for employee involvement in the community at Leumi engages in measurement, ongoing evaluation, and data collection concerning the scope of volunteering by Leumi employees, by number of volunteers and hours of volunteering.

At Leumi Card, there is ongoing monitoring throughout the year of community involvement activities. Discussions are held with the volunteers and with populations within the activities are held, concerning the degree of success of the activity and its effect on the target population. In accordance with feedback, and where necessary, improvements are made to the activity programs.

own time and energy in providing ongoing guidance and training on financial matters and business to the young entrepreneurs.

**Lod Development Foundation:** The organization works with the aim of caring for the city of Lod on various levels. Leumi's contribution, which started in 2013, focuses on student activity in the city - as youth bringing about change. The students, who live in Lod during the period of their studies, volunteer for the residents of the city and positively influence various spheres of the population.

## Expanding Cooperation with the Leumi Tomorrow! Organization

In 2014, Leumi Management conducted a reexamination regarding the Bank's investment strategy. After reviewing several principal alternatives, Leumi chose to expand its strategic cooperation with the Leumi Tomorrow! Organization - Youth Leading Change", which will start in 2015. As part of the cooperation and support by Leumi, the organization will double the volume of its activity in the periphery areas and expand the educational solutions it can offer to trainees. This is alongside



## Expanding Cooperation with the Leumi Tomorrow! Organization

In 2014, Leumi Management conducted a reexamination regarding the Bank's investment strategy. After reviewing several principal alternatives, Leumi chose to expand its strategic cooperation with the Leumi Tomorrow! Organization - Youth Leading Change", which will start in 2015.

the substantial increase in the number of employees volunteering as part of the organization, and the establishment of an Association of Friends chaired by the Bank's President & CEO.

**Secret Art:** Leumi supports art in general and young artists in particular. In the "Secret Art" Exhibition, held for the seventh year in Leumi House, works by emerging artists are displayed alongside the works of established and famous artists, and they are not signed by the artist. The works are put up for sale, and the money is handed over to the artists. This year the exhibition focused on "Tel Aviv".

During 2014, Leumi Group donated and provided sponsorships for social and community to some 230 entities, amounting to NIS 29,410,423, which is 1.07% of the Group's net profit before tax. This amount includes the total of the various donations and sponsorships in the framework of the "Leumi Tomorrow" organization, the Donations Committee, and additional sponsorships and donations of all Group companies: Leumi, Arab Israel Bank, Leumi Card, Leumi Partners, the Trust Company, other small subsidiaries, and Leumi offices abroad.

**Arab Israel Bank**

The Bank attaches great importance to active involvement and the advancement of the aims of the society in which it is active, in order to aid its development and success. Financial donations and sponsorships to institutions and organizations in community fields such as education, culture, and health, in Arab society in the North of Israel and the Northern Triangle,

are awarded on the basis of a concept of investment, in the belief that its fruits will be reflected in the creation of a better society.

All activities are coordinated and shared with the parent company, by routing the majority of social investment through the "Leumi Tomorrow" organization.

As in every year, in 2014 the Bank helped needy families during the month of Ramadan, with monetary donations and food products supplied to them directly, and helped with donations to local non-profits and organizations.

In sports, the Bank continued to give the main sponsorship to the "Bnei Sakhnin Union" soccer teams, recognizing the importance of promoting Arab sports associations in Israel.

The Bank also created other social partnerships as the foundation for further diversification and expansion of social activity, while integrating employees in volunteer work in those social organizations.

**Leumi Card**

**Remedial Teaching Program of the Yeladim - Fair Chance for Children Association:** Leumi Card takes part in a structured intervention program to promote elementary school children according to their skills, in order to close learning gaps. Each year, Leumi Card grants scholarships to children who have difficulty in basic skills of reading, writing, and

arithmetic, to finance tutoring with professional teachers.

**"Adopt a Soldier":** In the framework of the "Adopt a Soldier" project of AWIS, Leumi Card has adopted the Maglan IDF Unit. In addition to an annual financial donation for the welfare of the soldiers, Leumi Card employees accompany the unit's combatants in their field deployments, holiday celebrations, sports and fun days for the unit and more.

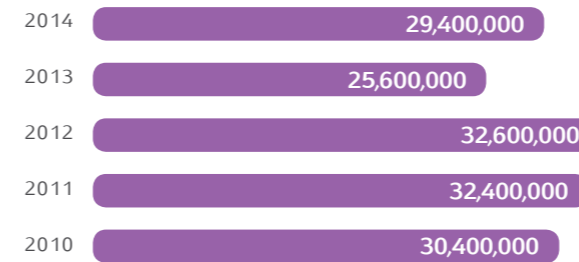
**Bank Leumi USA**

**Financial education classes:** for individuals and in community centers, by volunteering or through donations from the Bank.

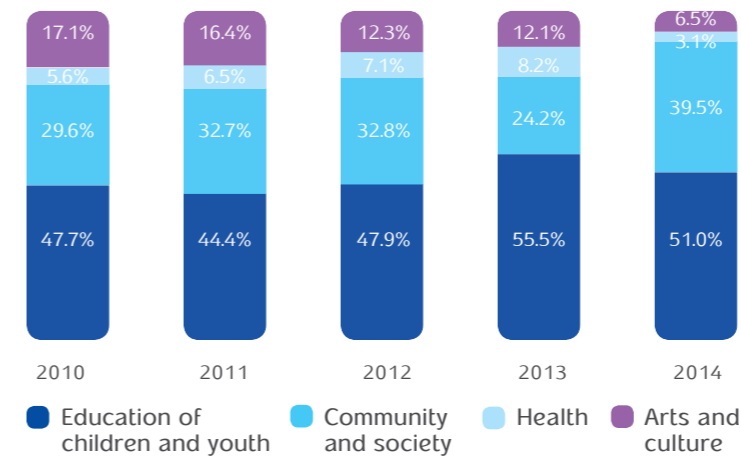
**Free legal advice:** by the CRA officer of the Bank, through the Brooklyn Legal Services Organization, as well as by donating to an organization that provides legal and financial advice to disadvantaged populations (for individuals and businesses).

**Community development:** donations to organizations that provide affordable housing, counseling for apartment owners, shelters and soup kitchens, and to a loan fund that provides financing and technical assistance to projects and initiatives in low-income neighborhoods.

➤ Total donations and social sponsorships of Leumi Group (NIS) in the years 2010-2014



➤ Distribution of donations by Leumi Group 2010-2014



Above NIS **150,000,000**  
Since 2010, Leumi Group has made donations and provided social sponsorships for the community totaling NIS 150,400,000.

**NIS 29.4 Million** was donated to the community by Leumi Group, during 2014

**230** entities enjoyed this donation

This donation represents **1.07%** of the Group net profit before tax

MEETING PRESENT AND FUTURE OBJECTIVES

Company	Objective set for end 2014	Status
Arab Israel Bank	Tightening coordination with the parent company in the area of strategic and local social investments	+
<b>Objective for execution by end of 2015</b>		
Leumi	Establishing a forum for investing in the community that will manage the main financial investments in the community in Leumi (Leumi Tomorrow organization and the Donations Committee) from a holistic and synergetic perspective	

+ Completed   + Partially Completed   - Not Completed



## EMPLOYEE INVOLVEMENT AND VOLUNTEERING

The Leumi Group encourages awareness and social involvement of employees, including volunteering for the community and activity to reduce social disparities and promoting disadvantaged populations, with an emphasis on children and youth at risk.

Volunteer activities of employees of the Group are conducted on the basis of a systemic approach tailored to the needs of the community, as expressed by social organizations and local authorities. Managing the involvement of employees in the community includes performance measurement, appreciation of volunteers, developing new partnerships and support content and the appointment of social leaders responsible for leading the issue in the units. Employee volunteering is run by the Training Sub-Division of the Human Resources Division.

Volunteering by Leumi Group employees focuses on activity on behalf of tomorrow's generation, and is carried out through social and value enrichment (in afternoon programs, kindergartens, schools, hostels, rehabilitation centers, and hospitals), improvement of living conditions (food distribution, renovation, collecting equipment),

improvement of study achievements (help with homework, mentoring, lectures), and other areas (food harvest, food distribution, support of Holocaust survivors, activity in clubs for the elderly and the like).

### The principles guiding Leumi employee volunteer activity:

- A concept of long-term, significant communal partnership and coordination between employees' abilities and community needs
- Diverse volunteer activities, varying in scope and nature, in accordance with the volunteers' skills and the needs of the community
- Volunteer involvement in building the volunteer process, and - as a result - a strengthening of their commitment

Activity within the local community, with a focus on children and youth - "tomorrow's generation"

### Key initiatives in the area of volunteering

#### Leumi

##### Volunteering with Leumi Tomorrow!

- Youth Leading Change: As part of the strategic cooperation decided by the Bank's Management, employee volunteering will increase in the Aharai! organization. As part of this, a work program was formed, volunteer programs were prepared, and new collaborations were launched across the country. At the same time, ongoing volunteering continues in dozens of clubs, senior citizens homes, hospitals and more.

**Leumi for financial education:** In 2014, volunteer programs were developed and assimilated dealing with financial education for children, youth and families. Within this framework, training kits and information on the subject were developed and a training course was held for employees volunteering in providing financial assistance for families. Leumi volunteers combine professional content as part of ongoing volunteering in the Pa'amoniim Association and give support to families in financial distress. In addition, within the framework of cooperation with the "Shiur Acher" Association, Leumi volunteers give financial education classes in schools.

**Volunteers survey:** In December 2014, a survey was conducted among Leumi employees on the subject of volunteering. The survey results showed that employees feel great satisfaction with community involvement, as well as appreciation and pride from the fact that the Bank encourages its employees to volunteer in the community.

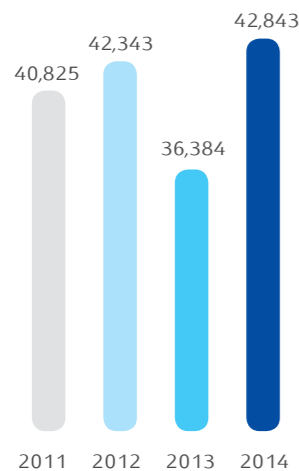
**Appreciation for volunteers:** Every year, in the Annual Managers' Conference, Leumi honors outstanding employees volunteering

in the community. In 2014, five outstanding community volunteers were honored by Bank Management with a grant of NIS 10,000 each, for community activities with the partner community in which they volunteer.

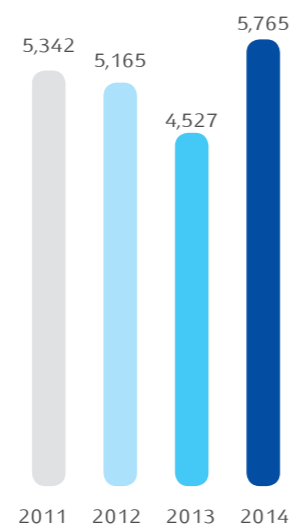
#### Arab Israel Bank

**Appreciation for volunteers:** In the Annual Employee Conference, a ceremony took place honoring the volunteers and a presentation was prepared on the community activities of the Bank. After all volunteer activity, a digital newsletter is distributed with information for all Bank employees about volunteering - in order to show appreciation for the volunteers and for setting an example.

› Total number of volunteer hours in the Group in Israel



› Total number of volunteers in the Group in Israel



**5,746** Leumi Group employees took part in volunteer activities in the past year. These employees contributed to the community, **42,843** hours of volunteering.







