

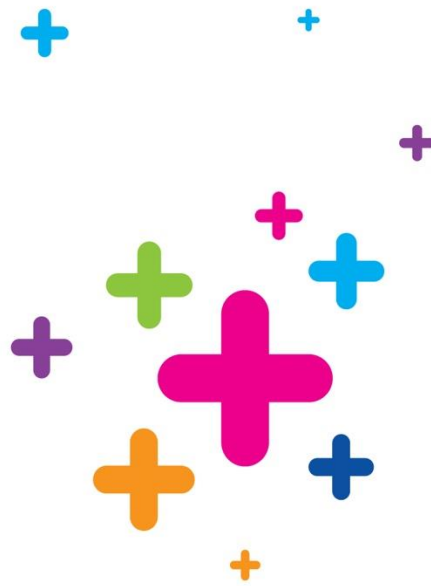
The Leumi Group Corporate Social Responsibility Report 2017

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This is a translated version of the Hebrew report and has been prepared for convenience purposes only. In case of any discrepancy between the two versions the Hebrew version prevails.



Introduction

"Bank Leumi was founded in 1902 - in the spirit of Dr. Binyamin Ze'ev Herzl's vision - as a financial tool to support the activities of the Zionist movement and help it realize its goals. Herzl, for whom the written word was second nature, outlined a clear and straightforward vision for the Zionist bank: "A financial tool with efficiency and integrity." These highlights guide us to this very day."



Source: The President and Chief Executive Officer's forward to the Leumi Group's Code of Ethics

The Chairman and Chief Executive Officer Statement

As Israel's oldest Bank, Leumi has been a feature of Jewish life in the Land of Israel even prior to the establishment of the State of Israel, and its history is intertwined with that of the State. Throughout its history, Bank Leumi in its various forms has contributed to the growth and development of the State in multiple areas: From infrastructure, real estate and transportation to promoting renewable energies and the growth of the Israeli high-tech industry to social and community outreach activities.

On the occasion of Israel's 70th anniversary, we are proud to present to you the Leumi Group's Corporate Social Responsibility Report (CSR) for 2017, which outlines the group's CSR activity in several main channels:

Adopting and implementing a fair banking charter: In 2017, Leumi launched and instilled a fair banking charter, which outlines the rules of conduct expected of the Group's employees when providing customer service, with emphasis on giving top priority to the customer's best interests, while maintaining transparency, providing full information and adapting each product to the customer's needs and capabilities. The charter also addresses the issue of fair pricing and the importance of providing support to customers even when handling complaints. The charter further emphasizes and reflects our world vision – which dictates our relationships with our customers.

Enhancing our activity in the Arab community: In 2015, the Arab Israel Bank was merged into Bank Leumi. Three years later, the merger can be labeled a success, both by our customers – who enjoy the products and services of Israel's most advanced banking group and by the employees – who have integrated into the Bank's workforce. Leumi has identified a major growth potential among Israeli Arabs, dedicating significant inputs and resources to this sector.

Technological innovation: When it comes to banking technology, Bank Leumi is a clear leader in the Israeli banking sector. In the past few years, it has been developing digital products and services designed to streamline and simplify banking activity for customers, making it more cost-efficient and readily available to them. A prime example

is the 2017 launch of Pepper: An innovative line of business based solely on smart mobile banking. Pepper provides its customers with state-of-the-art banking services, at no current account fees, with an emphasis on transparency, providing clear information and fostering financial awareness among them.

Helping customers cross the digital divide: In 2017, in addition to the ongoing development of digital services and in an effort to assist customers who are unaccustomed to using these tools, Leumi launched the Israel IL project – a nationwide training project, in which significant resources have been invested – intended to enable customers to “cross the digital divide” and embrace digital banking. As part of the project, Leumi customers are offered personal training sessions at the Bank’s branches throughout Israel, in which they are taught to conduct banking transactions on digital channels. As of the end of 2017, more than 100,000 Leumi customers have undergone personal training on the subject.

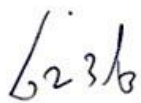
Supporting and empowering customers: In recent years, Leumi has significantly expanded its economic empowerment of various segments of society by establishing a variety of channels intended to provide customers with tools for smart financial conduct. Within this framework, the Bank established Leumi Schools – enrichment programs for Leumi customers and for the general public, providing training on a variety of financial and business topics, free of charge. The programs include the Small Business School, the Next Generation Business School, the Capital Market School and the Digital Marketing School.

Community outreach: In 2017, Leumi upheld its commitment to give back to the community, engaging in intensive social activity: During the year, approximately 4,300 employees volunteered on behalf of the Leumi Group in a wide range of projects, for a total of 39,000 hours. The total investment in community outreach programs amounted to more than NIS 37 million, which was invested in promoting children and youth education and in supporting community, social, health and cultural issues.

Leumi is committed to continue meeting the principles of the UN Global Compact Initiative, including protecting human rights and the environment, upholding standards of employment and fighting against corruption.

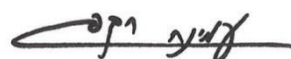
The Leumi Group is proud to be part of value-driven activity and undertakes to continue to act in this spirit – for the benefit of its customers, investors and employees and for the community and the environment.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'D. Brodet'.

David Brodet

Chairman of the Board

A handwritten signature in black ink, appearing to read 'Rakefet Russak Aminoach'.

Rakefet Russak Aminoach

President and Chief Executive Officer

Business Profile

Business Description¹

Leumi is Israel's oldest bank and one of the leading and largest corporations in Israel and the Middle East. The Leumi Group currently operates 221 branches across Israel, in addition to offices at the world's major financial junctions. The Bank's headquarters and corporate executive offices are located in Tel Aviv.

The Leumi Group provides quality banking services to all types of customers – from households through small and medium businesses to corporate giants. These services are provided via dedicated business lines, adapted to each customer segment, and are based on the highest and most uncompromising professional standards. Following are the Group's subsidiaries: Leumi Card – the Bank's credit card company, Leumi Partners – which serves as the Group's investment arm, LeumiTech – the Group's high-tech arm, as well as the Mortgage Array, allow customers to benefit from an entire range of banking services and products.

Leumi and the principal subsidiaries reviewed in this report represent the majority² of the Group's operations. The Group owns additional subsidiaries in Israel, as well as Leumi USA and Leumi UK overseas.

In addition, the Leumi Group has investments in non-financial corporations, as detailed in the following ownership chart.

Ownership Structure

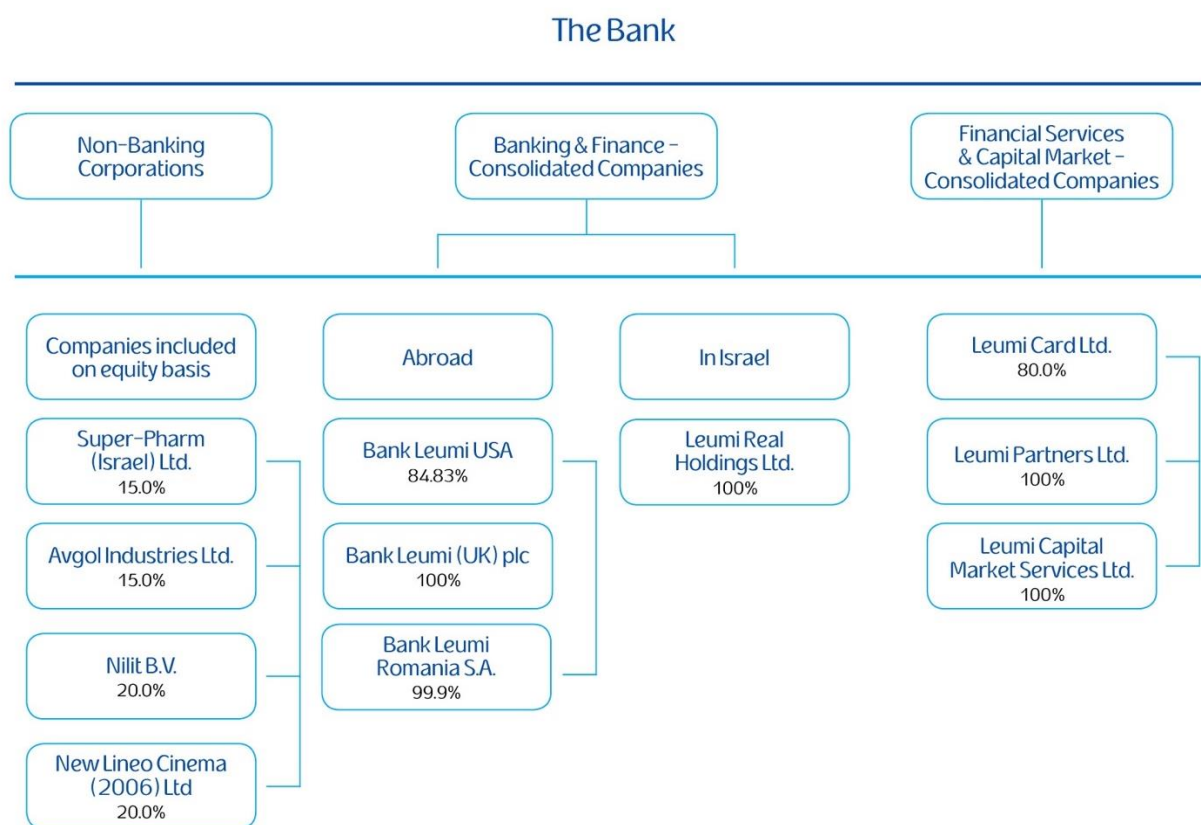
Bank Leumi of Israel Ltd. is a limited-liability public company whose shares are listed for trading on the Tel Aviv Stock Exchange.