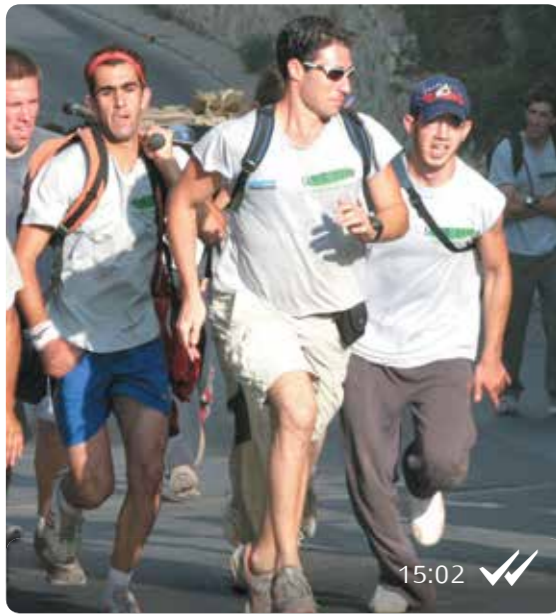
14:52

לאומי אחרי



14:55

לאומי אחרי



15:02 ✓✓



## NIS 1 million

### The monetary investment of the bank in employee involvement in the community

#### Leumi Card

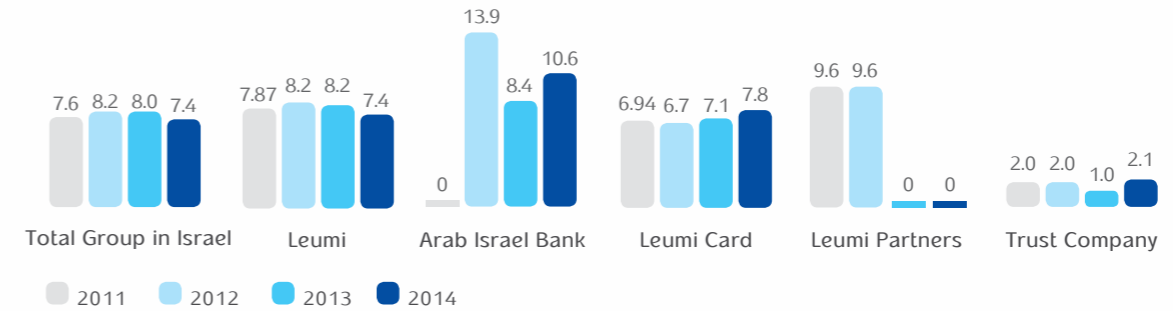
Leumi Card has adopted three bodies in the community in a long-term partnership, donating money to them and maintaining many volunteer activities with them over the course of the year:

**Komemiyut School:** an elementary school in the Pardes Katz neighborhood, with 200 students. The "Book - Success Story" project is the flagship project of Leumi Card in the school. The project aims to encourage children to read books in an experiential way. Under the project, this for the fourth consecutive year, fifth graders of the school come to the company's offices once a week, for lunch and a personal book-reading encounter with a volunteer employee serving as a "big brother" (each student has a permanent employee accompanying him throughout the year).

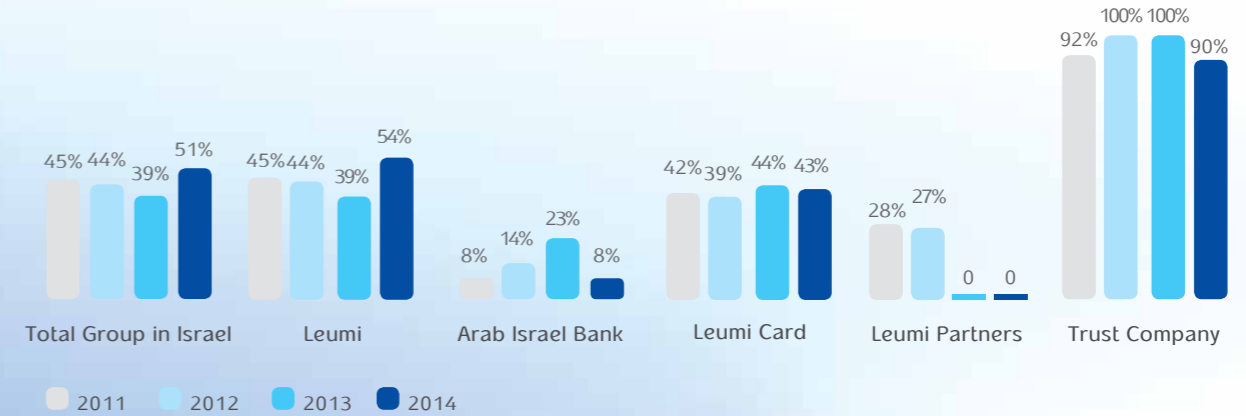
**"Ahuzat Sarah" Boarding School:** a boarding school for children removed from their homes by court order. Leumi Card's flagship project in the boarding school is the adoption of an Israel Trail project. In addition to the financing of the project, Leumi Card employees join a trip each month to the Israel Trail with children of the boarding school that have reached Bar Mitzva.

**Maglan IDF Unit:** During the year, Leumi Card employees volunteer regularly in peak activities and ongoing and permanent volunteer activities with the Unit's soldiers.

#### Average volunteer hours per volunteer by company 2011-2014



#### Percentage of volunteers out of total employees in Israel distributed by subsidiary companies 2011-2014





## MEETING PRESENT AND FUTURE OBJECTIVES

Company	Objective set for end 2014	Status	Explanation
Leumi	Development of professional content for volunteers' use	+	A training course was held for employees on volunteering in professional matters and training of volunteers accompanied the Pa'amoniim organization. Programs have been developed for ongoing volunteering and games for assimilating learning used by the volunteers in activities
	Gradual increase of volunteer activities in the sphere of "financial-education"	+	Carried out as part of the enrichment during volunteering (above)
	Creating more opportunities for employee volunteerism in the community	+	There is ongoing aid connecting units and volunteers with community officials and for identifying volunteer opportunities. In addition, there is development of volunteer programs with students of "Leumi Tomorrow", in order to increase the number of volunteers.
	Integration of Mortgage division employees in Leumi's volunteer activity, including the use of the website, the reporting system and the budget	+	In light of the merger between the companies, the activity of the social leaders of the mortgage division was incorporated in volunteering at Leumi
Arab Israel Bank	Examination and refreshing of communal partners in keeping with updated Group strategy for investment in community	+	
Leumi Card	Maintaining a high percentage of volunteers, while expanding the range of activities and continuing to strengthen ties with community partners	+	In 2014, the percentage of volunteers in the Company was more than 44%. The number of volunteer activities rose by 12% and ties were strengthened with partners
Leumi Partners	Return to the routine of volunteering among employees, offering alternatives and a new volunteering program	—	In 2013, volunteer activity of employees was deferred due to organizational constraints and was not renewed in 2014
Trust Company	Maintaining a high percentage of volunteers among the company's employees - at least 80% in 2014	+	85% of the company's employees volunteered in 2014

+ Completed   + Partially Completed   — Not Completed

	Objective for execution by end of 2015	Main activities planned
Leumi	Increasing the number of volunteers with students of "Aharail" to 400	Creating volunteer opportunities throughout the year
	Accompanying volunteers, refreshing content and appreciation for social leaders and volunteers in order to preserve, strengthen and deepen ongoing activity in the community	Developing ideas and collaborations and communicating them to leaders and volunteers
Arab Israel Bank	Increasing the number of volunteers to 50, or about 11% of all Bank employees	Increasing collaboration with community partners and the expansion of activities and the number of volunteers.
Leumi Card	Opening fifth cycle of the "Book-Success Story" project in the 2015-2016 school year	Recruiting permanent volunteers for weekly tutoring; integrating peak group activities (alongside individual guidance) bring added value
	Keeping a rate of 40% of volunteers out of the company total employees	Maintaining contact with volunteers in the field (and recruiting new volunteers), refreshing the volunteering Gant chart and supporting by means of an envelope of intra-organizational communication
Trust Company	Maintaining at least 80% of volunteers among Company employees	

PROMOTING RESPONSIBLE  
PROCUREMENT



## SUPPLY CHAIN

Procurement activity in Leumi is comprised of, among others, the acquisition of products and services on an ongoing basis and acquisition of equipment for projects as needed. Procurement is done mostly in a centralized manner for all Leumi units, including some of the subsidiary companies. The Bank Leumi Procurement Sub-Division is responsible for locating suitable suppliers, screening vendors, requests for proposals, conducting negotiations, contracting with suppliers and the ongoing relationship with them. Procurement in Leumi is divided into technology procurement (hardware, software, product maintenance, and consultants), general procurement (office equipment, security and safety, deliveries, mailing, miscellaneous) and construction and maintenance procurement. The Group works with several suppliers that provide products specific to the banking industry, such as ATMs and machines for counting banknotes. More than 90% of procurement is carried out with local suppliers registered in Israel.

Leumi Group strives to maintain long-term, proper, and responsible relationships with suitable suppliers, while managing an open dialogue in all areas of activity.

Implementing corporate social responsibility in procurement and in the supply chain requires looking at two key aspects: responsible conduct with suppliers and expanding the positive impact on the community through procurement.

## RESPONSIBLE CONDUCT WITH SUPPLIERS

- **Fair and ethical conduct when dealing with suppliers:** In 2013 a Charter was formulated that is based on the "Leumi Way" and outlines the manner of conduct of the Group with its suppliers, with an emphasis on equality, transparency, sensitivity to conflict of interest, using discretion, confidentiality, fairness, professionalism and protecting the environment.
- **Control of payments to suppliers:** The Payments Unit in the Finance Division conducts monitoring of the payment process to reduce possible arrears to suppliers. The process is examined frequently and measures are taken for its improvement as part of the dialogue with suppliers and the maintenance of good relations with them.
- **Dialogue with suppliers:** Leumi operates a secure supplier portal, allowing the transfer of contract documents and invoices for payment in an efficient, rapid, and transparent manner between Leumi and its vendors. In addition, Leumi operates a page for suppliers on the Leumi website with general information on contracting with the Bank and other subjects.

During 2014, the Group worked with more than 1,000 suppliers\*.

100 new vendors joined this year's procurement cycle of the Leumi Group.

All new suppliers in Leumi are screened according to criteria of the employment and human rights (employment conditions, safety, etc.).

As appropriate and depending on the type and extent of engagement, when contracting with major suppliers, Leumi includes clauses related to commitment to human and employee rights

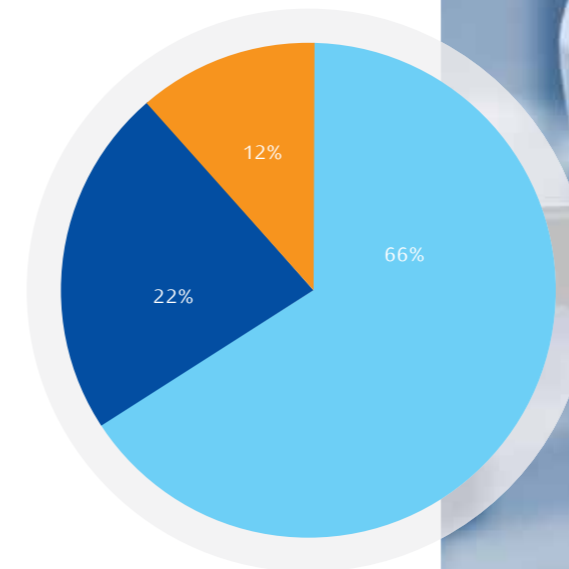
All construction and maintenance providers at Leumi are screened according to environmental criteria

\* All data presented in the below data row does not include overseas offices.

90%<sup>+</sup>

More than 90% of procurement is carried out with local suppliers registered in Israel.