¹102-45

² By contribution to the Group's net income

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

The Bank's Main Investee Companies as of December 31 2017³



* Voting rights – 99.8%

Bank Leumi's Business Lines

Bank Leumi 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 adapted to each customer's needs. Leumi's headquarters units provide support to its core business divisions. The Group's

³ Subjected to changes as reported in immediate reports.

subsidiary companies in Israel and offices abroad are associated with the relevant business lines, according to the nature of their activities and type of customers.

Retail Banking: Retail Banking provides comprehensive banking services to private customers and small businesses at 197 branches nationwide. This line of business includes the private banking network, which coordinates the activity of private customers – either Israeli or foreign residents – who have more than NIS 1.5 million in net assets.

Commercial Banking: The commercial network specializes in providing banking and financial services to middle market companies through 24 specialized business branches nationwide.

Corporate Banking: The Business Department handles financing and consulting for the large business and multinational customer segment as well as large-scale infrastructure projects; the Construction and Real Estate Department provides financing services to developers and contractors involved in large real estate projects. The networks handle customers with complex businesses, customers with international business and/or whose activity is managed by several of the Bank's foreign offices.

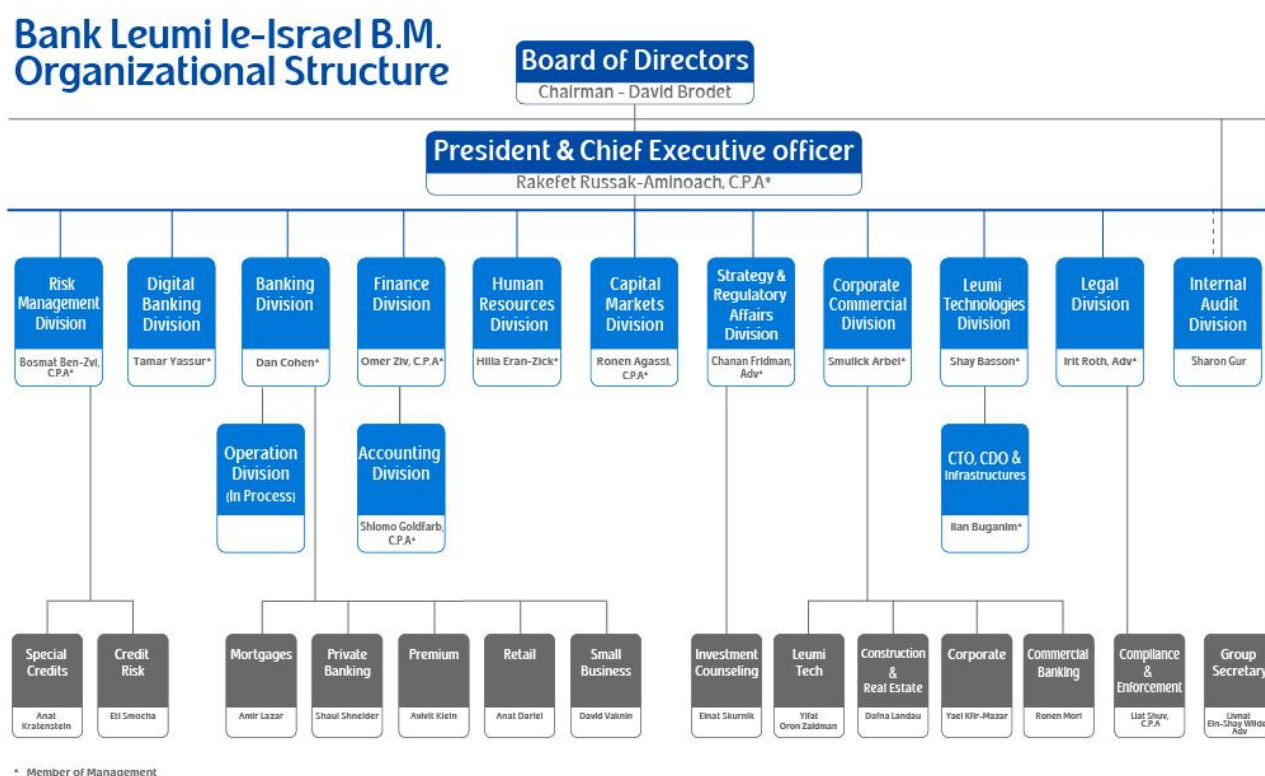
International Banking: This business line provides commercial banking services to private customers and local companies operating in international markets, through the branches of Bank Leumi USA, Bank Leumi UK, and the Leumi representative office in Shanghai, China.

Digital Banking: This business line is responsible for leading, and for the application of, state-of-the-art digital innovation in all of the Bank's business lines, as well as for managing the marketing network and Big Data operations, so as to enable Leumi to remain at the forefront, both in terms of digital innovation and overall customer experience across all of the Bank's communications channels. Digital Banking also manages the advanced direct banking services of Leumi Digital, which includes the Bank's website, mobile apps, as well as information kiosks and self-service stations at the branches. Digital Banking is also responsible for Pepper, Bank Leumi's innovative digital banking, which enables customers to manage their bank accounts through their smartphones alone, at no current account fees.

Capital Markets: This line of business manages the Bank's nostro (own) account and accounts of institutional customers and foreign banks, providing financial solutions tailored to these customers and to the Bank's other business lines, which operate directly with Leumi dealing rooms (Israeli securities, foreign securities, foreign currency, and derivatives). This business line is also responsible for all Bank customers' capital market activity.

LeumiTech: LeumiTech provides advice to the Bank and Group regarding providing banking services to high-tech companies throughout their business cycle, including financing by the Bank, creating special banking products, a designated investment management platform, and a dedicated credit card. LeumiTech also cooperates with key industry figures in Israel and overseas, including funds and investors, to maximize its offerings to high-tech companies. LeumiTech also has a presence in global high-tech centers, such as London, New York, and Silicon Valley.

Bank Leumi le- Israel B.M. – Organizational Structure (as of July 2018)



Recent Main Changes

- + On June 14 2018, a binding agreement was signed with a fund from the Argo Capital Management Group for the sale of the Bank's entire stake in Leumi Romania, as detailed in an immediate report dated June 14 2018. The deal's finalization is subject to meeting certain preconditions, including obtaining regulatory approvals.
- + On February 22, 2018, the Bank entered into a binding agreement with Hermetic Trust (1975) Ltd. for the sale of the controlling interest in the Trust Company, as outlined in the immediate report dated February 22, 2018. On April 17 2018, the deal between the Bank and Hermetic for the sale of the Bank's controlling interest in Hermetic Trust was finalized.
- + On May 22 2018, a deal to introduce two strategic investors into Bank Leumi USA was finalized; the new investors now hold 15% of Leumi USA's share capital. For more information, please see the immediate report dated May 22 2018.
- + In November 2017, Leumi signed a non-binding cooperation agreement with the Bank of China. The agreement constitutes a letter of intent, with no commitment to grant credit by either party. The purpose of the agreement is to assist Israeli customers operating in China in obtaining credit locally, as well as to refer Chinese customers active in Israel to Bank Leumi.

Subsidiary Companies and Deployment

92.7% of the Leumi Group's activity is concentrated in Israel and 7.3% is conducted abroad⁴. The Group's headquarters are located in Israel.

Outside Israel, the Leumi Group provides financial services to Israeli business customers, local businesses, international organizations active in Israel and local Jewish communities. The Group's primary target audience overseas is business firms.

⁴According to the balance sheet as at December 31 2017

The Leumi Group operates overseas through the Bank's branches in the USA and UK, and through a commercial affiliate in China. For information on changes in the Bank's holdings in its subsidiaries, please see p. 10.

Below is additional information on the main subsidiaries:

Leumi Card

The company is engaged in issuing, clearing and operating credit cards, payment solutions and financial products. As of the end of 2017, Leumi Card had issued approximately 2.66 million credit cards under the Visa and MasterCard brands, including bankcards in cooperation with Leumi and non-banking cards for customers of all the banks. Leumi Card provides clearing services to some tens of thousands of businesses across Israel, offering them financial solutions such as loans, discounting vouchers, and pre-payments. 80% of the company's shares are held by Bank Leumi, and 20% – by the Azrieli Group.