› Distribution of procurement in Bank Leumi 2014



- Technological procurement
- General procurement
- Construction & maintenance procurement



### Initiatives to promote responsible conduct with suppliers

**Prepayment to suppliers in Southern Israel in Operation Protective Edge:** Businesses from the south of Israel with a deferred payment agreement with the Bank were invited to send invoices to the Bank for the purpose of bringing forward the payment regardless of the payment terms specified in the agreement with the Bank.

**Examining supplier satisfaction with the conduct of Leumi:** In 2014, a satisfaction survey was conducted among Leumi suppliers. The survey asked 200 suppliers (a representative sample of about 20%) on their satisfaction with the Bank's conduct with them, so as to reflect implementation of the "Suppliers' Charter" (see above on pg. 118). The survey indicates a very high level of satisfaction of suppliers with the work of the Bank (scores ranging from 8.4 to 9.5), with an emphasis on maintaining confidentiality, fairness, courtesy, professionalism, working together and providing equal opportunity for suppliers. The survey results were presented to Division Management at the beginning of 2015 and suggestions for improvement will be reviewed during the year.

**Procurement processes in the Procurement Sub-Division are performed while strictly maintaining transparency with suppliers:** There is an increasing trend for proposed quotations to be received by use of an online system, through which the Bank forwards the request for proposal and the supplier submits the proposal. The system allows for the submission of questions and giving a uniform response uniformly to all the suppliers participating in the procurement process. In addition, the phase of selecting the winning supplier is conducted while maintaining separation between aspects of quality and cost. After an initial screening depending on the quality, the winning supplier is selected according to cost.

Increasing transparency is implemented in some of the procurement procedures, through an online procurement process in which suppliers participate in a real-time tender.

The Procurement Sub-Division at Leumi is rigor about managing the procurement process by two representatives from the Bank.

## EXPANDING THE POSITIVE IMPACT ON THE COMMUNITY THROUGH PROCUREMENT

The growing awareness regarding supply chain management and its effects on the environment and the community, has led to new thinking about the way in which Leumi selects suppliers and products. Suppliers are required to declare, when appropriate, their maintaining of issues such as air pollution, water pollution, soil pollution, noise, odor, ionizing and non-ionizing radiation, waste, hazardous materials, business licensing, causing nuisances, harm to public health and environmental quality, tort liability and responsibility regarding safety and hygiene at work.

In 2014, extensive work was carried out to examine considerations of corporate responsibility, social procurement, and green procurement, and the assimilation of its conclusions will continue in the coming years. Currently, the examination of suppliers includes two main topics: employment conditions and compliance with environmental laws.

Following the work done, the Group is examining the possibility of adding another four topics for consideration in connection with suppliers:

- **Review of the supplier's conduct regarding employment terms** - fair employment, occupational diversity, etc.
- **Examination of the supplier's conduct regarding environmental issues** - air pollution, waste in production processes, and the use of green products.
- **Examination of the supplier's conduct regarding human rights** - maintaining freedom of association etc.
- **Examination of the proper business conduct and ethics of the supplier** - the supplier's involvement in cases of corruption, bribery, embezzlement, fraud and the like.

The Procurement Sub-Division is responsible for managing the relationship with suppliers. The examination of suppliers is carried out in cooperation with additional units of the Bank. Below are the processes and activities implemented in the Group:

- **Examination of the terms of employment:** Leumi Group makes sure that in the process of signing contracts, companies providing services such as cleaning, security and catering make a declaration that they comply with the provisions of labor law. Leumi Group carries out periodic spot checks using its own auditors to make sure that the conditions of employment of the employees of the companies comply with the requirements of the law. In the event these tests raise deficiencies, the companies are required to correct them.

- **Weighted evaluation of suppliers:** Leumi uses a computerized method of evaluating suppliers, which helps evaluate the performance of suppliers, document evaluation scores in a database, and use these data as a tool for evaluating suppliers in processes that take place at the Bank from time to time.

In addition, the Group is working to expand its positive effects on the community through procurement, by the promotion of local procurement, of suppliers who employ workers with disabilities, or suppliers who employ workers belonging to the ultra-Orthodox sector and suppliers active in peripheral areas.

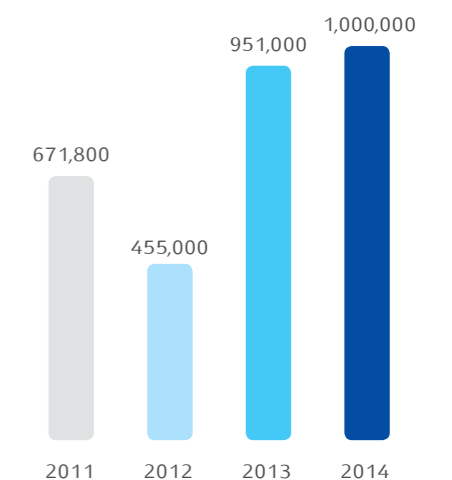
### Promoting Local Procurement

At the end of 2014, more than 90% of procurement is carried out with local suppliers registered in Israel.

### Promoting Social Procurement

In 2014, Leumi carried out centralized procurement of gift items from non-profit organizations and social businesses of approximately NIS 1 million. These figures do not include procurement from non-profit organizations made separately by Leumi units and divisions.

### Total procurement from non-profit organizations and social business in Leumi in 2011-2014





**Defining criteria for green procurement:** In 2014, recommended environmental criteria were defined for procurement processes in construction, maintenance, and electronic products, with the aim of reducing the environmental impact of the Bank.

**Initiatives to expand the positive impact on the community through procurement**

**Leumi**

**Defining criteria for green procurement:** In 2014, recommended environmental criteria were defined for procurement processes in construction, maintenance, and electronic products, with the aim of reducing the environmental impact of the Bank. The list includes reference to cleaning materials, packaging

of products, the rate of decay of materials, the use of recycled or easily recyclable materials, modularity and ease of reuse, the use of hazardous materials, saving energy and water resources, and more.

**Leumi Card**

**Examination of suppliers:** In 2014, an examination was carried out

of salary slips of all employees for 2013 in the areas of cleaning, security, and catering employed by an external company. The findings were transferred for internal review at the Salaries and Compensation Function, and subsequently the findings were sent to the employing companies.

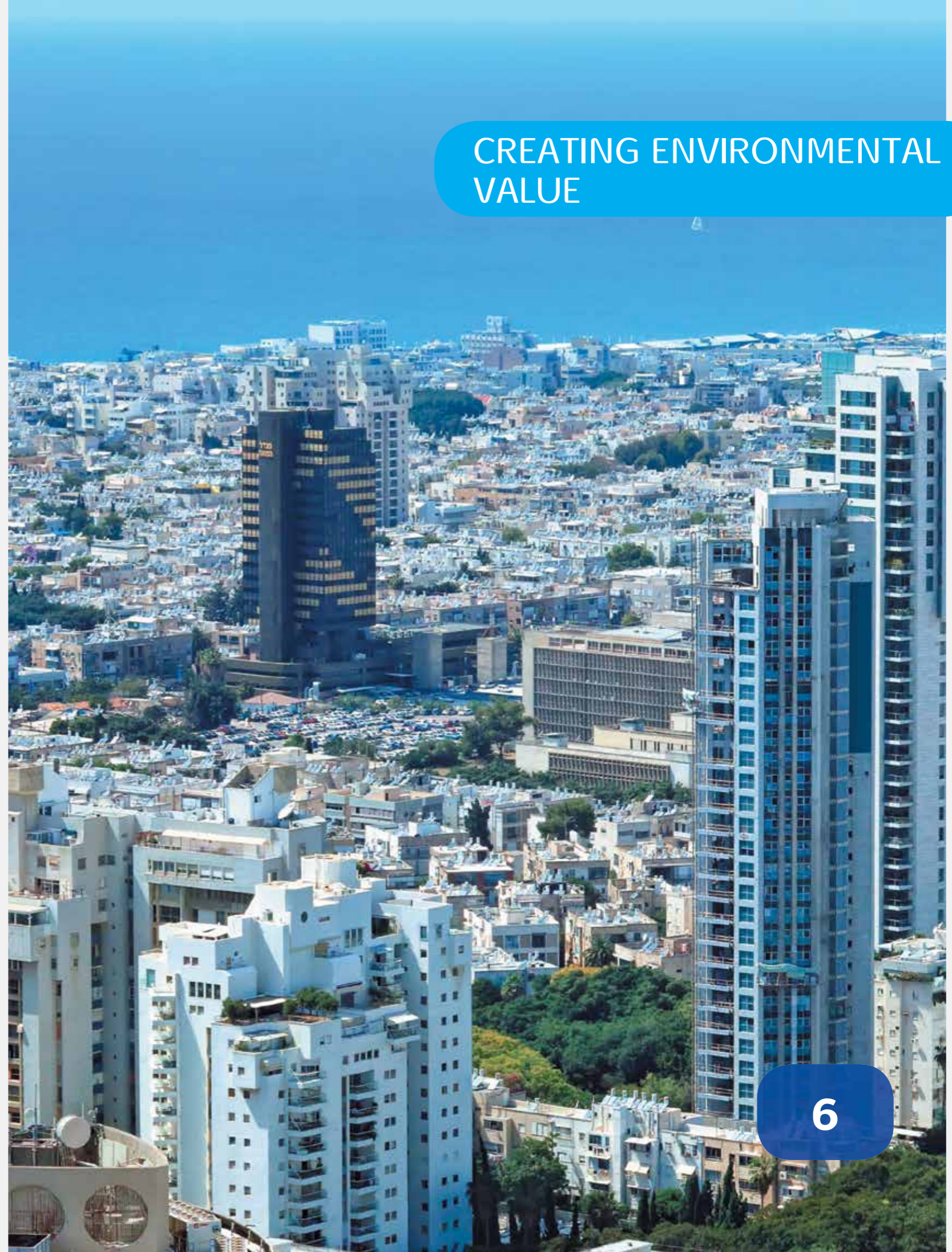


**MEETING PRESENT AND FUTURE OBJECTIVES**

Company	Objective for end of 2014	Status	Explanation
Leumi	Formulating a work plan on the issue of corporate social responsibility in procurement	+	A work plan was formulated and carried out on the issue of corporate social responsibility in procurement that included performing a survey of suppliers, mapping suppliers by criteria, and fixing milestones for the assimilation of other corporate social responsibility considerations in procurement.
Leumi Card	Performing due diligence examination of wages payments to service contractors of the Company: Annual testing a sample of the salary slips of employees of the service-provider companies as required by law	+	An independent examination was carried out of the pay slips of workers employed. The findings were passed to the companies for their treatment.
Objective for execution by end of 2015		Main activities planned	
Leumi	Cooperation with the "Maala" organization in examining compliance by suppliers with norms of corporate social responsibility	Sending a questionnaire to potential suppliers regarding their compliance with norms of corporate social responsibility	
Leumi Card	Promoting aspects of corporate social responsibility in procurement processes	Updating the procurement procedure: adding reference to aspects of socio-environmental responsibility in the procedure. Examining activities supporting the promoting of aspects of socio-environmental responsibility in procurement processes.	

+ Completed    + Partially Completed    - Not Completed

# CREATING ENVIRONMENTAL VALUE



## MANAGEMENT OF ENVIRONMENTAL IMPACTS

The Leumi Group is conscious of the fact that environmental issues have become an inseparable part of the worldwide system of financial and business considerations, and the effect of these issues on the markets in which it currently operates and on those in which it will operate in the future.

The Group recognizes its environmental responsibility and the fact that its business activity can affect the environment, both directly and indirectly. All Group companies aim to conduct their activity in such a way as to consistently diminish adverse effects on the environment, in compliance with legal obligations and, in the absence of legislation, with the aspiration to adopt voluntarily the accepted and leading standards in the sector.