The net income for 2017 was materially affected by two non-recurring measures – the bonus granted to employees in respect of the sale of Visa Europe shares, which was recorded in the first quarter results, and the expenses for the voluntary retirement program recorded in the fourth quarter results. Net of these effects, the company ended 2017 with a net income of NIS 190 million, as compared with NIS 184 million in 2016.

Leumi Partners

The investment banking arm of the Leumi Group provides non-banking growth solutions, such as Leumi Group's investments in companies, underwriting, research, mergers and acquisitions, and raising any type of capital or debt. Leumi Partners integrates its capabilities through a unique merchant banking platform. In 2017, the company reported a net income of NIS 180 million, compared with a net income of NIS 154 million in 2016.

LeumiTech Ltd.

LeumiTech is the Leumi Group's high-tech banking arm, founded in recognition of Israel's high-tech industry as the economy's growth engine. Through LeumiTech, Leumi continues to enhance its status as Israel's leading bank in funding and developing unique products and services customized to the industry's needs. LeumiTech currently supports the financial activity of more than 60% of Israel's high-tech companies. LeumiTech has also established Leumi Group's leadership in the world's major high-tech hubs: New York, Palo Alto and London.

Leumi Capital Market Services

The company provides comprehensive operating services to financial institutions such as provident funds, study funds, factory funds, severance pay funds, central funds for budgetary pensions, mutual funds, private investment funds and distribution services.

Foreign Offices

For more information on the activities of the additional subsidiaries and investee companies, branches, agencies and representative offices of the Leumi Group worldwide, please visit the Group's website: www.leumi.co.il

Bank Leumi USA (BLUSA)

BLUSA is Bank Leumi's largest operation abroad, engaged mainly in commercial banking. It focuses on providing credit to local mid-sized companies and Israeli companies operating in the United States, as well as on providing private banking services to US and foreign residents. The Bank operates branches in four states: New York, Illinois, Florida and California. Bank Leumi USA ended 2017 with a net income of \$37 million, as compared with a net income of \$26 million in 2016.

Bank Leumi UK

Operating in the UK since 1902, Bank Leumi UK is the largest bank in Britain under Israeli ownership. The bank is engaged in commercial and private banking, specializing in real estate, the hotel industry, commodities, media and commerce. Among the bank's customers are Israeli customers and/or subsidiaries of Israeli companies, as well as

other customers operating in its areas of expertise. The center of the Bank's activity is in London, but it also supports its customers' activities throughout Western Europe. The office has a subsidiary – Leumi ABL, which mainly provides accounts receivable financing services. Bank Leumi UK's net income in 2017 was £12 million, compared to £17 million in 2016.

Membership in Organizations and Associations

Bank Leumi is a member of the Association of Banks and Leumi's President and Chief Executive Officer and its Chairman are members of the Association's Executive Committee.

The Bank is also a member of the Tel Aviv–Jaffa Chamber of Commerce and the Israeli Marketing Association.

Corporate Social Responsibility Management at the Group

The Leumi Group's Corporate Social Responsibility (CSR) domain is managed based on a comprehensive policy, led by the Leumi Board of Directors. Each year, the committee discusses the CSR report, the Bank's CSR objectives for the coming years, and the implementation of the CSR objectives by the Bank and Group.

The Head of the Human Resources Division is responsible for CSR domain. At Leumi, the field of CSR is managed by the Corporate Social Responsibility and Employee Volunteering Department. The Department has four full-time managers, including the Corporate Social Responsibility Manager, who is responsible for integrating all of the relevant functionaries, and fully cooperates with the managers of the various units and corporate social responsibility contact persons at the subsidiaries and Leumi offices worldwide.

Corporate Social Responsibility Leadership Forum


In June 2017, out of the understanding and recognition of the growing importance of corporate social responsibility issues and the wish to enhance their handling by Leumi, the Group established the Corporate Social Responsibility Leadership Forum. The forum includes 12 executives (members of the Group's leadership forum) from all of the Bank's divisions. Its objective is to preserve Leumi's CSR leadership position and promote its activity in this area in line with its stakeholders' expectations. The Forum's members take part in leading cross-organizational and individual processes, incorporating CSR concepts in business decision-making processes and taking part in dialogues with stakeholders.