The main impact of the Leumi Group on the environment is derived from three main factors:

- **Energy consumption:** consumption of electricity, consumption of gasoline for transportation and consumption of diesel fuel in transport and emergency generators.
- **Carbon footprint:** derived from direct emissions (fuel consumption) and indirect emissions (consumption of electricity).
- **Waste and water:** responsible removal of electronic waste and paper waste, and total water consumption.

The Group's operations are characterized mainly by office activity, and most of the energy consumption is derived from the consumption of electricity in Head Office buildings in Group premises, branches, and units. The Leumi Group makes great efforts to identify actions that will improve efficiency and conserve energy. These efforts are reflected in moves to increase energy efficiency, leading not only to the benefit of the environment but also to the streamlining operations regarding consumption of electricity, air conditioning, lighting and fuel consumption. Leumi promotes the issue of saving energy in the design of new facilities, energy efficiency and saving resources in existing facilities.

The Building and Maintenance Sub-Division at Leumi is responsible for systematic annual measurement and the management of environmental issues in the Bank (at the Head Office and branches) and directing the subsidiary companies. As part of this, a large amount of data is gathered, such as electricity consumption, fuel consumption, water u, paper consumption, recycling of paper and recycling of electronic waste.

Furthermore, the Sub-Division leads processes to install systems and solutions leading to savings in electricity and savings in fuel consumption:

- Installation of control systems for electricity consumption
- Installation of an innovative computerized system that allows optimum use of the air conditioning system
- Installation of energy-saving lighting systems
- Implementation of green elements in new construction and renovations of existing branches
- Operation of an employee shuttle system between two of the Bank's Head Office buildings

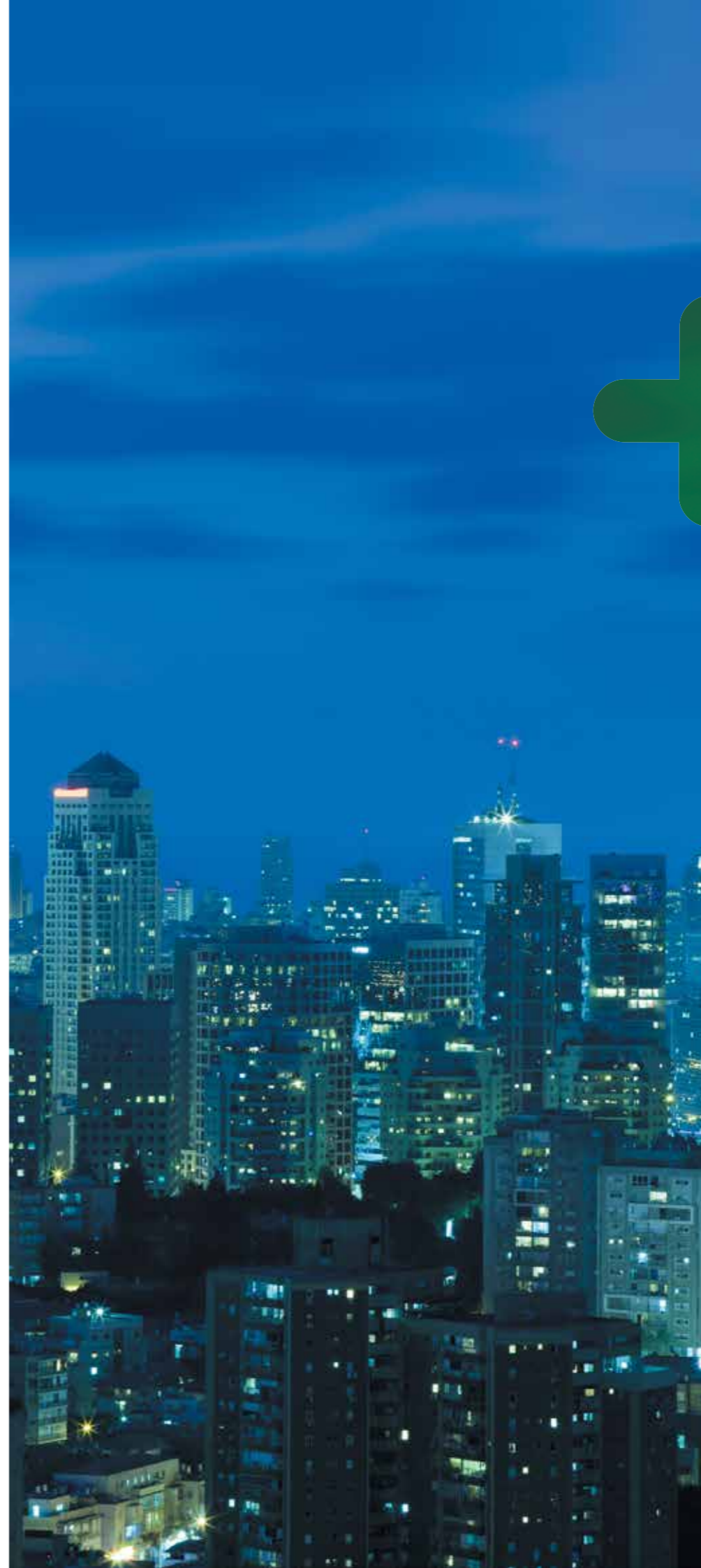
This streamlining affords a substantial reduction in both emissions of pollutants and the consumption of non-renewable resources.

Bank Leumi and Leumi Card are certified for Environmental Management Standard ISO 14001 (in 2012 and 2009 respectively). As part of management of the issue, quarterly discussions are held regularly by the Group, on its environmental impact, accompanied by external parties (a consultancy company and the Israel Standards Institute). Leumi also holds Energy Systems Management Standard ISO 50001, Safety Standard ISO 18001, and Quality Standard ISO 9001.

Furthermore, in 2014 the Bank was the first financial institution in Israel certified for the Green Label for Service of the Israel Standards Institute. In addition to external standards, an internal standard was introduced in Leumi for Green Conduct, in which internal checks are made every year in the branches on a series of environmental criteria. A branch found to be up to standard receives a diploma.



In 2014, Leumi was awarded the "Green Label" for product and service on behalf of the Israel Standards Institute. Leumi is the first financial organization in Israel holding this standard mark.







# 7.3%

## Reduction in Energy Consumption

In 2014, there was a reduction of 7.3% in the Group's energy consumption

- Environmental Trustees:** Environmental Trustees have been appointed in all the branches of Leumi and Arab Israel Bank, as well as headquarters offices, who are responsible for managing environmental issues (including energy conservation), and for monitoring the consumption data of electricity and water in their units.
- The Green Forum:** "The Green Forum" was established in 2007 with the aim of promoting and developing the environmental issues in Leumi Group, with a focus on the direct impacts of the Group's activities. The Forum includes representatives from all units of the Bank and the relevant subsidiaries, and meets once a quarter. The Forum is led by an office holder appointee responsible for environmental issues in Leumi. Reports environmental issues are made to Group Management and the Board of Directors once a year within the framework of the discussions on corporate responsibility.
- Employee Training:** Leumi Group attaches great importance to assimilating environmental content among employees. In addition to the activities of the environmental trustees and the Green Forum, from time to time Group employees are required to undergo training and refresher courses on environmental issues.

In addition to managing direct environmental impacts as a result of the Bank's activities, the Bank

also examines the indirect impacts of its activities. These impacts, derived from the development of products of environmental value (see further details in the chapter on Customers, under Development of Environmental Products) and environmental risk management (see further details in the chapter on Economic Impacts and Responsible Management, under Risk Management).

Leumi is also working to reduce indirect impacts resulting from energy consumption. In this context, the Bank offers digital solutions that allow customers to receive service without needing to visit the branch. This helps to reduce the distance driven by customers for service in the branches and to reduce air pollution and fuel consumption by the customer.

Note: The data in the chapter "Creating Environmental Value" refer to the environmental performance of Leumi Bank, Arab Israel Bank and Leumi Card, which employ about 92% of the positions in the Group (as defined in the report) and are the source of 86% of its revenue. References by us in this chapter to "Leumi Group" refer to these companies only, unless otherwise stated.

In 2014 there was a change and update of the DEFRA energy coefficients. Due to the fact that the Group's energy consumption calculation is based on these coefficients, data presented in this report may differ from the data presented in previous reports.

## ENERGY CONSUMPTION

The total energy consumption of the Leumi Group in 2014 was 381,214 gigajoules. This indicates a reduction of 7.3% in energy consumption compared with 2013. This reduction includes a decrease of 7.32% in electricity consumption, a 6.42% decline in gasoline consumption, and a 26% reduction in diesel fuel consumption.

Year	Total electricity consumption* (GJ)	Total gasoline consumption for transport (GJ)	Total diesel fuel consumption (GJ)	Total energy consumption (GJ)
2009	291,600	41,828	-	333,428
2010	357,959	66,404	41	424,404
2011	350,834	69,892	5,960	426,686
2012	350,950	72,881	6,377	430,208
2013	335,034	72,623	3,694	411,351
2014	310,518	67,962	2,733	381,214

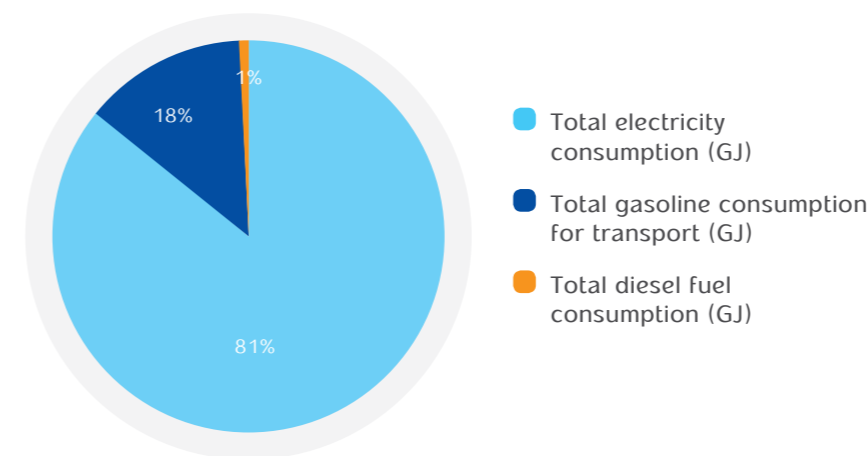
\* Total electricity consumption includes 85,000 kWh that were produced by photovoltaic cells and were sold back to Israel Electric Company.

### Electricity Consumption

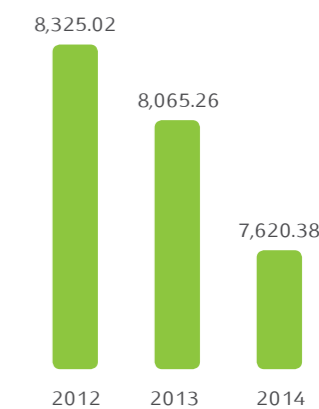
Due to the nature of banking activity, most of the energy consumption (81%) of the Group arises from consumption of electricity. Accordingly, Leumi Group invests its efforts in projects and processes resulting in a reduction in electricity consumption alongside projects to reduce the use of fuel. **Electricity consumption of the Leumi Group was reduced in 2014 by 7% and amounted to 86,255,109 kWh.**

Leumi began to measure its energy intensity to test the effectiveness of measures taken to reduce the consumption of electricity and fuel. The intensity is measured against the number of employees in Leumi. This figure shows that between 2012 and 2014 there was a decrease in energy intensity, explained by the steps taken to increase energy efficiency and the transition to purchase electricity produced from natural gas from the Dorad Company.