Following a materiality analysis, it was decided that the Forum will examine and promote four main topics through dedicated teams: Responsible investing, promotion of financial knowledge, promotion of services and products for the benefit of under-privileged groups and mitigation of indirect impacts on the environment (credit and products).


In 2017, to promote the aforementioned topics, the Forum's members participated in two enrichment and brainstorming sessions, as well as in off-site seminars and dozens of individual meetings with bank executives to promote CSR issues in general and issues for which the forum is responsible in particular.

Involvement in Corporate Social Responsibility Initiatives and Ratings^{LA}

Leumi and its subsidiaries have adopted leading standards in the area of sustainability and corporate social responsibility and are rated by several rating entities in Israel and abroad:

Rating	Details
	Leumi and Leumi Card are members of Maala, and are included in the organization's annual rating. In 2017, the two companies received the highest possible ranking: Platinum Plus.

Rating	Details
	<p>In 2010, Leumi joined the Ministry for Environmental Protection's voluntary registry for reporting greenhouse gas emissions in Israel.</p>
	<p>In 2008, Leumi signed the UN Global Compact charter, a UN initiative to promote socio-environmental responsibility. Since then, Leumi reports to the initiative and reaffirms its support for its statement of principles each year.</p>
	<p>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 Bank's direct and indirect impact on climate change</p>
 <p>FTSE4Good</p>	<p>As of 2011, Leumi is a constituent of the FTSE4GOOD index, the leading index of sustainability and corporate responsibility performance traded on the London Stock Exchange.</p>
	<p>FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Bank Leumi has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.</p>
	<p>Transparency International is a global civil society organization that leads the global struggle against corruption in government and business. In its 2017 Transparency Index, the Leumi Group was</p>

Rating	Details
	rated A (second among companies reviewed in Israel), with a score of 90.
	Ranked 13th globally on the 2017 EQUILEAP gender equality ranking. EQUILEAP is an organization established to promote gender equality in the workplace through investments, grants, scholarships and imparting knowledge.

Stakeholders Engagement and Dialogue⁵

Leumi attaches great importance to maintaining an ongoing dialogue with its stakeholders, and devotes significant resources to the continuous expansion of communication channels with them. The transparent, open and mutual dialogue allows the Bank to understand the needs and desires of stakeholder groups and enables it to improve its conduct for them and to offer them appropriate focused 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 identifying stakeholders and the issues arising in the dialogue with them are detailed in the relevant chapters, as described in the table below.

Stakeholders	Main dialogue channels
Customers	<ul style="list-style-type: none"> + Personal meetings with customers in general, and especially with customers whose debt is in legal proceedings + Customer satisfaction surveys + The Group's blog and Facebook pages + Public Inquiries Bureau + Customer conferences
Employees	<ul style="list-style-type: none"> + Periodic conference calls of the President and CEO with all Bank employees

⁵ 102-40, 102-42, 102-43, 102-44

Stakeholders	<p>Main dialogue channels</p> <ul style="list-style-type: none"> + “Leumi Share” – in-house portal for employees + Mid-year review and dialogue meetings + Meetings between management and the employees’ representative body + Employee opinion surveys + Meetings of the CEO and Division heads with employees + Tours and meetings of the Group’s CEO and management in the branches and regional offices + Employee conferences
Suppliers	<ul style="list-style-type: none"> + Suppliers’ portal + Personal meetings with suppliers and conferences for suppliers and subcontractors
Social Organizations and NGOs	<ul style="list-style-type: none"> + Personal meetings with representatives of social organizations + Ongoing dialogue with our community outreach partners on employee donations and volunteering: NGOs, social organizations and welfare departments of local authorities
Shareholders, Prospect Investors, and Analysts	<ul style="list-style-type: none"> + Investor relations page on the Bank’s website + Conferences, group and individual meetings, one-on-ones, and quarterly earning calls
Regulation	<ul style="list-style-type: none"> + Ongoing dialogue with the Association of Banks as the representative body of Israel’s banking corporations before the regulators + Attending Knesset Committee meetings, conferences and meetings with the regulators

Corporate Social Responsibility Training

As part of their work, and wherever relevant, the Group’s managers and employees responsible for corporate social responsibility participate, on a regular basis, in on-site and off-site professional conferences on CSR. An annual training and recognition event, with the participation of all functionaries directly involved in CSR.

In 2017, orientation days for newly hired employees at Leumi included lectures on corporate social responsibility.