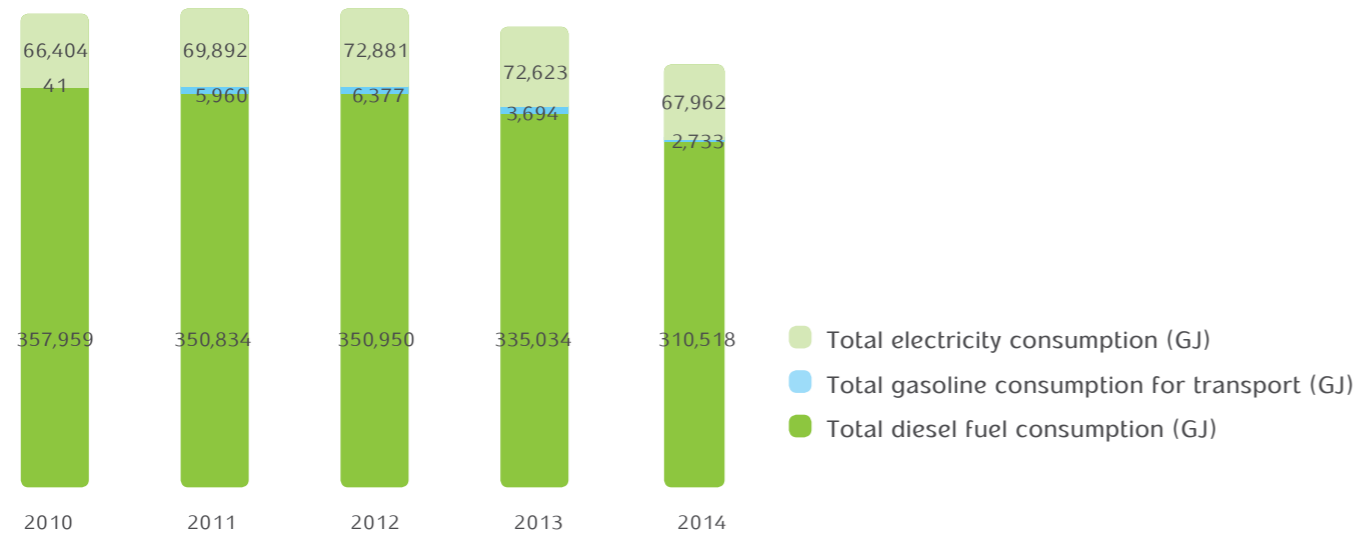
### Breakdown of Energy Consumption by Source in 2014



### Energy Intensity (Total kWh/No. of Employees) of Leumi Group 2014



› Breakdown of Energy Consumption by Source 2010–2014



Initiatives for reduction of energy consumption

Leumi

Transition to consumption of electricity produced from natural gas:

During 2014, Leumi started consuming most of its electricity from a company generating electricity using natural gas. This move greatly reduced the carbon footprint and negative environmental impact of Leumi.

**Optimization of air conditioning systems:** Improving the efficiency of existing air conditioning systems and turning off air conditioners at a designated time.

**Replacement of lighting fixtures with cost-effective lighting:** In 2014, several steps were taken in this area in the branches and headquarters

buildings. Obsolete and inefficient lighting fixtures were replaced with new, more efficient fixtures. Furthermore, several LED-type lighting fixtures were installed, which are characterized by high-energy efficiency and a very long life span.

**Conducting energy surveys:** An energy survey was carried out by an external company in the secondary computer site of the Bank and internal energy surveys were carried out at branches (by Bank staff).

**Remote energy monitoring:** Installing of remote monitoring and control systems for electricity consumption in the branches and expanding existing systems for building control in management buildings and headquarters units.

**Analysis of the characteristics of energy consumption in branches:** The Bank frequently installs

energy monitoring systems and intelligent building systems at the branches and headquarters buildings, properties that allow for the analysis of energy consumption characteristics at the headquarters and branches.

**Thermal coating for windows:** The Bank installs a transparent coating with thermal insulation properties in order to reduce the penetration of radiant heat through the windows.

**Circulated air treatment system:** A circulated air filtering system was installed in the existing air conditioning system in order to reduce the entry of warm and moist air from the outside. This system leads to energy savings. The Bank intends to install additional systems.

**Green building:** When establishing a new branch and in a massive renovation of an existing branch,

› Energy Consumption (kWh) in Leumi Group by year



- Total electricity consumption in Leumi Card (kWh)
- Total electricity consumption in Arab Israel Bank (kWh)
- Total electricity consumption in Bank Leumi (kWh)
- Total electricity consumption (kWh)

environmental aspects are integrated such as thermal protection on windows on warm facades, remote control systems and more.

Leumi Card

**Carbon offsets:** As part of setting goals to reduce energy consumption, and taking into account that the Company leases space in a condominium, it was decided to invest in offsetting carbon emissions in one of the entities that the Company has adopted as part of its contribution to the community. Carbon offsetting can be done by financing projects that reduce greenhouse gas emissions outside of the organization – for example by funding energy efficiency projects, improving waste management or planting trees that fix carbon dioxide. Within this context, the Bank has decided to support one of the entities that the organization has adopted as part of their community investment. The selected initiative is investment in the establishment of a solar roof in “Kfar Ofarim”, a home for adult autistics in Ramat Hasharon.

**Energy efficiency:** In every renovation or new construction it has been decided that light bulbs are to be replaced with T5 type energy saving light bulbs, a system was acquired for the remote turning off of computers, times were set to turn off air conditioners and lighting in a number of automated rounds at the end of the workday, and controllers were purchased to reduce energy consumption in lighting circuits.

Implementation of these processes in Group companies is reflected in a reduction in electricity consumption over the years. Electricity consumption of the Leumi Group was reduced in 2014 by 7% and amounted to 86,255,109 kWh<sup>18</sup>.



18. Total electricity consumption includes 85,000 kWh that were produced by photovoltaic cells and were sold back to Israel Electric Company.

7.3% Reduction in Electricity Consumption

6.4% Reduction in Gasoline Consumption

26% Reduction in Diesel Fuel Consumption



As part of the promotion of sustainable transport in Leumi, bicycle parking lots were built at the Head Office building in Tel Aviv and in the Leumi Service Campus in Lod (where Administration and Operations are located). Showers were also installed intended for employees who choose to come to work by bike and want to freshen up after a morning's ride

#### Fuel Consumption

Fuel consumption of the Leumi Group is mainly for its fleet of vehicles. In 2014, 2,075,868 liters of gasoline and 76,061 liters of diesel were consumed.

**Leumi Shuttle service for employees:** In order to save fuel and optimize the transit of employees between the two management and services centers, located in Tel Aviv and Lod, Leumi hired the services of a transportation company to carry out organized transportation between the two sites.

**Bicycle parking and showers for cyclists:** As part of the promotion of sustainable transport in Leumi, bicycle parking lots were built at the Head Office building in Tel Aviv and in the Leumi Service Campus in Lod (where Administration and Operations are located). Showers were also installed intended for employees who choose to come to work by bike and want to freshen up after a morning's ride. Some Leumi employees actually prefer to come to work every day by bicycle and give up on travel in vehicles that use gasoline.

#### Leumi Card

**Reducing the distance driven by employees:** As part of efforts to reduce the distance driven, Leumi Card has a procedure limiting kilometers in leisure time for employees using company vehicles. Under this procedure, the Company offers its employees 2,000 km per month for driving in leisure time. Any deviation from this amount, on an annual average, is charged to the employee's salary. In addition, Leumi Card encourages employees to come to work by bicycle, for which a special facility was built for their storage.

#### Overseas offices

**Measures to reduce fuel consumption:** The vehicle fleet of the Romanian office consists of vehicles with small engines (1.2-1.4 liters) that consume relatively little fuel and conform to the EURO 5 Standard.

Reducing the volume of average energy consumption per employee

5.52% reduction in energy intensity per employee compared with 2013

8.4% reduction compared with 2012

## CARBON FOOTPRINT

As part of the environmental policy, in addition to monitoring processes and measurement of its environmental impacts, there is a regular calculation of greenhouse gas emissions as a result of Group activities (energy consumption, fuel combustion, kilometers traveled, etc.). Data is reported every year in several reporting frameworks: the international reporting initiative Carbon Disclosure Project (CDP), the Israel Ministry of Environmental Protection voluntary greenhouse gas registry and reporting of emissions in Israel, the annual Corporate Responsibility Report and the Maala rating.

The systematic management of the issue relates to two main areas:

- **Reducing direct emissions:** In accordance with the reporting standard<sup>19</sup> of greenhouse gas emissions, the direct impact (Scope 1) of greenhouse gases in Leumi Group stem mainly from the combustion of gasoline by the organization's fleet of vehicles, from the combustion of diesel fuel generators used for emergencies, and from emissions of refrigerant gases from the air conditioning systems in Group facilities.
- **Reducing indirect emissions:** Indirect emissions (Scope 2) stem from electricity consumption. Indirect emissions depend on the composition of fuels and the technologies with which the electricity is produced. In Leumi's report to the CDP, indirect

emissions that do not derive from direct energy consumption (Scope 3) are also calculated, such as flights and activities of subcontractors.

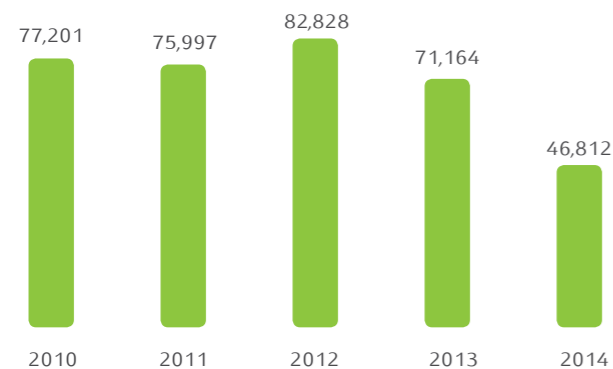
The carbon footprint of the Leumi Group in 2014 is 46,812.6 tons of CO<sub>2</sub>eq. The footprint is considerably smaller (34%) than that measured in 2013. In 2014, 60.9% of the electricity consumed by Leumi was produced from natural gas. Alongside actions to reduce energy consumption, a significant reduction in Scope 2 emissions, which represent about 89% of the carbon footprint of Group companies in Israel, was recorded.

**The Carbon Footprint reduction is due to the widespread transition to consumption of electricity produced by natural gas and energy efficiency measures. In 2014, 60.9% of the electricity consumed by Leumi was produced from natural gas.**

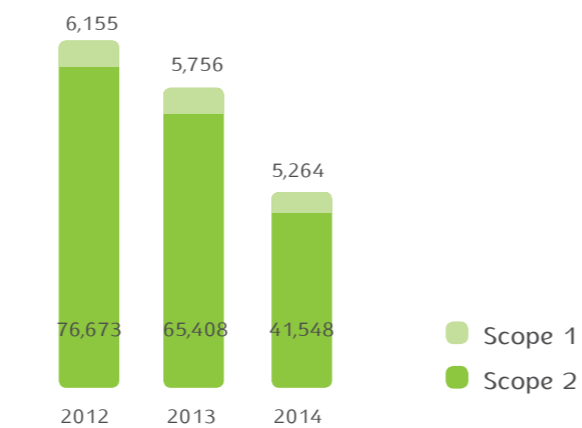


**34%** reduction in the carbon footprint of the Group thanks to the transition to the consumption of electricity produced from natural gas and promoting energy efficiency measures

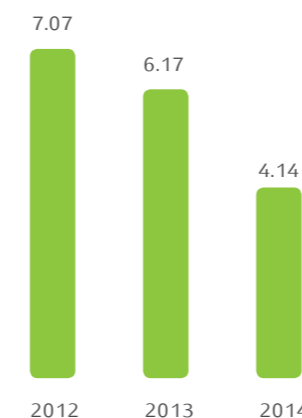
› Carbon Footprint (ton of CO<sub>2</sub>eq) 2010-2014



› Breakdown of Carbon Footprint by Scope (ton of CO<sub>2</sub>eq) 2012-2014



› Carbon Footprint Intensity (ton CO<sub>2</sub>eq to number of employees) of Leumi Group 2011-2014



### Measures to Reduce the Carbon Footprint

Leumi Group works hard to identify actions that will bring greater efficiency and savings in energy consumption which directly impact the carbon footprint of the Group and climate change.