About the Report⁶

This is the Leumi Group's ninth corporate social responsibility report, written in accordance with the Sustainability Reporting Standards (SRSs) of the Global Reporting Initiative (GRI) organization, at the Comprehensive level of reporting (In accordance: Comprehensive Option). The report contains the appendix items relevant to financial sector companies and includes reporting 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 p. 237. The 2017 Corporate Social Responsibility Report is not part of the Group's financial statements, nor of the immediate reports or periodic reports of Bank Leumi and the Group. In case of any discrepancy between that stated in the Report and these reports, the version in the financial statements is the binding one.

The Leumi Group maintains reporting continuity for its stakeholders, publishing a Corporate Social Responsibility Report annually. This report is also published on the Leumi Group's Corporate Social Responsibility website – Leumi Plus – plus.leumi.co.il

Content of the Report⁷

This Report covers the Leumi Group's activity in 2017, in the following areas: The economy, society, the environment and corporate governance.

Except where noted otherwise, this Report refers to the Leumi Group's activity in Israel and overseas. In Israel: Bank Leumi, Leumi Card, Leumi Partners, the Trust Company and Leumi Capital Markets; overseas: Bank Leumi USA, Bank Leumi UK (excluding its

⁶ 102-48

subsidiaries), and Bank Leumi Romania.⁸ Since this report covers 2017, it includes the Trust Company and Bank Leumi Romania, despite the changes reported on p. 12. Except where noted otherwise, the data in this Report cover the period from January 1, 2017 to December 31, 2017. The data are in complete agreement with other reports issued by the Group, and do not contradict information presented by the Group in past years.

The data in the chapter on Creating Value for the Environment refer to the environmental performance of Leumi and Leumi Card, which account for about 91% of all employees in the Group (as defined in this Report) and are a source of over 87% of its profits⁹.

Terms

We use the terms “Leumi Group” or “the Group” when describing the activities of the entire Group, as defined in the Report. We use the term “Leumi” when describing the activities of Bank Leumi Ltd. only. We mention the names of subsidiaries and foreign offices when describing the activities taking place in these companies alone.

Throughout this report, some topics are labeled with a LA mark, indicating that the labeled topics have been subject to an independent, external assurance review. For further information, please see p. 205.

Reporting Reliability Assurance

Each year, the Leumi Group takes care to ensure the reliability of its reporting in the corporate social responsibility report prepared in accordance with the GRI guidelines. The Group attaches great importance and value to this process, which it considers as highly educative and helpful in constantly improving information gathering and reporting, so as to meet the requirements of stakeholders for transparent and credible reporting.

Within this framework, three types of assurances were used for the current Report:

⁸ 102-49, 102-48

⁹By contribution to the Group's net profit

- + **Process assurance:** To ensure proper implementation of the process, the Corporate Social Responsibility and Sustainability Group at the accounting firm BDO was hired to oversee it. The assurance process included full support in implementing the corporate social responsibility work plan at the Bank, including in work on the Report.
- + **Assurance regarding the location of material topics:** The GRI organization reviewed the Report and examined how the material topics were incorporated into the report (GRI Materiality Disclosures Service). (For more information, please see p. 210).
- + **External assurance and quality assurance of the Report:** was carried out by Somekh Chaikin KPMG (for more information, please see p. 205).

For more information, please contact:

Hadas Eytan, Corporate Social Responsibility Manager

Hadas.Eytan@bankleumi.co.il

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

Acknowledgements

We would like to thank all the parties in Leumi and the subsidiaries involved in the management and advancement of corporate social responsibility content, who assisted in collecting data and preparing the materials for this report.

The Hebrew version was Published in July 2018

Identifying Material Topics for Reporting¹⁰

Most corporate social responsibility reports published by Bank Leumi were prepared in accordance with the GRI guidelines, which define the guiding framework for reporting on this subject. The current report is first to be prepared in accordance with GRI Standards.

The material topics identification process allows Leumi to focus its social corporate responsibility activities on 11 material topics. The Bank works to enhance its commitment to advancing these topics and improving processes in accordance with the objectives it has set.

During 2016, the Group conducted a comprehensive and detailed dialogue process with its stakeholders to re-examine and update its material topics for reporting. For more information on this process, please see p. 23 in the 2016 Corporate Social Responsibility Report.