These efforts are reflected mainly in moves to increase energy efficiency and the transition to consumption of electricity produced by natural gas. The results of the process are evident in the decline in intensity of the carbon footprint (ton of CO<sub>2</sub>eq to number of employees) of Leumi between 2012 and 2014.

19. GHG Protocol for quantifying and managing emissions: <http://www.ghgprotocol.org/about-ghgp>.

## RECYCLING AND RESPONSIBLE DISPOSAL

The Group's commitment to environmental protection includes responsible disposal of its waste. Most of the waste generated by the Group is electronic waste and paper waste. The waste is collected and sent for removal by licensed contractors.

### Leumi Card

Leumi Card Company has handled waste in accordance with the working procedures defined in the ISO 14001 Standard since 2009. The Company's waste is sent for recycling and eco-safe disposal. The organization has placed special containers for the collection of paper, batteries, beverage containers, toners, feminine hygiene products, electronic equipment, and medication. In addition, there are

clear working procedures regarding the removal of construction waste (in licensed landfill sites and collection of used light bulbs for recycling).

### Arab Israel Bank

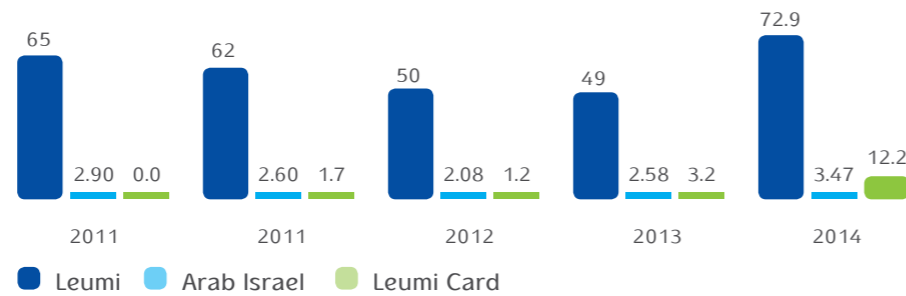
Arab Israel Bank continues its cooperation with the Educational Center of the Towns Association for Environmental Quality – Beit Netofa Valley located in Sakhnin, and in

2014 a training meeting was held in the Center for environmental trustees. In addition, during the year the deployment was completed of special containers for the collection of batteries at all branches of the Bank, as a service to the general public, and Bank customers in particular. The used batteries are taken for responsible treatment by means of Leumi's Banking Services Center.

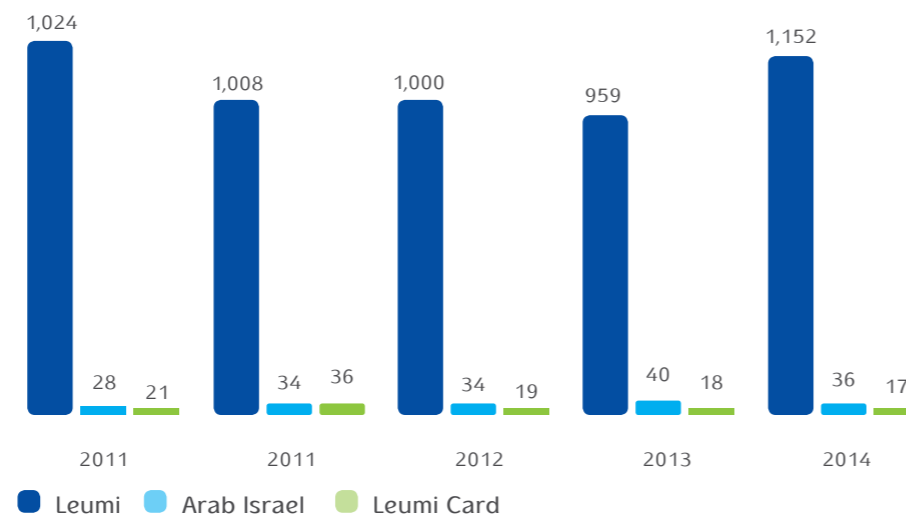
**+**  
**62.2%**

An increase of 62.2% in the volume of electronic waste transferred to responsible disposal

› Total Electronic Waste Disposal in Leumi, Arab Israel, and Leumi Card in the Years 2010-2014



› Total Paper Recycling in Leumi, Arab Israel, and Leumi Card in the Years 2010-2014



**Paperless Bank Project:** At the beginning of 2015, Leumi announced the establishment of the "Paperless Bank" Project in order to significantly reduce paper consumption in the Bank.

Leumi's organizational concept includes many aspects of paper usage: management of customer documents, receiving external documents, producing documents for customers, handling internal documents (including their creation, archiving and retrieval) – along with improving the customer experience and the employee experience.

Over the next two years, examination will be made of service processes and document management processes, in order to improve them and greatly reduce paper usage both when working with Bank customers and in internal processes.

**Reducing paper consumption by consolidating printing houses:** in 2014, Leumi consolidated its printing houses, in order to save paper and energy, electricity costs and printing costs. To this end, a unique and innovative solution allows printing from different computer systems, by means of a single, cost-effective printing center. Thanks to consolidating the printing houses, it is possible to carry out double-sided printing and the optimal adjustment of paper size. This move is expected to save printing of some three million pages (about 15 tons of paper) per year and save 67% of the energy associated with printing, as well as saving on fuel and pollution due to reducing the need to make deliveries from the printing houses to the branches, and the amount of paper conveyed to the branches.

The move won the IT 2014 Awards Competition of the magazine People and Computers in the "Technological Infrastructure" category.





## MEETING PRESENT AND FUTURE OBJECTIVES

Company	Objective for end of 2014	Status	Explanation
Leumi	Completion of certification of environmental trustees in at least 90% of the Bank's branches	+	
	Relative reduction of 1% in electricity consumption per square meter	+	
Arab Israel Bank	Completion of drafting and adoption of an environmental procedure	+	A draft was prepared for the procedure in cooperation with professional staff. Will be completed by the end of 2015
	Formalizing the requirement from refrigerant system contractors to collate and report data on consumption of refrigerant gases and reporting on greenhouse gas emissions	+	A system was constructed for measuring data by an app. Will be completed by the end of 2015
	Completion of formalization of environmental data management system	+	
	electricity consumption per square meter	+	
	Relative reduction in paper consumption at the rate of 2% per year	-	
	Meeting the requirements of Standard ISO 14001 in the audit check by the Israel Standards Institute	+	An intra-organizational audit is carried out annually by the Israel Standards Institute for meeting the requirements of the Standard
	Performing environmental training, with at least 80% of the company's employees participating	+	The e-learning course on environmental protection issues was updated, more than 80% of the employees did the refresher course
Leumi Card	Holding an Awareness Week for reduction of environmental impacts of employees at work and at home	-	The target was defined as a bi-annual target, completion planned for 2015
	Continuation of control and monitoring of the 2,000 km procedure for reducing fuel consumption in leisure time	+	There was a 19% rise in usage in leisure time compared with the previous year, and an increase of two vehicles in the number of deviant vehicles
	Reduction of paper consumption by 10% by means of transition to printing centers	+	In 2014, the transition to printing centers was assimilated gradually throughout the organization. After implementing the transition to printing centers, the amount of paper consumption is examined in the new system. The target is bi-annual for 2014-2015
	Holding a collection campaign for medications from home on holidays for eco-safe disposal in the framework of cooperation with the "Friends for Health"	+	Two campaigns were carried out for collecting medications that employees brought from home before Passover and Rosh Hashanah
	Construction of designated content world in the organizational portal for environmental activities	-	The target was defined as a bi-annual target, completion planned for 2015

+ Completed    + Partially Completed    - Not Completed

	Objective for execution by end of 2015	Main activities planned
Leumi	Overall reduction in electricity consumption of 1% compared with 2014	Renewal of old air conditioning systems, changing light bulbs, use of control systems etc.
	"Green Mail": sending emails to customers of the Banking Division instead of letters	To increase the number of customers joining the service by 28 thousand
Leumi Card	Holding an Awareness Week for reduction of environmental impacts of employees at work and at home	Holding an Awareness Week for raising awareness of employees to environmental issues
	Construction of designated content world in the organizational portal for environmental activities	Setting up a mini-portal in the organizational portal, involving employees in activities carried out in the organization for reducing consumption and resources, and providing a platform for general trends on environmental issues as a source of knowledge and enrichment
	Training employees on protecting the environment	Updating the e-learning course on environmental issues
	Reduction of paper consumption by 10% by means of transition to printing centers	Follow up and control of activities of printing centers, identifying exceptions, and examining working procedures in accordance with usage
	Continuation of control and monitoring of the 2,000 km procedure for reducing fuel consumption in leisure time	Continuation of control and monitoring of usage of Company vehicles in leisure time
	Passing the annual check of the Israel Standards Institute	Carrying out the Israel Standards Institute audit for approval of continued holding of the Standard

# CORPORATE GOVERNANCE



## BOARD OF DIRECTORS

As a complex financial organization, the Leumi Group requires strong corporate governance and management mechanisms that allow for coordination, control, and optimal risk management. The Group has high standards for managing corporate governance beyond the requirements of the law, deriving from the perception that this field is material for its business success.

Leumi is a limited company under the Companies Law, 1999, a reporting company under the Securities Law, 1968, and a banking corporation. As such it operates according to the law, which includes a list of laws and regulations, including the Companies Law, the Securities Law, Banking Laws, Directives of the Supervisor of Banks, including Proper Conduct of Banking Business Directive 301 – “Board of Directors” (hereinafter: “Directive 301”) and the Articles of Association of Leumi published on the website of the Israel Securities Authority, Magna System (www.magna.isa.gov.il). These rules and procedures govern the corporate governance aspects of Leumi’s activity, including risk management, capital management and the granting of credit, fairness in customer service, proper disclosure of information, conduct of the Board of Directors and more. (It shall be clarified that the Board of Directors mentioned in this chapter refers to Leumi’s Board of Directors, and not its subsidiaries and foreign offices, unless stated otherwise).

### Leumi Board of Directors

Leumi’s business and financial strength is under the responsibility of Leumi’s Board of Directors, pursuant to Directive 301. The Board of Directors outlines the strategy of Leumi, including its risk appetite, and approves the policy that guides its ongoing operations. The Board of Directors oversees the actions of the Management and that these are consistent with the policy established by the Board of Directors. The Board of Directors verifies the existence of clearly defined areas of responsibility and reporting. The Board of Directors defines the roles, authorities, and

obligations of the President and Chief Executive Officer and the system of reports sent by her to the Board of Directors. The President and Chief Executive Officer is responsible to guide and coordinate the activities of the members of Management. In addition, the Board of Directors outlines an organizational culture, which requires the implementation of high standards of professional conduct and integrity, and approves the Bank’s Code of Ethics. The Board of Directors ensures that Leumi acts in compliance with the law and regulations. The member of Management responsible for corporate social responsibility is the Head of the Human Resources Division.

The Board of Directors has approved the Bank’s Code of Ethics and the Bank’s Vision.

### Appointment and Composition of Board Committees

The Bank is defined as a banking corporation without a controlling core, and no shareholder is defined as controlling shareholder in the Bank. Upon becoming a bank without a controlling core, only a statutory committee, established under the Banking Law (Legislative Amendments), 2012, shareholders holding more than 2.5% of the means of control in the Bank, or a group of shareholders, according to the definition of this term in the Banking Law (Licensing), 1981, may propose candidates to the General Meeting for election as directors.

As of May 2015, 15 directors serve on the Board of Directors of Leumi, including 8 that are external directors as defined in Directive 301 (hereinafter: “external directors”),

and are also independent, as defined in the Companies Law, 3 of whom are external directors under the Companies Law. All directors, including external directors, are subject to the provisions of the law, including the Companies Law and Directive 301, the Banking Law (Licensing), 1981 and the Banking Ordinance, 1941, including in the matter of appointments, their qualifications, requirements regarding absence of interest, the majority required for their election, their term of office, and more. A candidate for the Board of Directors is required to comply with an examination of his/her suitability, and his/her appointment is subject to approval or absence of objection by the Bank of Israel.



**The Resources Committee of the Board of Directors also functions as the Corporate Social Responsibility Committee and is responsible for:**

- Corporate Social Responsibility Management of the Group
- Approval of the Group’s Corporate Social Responsibility Objectives
- Approval of the Corporate Social Responsibility Report







The composition of the Board of Directors complies with the requirements of Directive 301, pursuant to which, among other matters, the Board of Directors shall have adequate collective knowledge about each type of the substantive activities that the Bank intends to carry out, and at least one fifth of the directors shall have proven experience in banking. In addition, the majority of the members of the Board of Directors have accounting and financial expertise, and the Bank complies with Section 239 (d) of the Companies Law, which establishes the right of representation in the Board of Directors for both sexes. The directors do not report to the President and Chief Executive Officer.

In accordance with Article 96 of the Articles of Incorporation, the Board of Directors elects one of its members - who is not the President and Chief Executive Officer or his/her relative - as Chairman of the Board of Directors. The Chairman of the Board of Directors abstains from participating in the ongoing management of the Bank and

does not attend discussions of the Management or its committees, apart from discussions regarding the overall strategy of the Bank.

**Audit Committee:** Seven directors currently serve in the Audit Committee, including three external directors under the Companies Law, one of whom is the Chairperson of the Committee. Two committee members are external directors, all of whom are independent directors. In addition, all of the committee members have accounting and financial expertise.

**Resources Committee of the Board of Directors:** This Committee also functions as the Corporate Social Responsibility Committee. The Committee discusses and approves the Corporate Social Responsibility Report and the corporate social responsibility objectives of the Bank and the Group for the coming years. It discusses the planning versus performance report of the corporate social responsibility objectives of the Bank and the Group, and the management of corporate social responsibility of the Bank and the Group.

The Board of Directors also discusses the Bank's donations policy.

The Resources Committee of the Board of Directors also functions as the Corporate Social Responsibility Committee and is responsible for:

- Corporate social responsibility management of the Group
- Approval of the Group's corporate social responsibility objectives
- Approval of the corporate social responsibility report

The Head of the Human Resources Division is responsible for presenting the annual Corporate Social Responsibility report to the members of the Resources committee. The report reviews the implementation of the corporate social responsibility program, the organization's performance, the organization's fulfillment of goals and the objectives for the coming years.

It shall be emphasized that each of Leumi's subsidiaries has its own board of directors. Corporate governance in the subsidiaries is conducted in accordance with relevant laws and regulations, and in the spirit of conduct of Leumi.

The Board of Directors of Leumi and the subsidiaries operate, inter alia, by means of standing committees and ad hoc committees, in addition to the committees required by law. Information on the committees of the Board of Directors, their composition and functions, can be found on the Leumi website: [www.leumi.co.il](http://www.leumi.co.il)

#### Activity of the Board of Directors

During 2014, the Board of Directors of Leumi continued to carry out its duties including, but not limited to, formulating strategy, approving financial statements, approving of policy in various areas and more. During the year, 45 meetings of the Leumi Board of Directors and 111 meetings of the committees of the Board of Directors took place.

#### › Data on the Boards of Directors of Leumi Group:

Company	Number of Directors	Number of External Directors	Number of Directors with Accounting and Financial Expertise	Number of Women in the Board of Directors	Up to age 30	Age 31-50	Age 51+	Key Committees
Leumi	15	8	15	3	0	1	14	Strategy, Audit, Risk Management, Resources, Salaries and Remuneration, Credit, Investments
Arab Israel Bank	11	4	10	2	0	1	10	Audit, Administrative and Credit, Remuneration and Salaries, Risk Management
Leumi Card	9	3	7	3	0	4	5	Audit, Risk Management and Remuneration
Leumi Partners	5	-	4	1	0	2	3	Audit, Risk Management
Trust Company	6	2	3	3	0	3	3	Conflict of Interest Committee
BLUSA	14	10	14	1	-	2	12	Strategy, Audit, Risk Management, Credit
BLUK	10	6	10	2	-	1	9	Strategy, Audit, Risk Management, Credit
BLROM	5	1	5	-	-	-	5	Audit, Risk Management, Credit

Full details on the members of the Board of Directors can be found in the 2014 Annual Report of Leumi on the website of the Israel Securities Authority, Magna System: [www.magna.isa.gov.il](http://www.magna.isa.gov.il)



# 45 Meetings

During the year, 45 meetings of the Leumi Board of Directors and 111 meetings of the committees of the Board of Directors took place.

## Raising Items for the Agenda of the Board of Directors and the General Meeting

The agenda of the meetings of the Board of Directors of Leumi is determined by the Chairman of the Board of Directors, in coordination with the President and Chief Executive Officer of the Bank, taking into account the relevant regulatory obligations. Pursuant to the Companies Law, the agenda of the General Meeting of the Shareholders is determined by the Board of Directors. Certain shareholders may request the Board of Directors to include other matters in the agenda of the General Meeting.

Social and environmental issues, as well as aspects of corporate governance, are discussed by the Board of Directors and its committees as necessary and / or as required by law. In general, the President and Chief Executive Officer, with the aid of the Head of the Human Resources Division, manages interactions regarding employees, subject to the receipt of appropriate approvals from the Board of Directors, if required. The Audit Committee of the Board of Directors has approved a procedure governing mechanisms for reporting by employees of unusual activity, inter alia, to the Chairman of the Audit Committee, as well as mechanisms to protect the identity of those reporting.

**Shareholders Meeting:** The agenda of the General Meeting is set by

the Board of Directors. Certain shareholders may request the Board of Directors to include additional issues in the agenda of the General Meeting. By law, the Bank must publish a prior notice of the General Meeting whose agenda includes the election of directors, and may publish such notice regarding other subjects at least 21 days prior to publication of the convening of the General Meeting, including its expected agenda. The Bank publishes the convening of the General Meeting at the times stipulated by law. When convening the Meeting, the Bank sets out the proposed agenda and the majority required for the various decisions.

## Prevention of Conflict of Interests

Leumi operates in accordance with the legal regulatory provisions regarding conflict of interests, including the provisions of the Companies Law and Directives 301 and 312 of the Supervisor of Banks. In accordance with the provisions of the Companies Law, a director of the Bank owes a fiduciary duty to the Bank and must act in good faith and for the best interest of the Bank. Pursuant to these provisions, no person shall serve as a director of the Bank, if their business or current occupations create a permanent conflict of interest between them and the corporation. The Bank's procedures determine mechanisms for avoidance of situations of conflicts of interests (even when

they are not conflicts of interests of a permanent nature), such as the prohibition on releasing background material and the prohibition on participation in discussions and decision-making of the Board of Directors and its committees.

At the time of their appointment and periodically, all directors are asked to provide details related to positions held and / or holdings in corporations by them and by their relatives, which may be considered a conflict of interest.

In addition, the Chairman of the Board of Directors of Leumi does not serve as a manager in the Bank, and the chairpersons of the Boards of Directors of the subsidiaries in Israel do not serve, as a rule, as managers in those companies.

## Monitoring Performance and Risk Management

The Board of Directors oversees the activities of Management and monitors these actions by means of several mechanisms, including, among others:

- Once in 6 weeks, the Board of Directors receives a monthly report on the Bank's financial position, submitted in writing by Leumi's President and Chief Executive Officer, and discusses it.
- Once in 3 months, after receiving the recommendation of the Audit Committee, the Board of Directors discusses and approves the financial statements of the Bank.

- Once in 3 months, the Board of Directors discusses the financial position of Leumi according to the quarterly report, which includes, among other things, a report on performance compared with targets, and discusses the Risk Exposure Document as to the various types of risk exposures embodied in the operations of Leumi and the Group, including market risk, credit risk and operational risk. In addition, each new significant product requires the approval of the Board of Directors.
- Once in six months, the Board of Directors discusses the report of the President and Chief Executive Officer of Leumi on the implementation of its decisions.
- The Board of Directors has various tools for maintaining proper supervision, including, among others, products of the internal audit and control functions (such as Internal Audit, Risk Manager, Compliance Officer), and external functions (such as the external auditors).
- The Board of Directors has defined a list of unusual events about which it wants to receive a report. In accordance with the work plan determined with the approval of the Board of Directors, the Internal Audit Division, in the framework of audits carried out at the determined frequency, also examines implementation of the resolutions of the Board of Directors as decided regarding the matters examined and the process for monitoring decisions of the Board of Directors.
- Any material deviation from limits approved by the Board of Directors is brought to the Board of Directors for approval.
- The Board of Directors maintains supervision and control mechanisms over corporations controlled in the Leumi Group.
- The Risk Management Committee of the Board of Directors receives regular periodic reports on relevant issues, among others,

from the Chief Risk Officer, and submits its recommendations on these issues to the Board of Directors plenum. In addition, the Chief Risk Officer reports on an immediate basis to the Committee, and if required also to the Board of Directors, on any issue, finding, or deficiency in areas of her role and powers that could materially affect the risk and / or business management of Leumi. The Chief Risk Officer may decide on other issues that are to be brought for further discussion and examination by the Risk Management Committee.

## Evaluation of the Performance of the Board of Directors

Leumi has a process of self-assessment of the Board of Directors through questionnaires relating to various aspects of the management of its work and its committees, including responsibility for Bank and Group strategy, the delegating of tasks to the committees, issues relating to the Management, remuneration policy, and the Code of Ethics. As part of this control and internal governance, the Board of Directors reviews findings arising from the self-assessment questionnaires. In addition, the Board of Directors periodically updates the working procedure of the Board of Directors, which is also based on the provisions of the law that apply to it. This procedure stipulates, inter alia, the duties of the Board of Directors and its powers, and the committees of the Board of Directors, the methods of work of the Board of Directors and of its committees, including the reports presented to them, as well as matters and transactions that are to be brought for approval by the Board of Directors.

## Remuneration of Directors and Senior Management

All directors serving on the Board of Directors of Leumi, excluding the Chairman of the Board, receive

remuneration and reimbursement of expenses in accordance with the law regarding remuneration for an external director. The terms of employment of the Chairman of the Board of Directors were approved by the Audit Committee, The Remuneration Committee, the Board of Directors, and the Annual General Meeting.

In February 2014, the General Meeting of Bank Leumi approved a compensation policy for office-holders of the Bank for the years 2013-2016 (after the approval of the Board of Directors and in accordance with the approval and recommendations of the Remuneration Committee). The remuneration policy is based on the provisions of Amendment 20 of the Companies Law regarding conditions of service and employment of office-holders of the Bank and that stipulated in Proper Conduct of Banking Business Directive No. 301A concerning remuneration policy in a banking corporation. The remuneration policy is designed to reward office-holders of the Bank in accordance with the Bank's performance and profitability over time, including according to the objectives of the Bank and the Group in the long term, and according to the actual contribution of the office-holders in achieving these performance goals. Remuneration policy includes, among other things, a reference to the salary component, related terms, retirement conditions and the component for annual bonuses.

The Remuneration Committee gives its recommendation to the Board of Directors on the Bank's Remuneration Policy and the remuneration of office-holders and executives of the Bank. The Committee comprises EDs and external directors pursuant to the provisions of the Bank of Israel. If necessary, the Remuneration Committee is assisted, inter alia, by outside independent consultants.

Further information on the remuneration policy of office-holders can be found on pages 257-263 and in Note 15 of the financial statements of Leumi for the year 2014.

## EXTERNAL ASSURANCE

Leumi Group is meticulous in conducting assurance on its corporate responsibility reports published in accordance with GRI directives, and has been doing so since 2009. The Group attributes great importance and value to this process, as one that is instructional, helpful and continuously improves data collection and reporting practices, and in response to the demands of stakeholders for transparency and reliability of the reports.

External limited assurance of the data in the current report was conducted by Somekh Chaikin KPMG.

The full independent limited assurance report for the readers can be found on pg.146 in the Hebrew CSR Report

Assurance was conducted in accordance with ISAE 3000 (International Standard on Engagement Assurance) for conducting engagement assurance other than audits or reviews of historic financial information, which was developed by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). ISAE 3000 emphasizes the comprehensive processes for collecting support data and the independence in conducting assurance. The standard outlines the stages to be performed and the required conditions of the entity conducting assurance, which is permitted to conduct assurance pertaining to conduct, processes or relevant data in the report.

The model of assurance conducted for this report (Limited Assurance) is used in about 80% of the assurance reports on corporate responsibility reports around the world (according to an international survey of corporate responsibility reporting among more than 4000 companies, published by KPMG in 2013)<sup>20</sup>.

20. <https://home.kpmg.com/xx/en/home/insights/2013/12/kpmg-survey-corporate-responsibility-reporting-2013.html>



This report successfully completed the GRI Materiality Disclosure Service

## GRI G4 CONTENT INDEX<sup>21</sup>

General Standard	Disclosure	Level of Reporting	Page Number	UNGC
<b>GENERAL STANDARD DISCLOSURES</b>				
<b>Strategy and Analysis</b>				
G4-1	Statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	Full	4-5	N/R
G4-2	Description of key impacts, risks, and opportunities.	Full	4-5,39,68	N/R
<b>Organizational Profile</b>				
G4-3	Name of the organization and its organizational profile	Full	8,14,142	N/R
G4-4	Description of the primary brands/services.	Full	9	N/R
G4-5	Location of organization's headquarters.	Full	8	N/R
G4-6	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Full	12	N/R
G4-7	Nature of ownership and legal form.	Full	8	N/R
G4-8	Markets served.	Full	12	N/R
G4-9	Scale of the reporting organization.	Full	12	N/R
G4-10	Total workforce by type of employment, type of contract and geographical area, by gender.	Full	72-75	6
G4-11	Percentage of employees covered by collective bargaining agreements.	Full	81	3
G4-12	Description of the organization's supply chain.	Full	118-119	N/R
G4-13	Significant changes during the reporting period in the organization, including size, structure, ownership and supply chain.	Full	11	N/R

21. As of 5 August 2015 it is no longer required to fill out the column on external assurance in the Content Index to be 'in accordance' with the G4 Guidelines. The external assurance report appears on page 148.

General Standard	Disclosure	Level of Reporting	Page Number	UNGC
G4-14	Explanation regarding the implementation of the precautionary approach or principle.	Full	69	7
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses.	Full	23	1-10
G4-16	Membership in associations/organizations and/or national or international advocacy organizations.	Full	23	1-10
<b>Identified Material Aspects and Boundaries</b>				
G4-17	List all entities included in the consolidated financial statements	Full	8,12-13	
G4-18	Explain the process for defining the report content and the Aspect Boundaries	Full	14,16,20-21	N/R
G4-19	All the material Aspects identified in the process for defining report content.	Full	21	
G4-20	For each material Aspect, report the Aspect Boundary within the organization	Full	21	
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	Full	21	N/R
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	Full	14	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	Full	14	
<b>Stakeholder Engagement</b>				
G4-24	List of stakeholder groups engaged by the organization	Full	24	
G4-25	Basis for identification and selection of stakeholders with whom to engage	Full	24	
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Full	24	N/R
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	Full	24	

General Standard	Disclosure	Level of Reporting	Page Number	UNGC
<b>Report Profile</b>				
G4-28	Reporting period	Full	14	
G4-29	Date of most recent report	Full	14	
G4-30	Reporting cycle (annual or biennial).	Full	14	
G4-31	Contact point for questions regarding the report or its contents.	Full	15	N/R
G4-32	Report the 'in accordance' option the organization has chosen Report the GRI Content Index for the chosen option	Full	20	
G4-33	Organization's policy and current practice with regard to external assurance of the report.	Full	14,15	
<b>Governance</b>				
G4-34	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	Full	142-147	
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	Full	142-146	
G4-36	Report whether the organization has appointed an executive level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	Full	22,142-145	N/R
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	Full	142-144	
G4-38	Report the composition of the highest governance body and its committees	Full	142	
G4-39	Indicate whether the Chair of the highest governance body is also an executive officer	Full	146	
G4-40	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Full	144	

General Standard	Disclosure	Level of Reporting	Page Number	UNGC
G4-41	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Full	146-147	
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	Full	142	
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	Full	22	
G4-44	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Full	147	
G4-45	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Full	146-147	
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	Full	146	N/R
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	Full	22,147	
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	Full	144	
G4-49	Report the process for communicating critical concerns to the highest governance body	Full	142-146	
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	Full	146	
G4-51	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Full	147	

General Standard	Disclosure	Level of Reporting	Page Number	UNGC
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization	Full	147	
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	Full	147	
G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	Full	78	N/R
G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country	Full	78	
<b>Ethics and Integrity</b>				
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	Full	6,34	10
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	Full	34	10
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	Full	41	10
<b>SPECIFIC STANDARD DISCLOSURES</b>				
<b>Economic Performance</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	28-30	N/R
G4-EC1	Direct economic value generated and distributed	Full	28	N/R

General Standard	Disclosure	Level of Reporting	Page Number	UNGC
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Full	135	7
G4-EC3	Coverage of the organization's defined benefit plan obligations.	Full	28-30	N/R
G4-EC4	Significant financial assistance received from government.	Full	30	N/R
<b>Market Presence</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	76	N/R
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Full	78	6
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	N/R	The majority of the Group's operations are in Israel, therefore there is no reference to local employment	6
<b>Indirect Economic Impact</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	28	N/R
G4-EC7	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Full	30	N/R
G4-EC8	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Full	28-30	N/R
<b>Procurement Practices</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	118	N/R
G4-EC9	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Full	121-122	N/R
<b>Energy</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	126	7,8,9
G4-EN3	Energy consumption within the organization	Full	129-131	7,8

General Standard	Disclosure	Level of Reporting	Page Number	UNGC
G4-EN4	Energy consumption outside of the organization	N/R	The Group does not measure the energy consumption outside of the organization	8
G4-EN5	Energy intensity	Full	133	8
G4-EN6	Reduction of energy consumption	Full	130	8,9
G4-EN7	Reductions in energy requirements of products and services	Full	68	8,9
<b>Emissions</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	126	7,8,9
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Full	134-135	7,8
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Full	134-135	7,8
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	N/R	The Group does not measure their scope 3 emissions. The Group will take steps to obtain the data in the future.	7,8
G4-EN18	Greenhouse gas (GHG) emissions intensity	Full	134	8
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Full	135	8,9
G4-EN20	Emissions of ozone-depleting substances (ODS)	Full	The Group does not measure the ODS emissions from their operations as they are immaterial.	7,8

General Standard	Disclosure	Level of Reporting	Page Number	UNGC
G4-EN21	NOX, SOX, and other significant air emissions	Full	The Group does not measure significant air emission from their operations as they are immaterial.	7,8
<b>Products &amp; Services</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	63,68	7,8,9
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Full	68	7,8,9
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	N/R	The majority of the Group's activity evolves around marketing and service that do not include packaging materials	8
<b>Supplier Environmental Assessment</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	121	8
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Full	118-119	8
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	Full	121-122	8
<b>Occupational Health &amp; Safety</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	94,97	N/R
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Full	94-95	N/R
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Full	94-97	N/R

General Standard	Disclosure	Level of Reporting	Page Number	UNGC
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Full	94-95	N/R
G4-LA8	Health and safety topics covered in formal agreements with trade unions	Full	94-95	N/R
<b>Training and Education</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	86	6
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Full	88	6
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Full	88	N/R
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Full	90-91	6
<b>Diversity and Equal Opportunity</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	76	6
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Full	75,145	6
<b>Equal Remuneration for Women and Men</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	76,78	6
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Full	78	6
<b>Supplier Assessment for Labor Practices</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	121	N/R
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	Full	118-119	N/R
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	Full	83,121-122	N/R

General Standard	Disclosure	Level of Reporting	Page Number	UNGC
<b>Non-Discrimination</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	76	6
G4-HR3	Total number of incidents of discrimination and corrective actions taken	Full	46,52-53	6
<b>Supplier Human Rights Assessment</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	121	2
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Full	118-119	2
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	Full	83,121-122	2
<b>Local Communities</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	102,110	1
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Full	102-115	1
G4-SO2	Operations with significant actual and potential negative impacts on local communities	Full	107-115	1
G4-FS13	Access points in low-populated or economically disadvantaged areas by type	Full	62-63,66	N/R
G4-FS14	Initiatives to improve access to financial services for disadvantaged people	Full	57-58	N/R
<b>Anti-Corruption</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	40-41	10
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Full	41	10
G4-SO4	Communication and training on anti-corruption policies and procedures	Full	42	10
G4-SO5	Confirmed incidents of corruption and actions taken	Full	40-41	10

General Standard	Disclosure	Level of Reporting	Page Number	UNGC
<b>Supplier assessment for impacts on the society</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	121	N/R
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	Full	121-122	N/R
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	Full	121-122	N/R
<b>Grievance Mechanism for Impacts on Society</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	102	N/R
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	Full	52	N/R
<b>Products and Services Labeling</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	55-56	N/R
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	Full	46	N/R
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Full	43,52	N/R
G4-PR5	Results of surveys measuring customer satisfaction	Full	51	N/R
<b>Marketing Communications</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	46-47	N/R
G4-PR6	Sale of banned or disputed products	Full	46	N/R
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	Full	52	N/R



General Standard	Disclosure	Level of Reporting	Page Number	UNGC
<b>Compliance</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	39,46-47	N/R
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Full	43	N/R
<b>Product Portfolio</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	63,68	8
G4-FS6	Percentage of the portfolio for business lines by specific region, size (e.g. Micro/SME/large) and by sector	Full	30	N/R
G4-FS7	Monetary Value Of Products And Services Designed To Deliver A Specific Social Benefit For Each Business Line Broken Down By Purpose	Full	66	N/R
G4-FS8	Monetary Value Of Products And Services Designed To Deliver A Specific Environmental Benefit For Each Business Line Broken Down By Purpose	Full	68	8
<b>Audit</b>				
G4-DMA	Generic Disclosures on Management Approach	Full	22,38-39,63,68	8

## UN GLOBAL COMPACT PRINCIPLES

Leumi expresses support for the 10 Principles of the United Nations Global Compact (UNGC) initiative and works to promote these principles. The UNGC principles are detailed below:

### Human Rights

- Businesses should support and respect the protection of internationally proclaimed human rights; and
- Make sure that they are not complicit in human rights abuses.

### Labor

- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- The elimination of all forms of forced and compulsory labor;
- The effective abolition of child labor; and
- The elimination of discrimination in respect of employment and occupation.

### Environment

- Businesses should support a precautionary approach to environmental challenges;
- Undertake initiatives to promote greater environmental responsibility
- Encourage the development and diffusion of environmentally friendly technologies.

### Anti-Corruption

- Businesses should work against corruption in all its forms, including extortion and bribery.





לאומי איתך. **Plus**