Process of Validating and Revising of the Material Topics for Reporting^{LA}

Towards the writing of the 2017 Corporate Social Responsibility Report, the Bank conducted a validation and revision process of the material reporting topics, in cooperation with management. In the spirit of the times, and to obtain comprehensive and objective information, it was decided to map and evaluate stakeholders' positions and their expectations from the banking sector through social media (especially Facebook and Twitter). For the analysis, about 400,000 posts about Israeli banks were encoded throughout 2017 and classified according to whether they referred any of Leumi's 19 corporate social responsibility topics. The analysis included qualitative and quantitative aspects and was carried out holistically, taking into account the general public sentiment and its impact on businesses in Israel, as well as the discourse on the banks in general and on Bank Leumi in particular. In addition, at a discussion held at the Bank, the material topics for the Bank were also validated and revised.

¹⁰ 102-46

As part of the revision process, the Bank decided to add the topic of fair employment terms and remove biodiversity from its list of material CSR topics, having found out that the stakeholders, as well as the Bank, do not view it as consistently material, far behind than other topics.

The Materiality Matrix and Reporting Topics for 2017^{LA}

Following the above process, Leumi's materiality matrix was validated and revised. Stakeholders' positions have been revised, and are based on two components:

- a. The stakeholder dialogue process which was carried out ahead of the 2016 Corporate Social Responsibility Report (80%)
- b. The process of analyzing the discourse and positions of stakeholders on social networks in 2017 (20%)

The Bank's positions axis was structured according to the above revisions.

The power of social media to reflect the relationship between businesses and their stakeholders

Sagi Chen, Senior Consultant, Wisdom Dot Com Ltd.

In the past few years, social media has gained significant momentum in Israel, and has actually become, a central unprecedented meeting place for everyone involved in shaping public opinion. Today, a daily, direct ongoing dialogue takes place between all stakeholders: businesses and brands, customers, elected officials, the media outlets and media people, social organizations, employees and the general public.

Social media in Israel is highly varied, featuring a lively discussion around a wide range of topics on various platforms. Each platform has its unique features and meets specific needs – Facebook, for example, serves as the “town square” and has a great impact on public opinion; Twitter is widely used by elected officials, media professionals and other influencers; Instagram is an escapist, self-

expressive platform; forums allow users to seek anonymous advice; blogs function as the "new press", etc. As a result, social media serves as a microcosm which reflects public sentiment in Israel as a whole, and towards corporations and businesses in particular, and it is capable of shaping public opinion and influencing policy makers at the political and economic levels.

Due to its key role in our lives, social media serves as the primary, bottomless source for understanding the needs and expectations of various stakeholders today. Much like a diamond mining, it is full of insights that cannot be found anywhere else. Mining these "diamonds", polishing and setting them in the corporate context is made by tracking the dialogue and analyzing users' content.

This research method has 5 key advantages: (1) Authenticity – The users' content is extracted from organic conversations of stakeholders in their natural online environment, without any intervention;) 2) Trend prediction – Social media exposes the undercurrents affecting consciousness, and the ability to examine where these undercurrents are going over time constitutes a unique predictive tool;) 3) Involvement – Users who write about a particular topic on the web are "hot audiences" – highly involved in the topics being examined;) 4) Influence – Online conversations have a great impact beyond its circle of participants, and, as mentioned above, social media has enormous influence on public discourse;) 5) Know the unknown unknowns – Research allows us to discover things we did not ask ourselves before and which are not necessarily "under the streetlight."

We believe that, as a rule, strategic user content analysis is the best research tool available today to map stakeholder expectations from corporations, especially ones that strive to conduct an ongoing dialogue with their stakeholders.

Wisdom Dot Com Ltd. is a strategic research and consulting firm specializing in the study of public awareness and its impact on business in Israel.

Leumi's 2017 Materiality Matrix

Materiality Matrix



Issues of High Importance (reported)

1. Ethics and Anti-corruption
2. Making services accessible to disadvantaged and handicapped populations
3. Diversity and equal opportunities
4. Incorporating socio-environmental considerations in granting credit
5. Incorporating socio-environmental considerations in non-financial investments
6. Customer privacy and security
7. Health, training, and welfare of employees
8. Fair conduct
9. Making financial knowledge available
10. Maintaining fair employment conditions for employees
11. Community involvement

Other (reporting is not mandatory)

12. Consumption of natural resources
13. Energy consumption and carbon footprint
14. Stakeholder dialogue and corporate responsibility reporting
15. Incorporating environmental and social considerations in procurement practices
16. Economic performance
17. Environmental management in the organization
18. Protecting human rights in the organization's operations

Structuring the Report according to the Material Topics and Reporting Boundaries ¹¹

The GRI reporting guidelines require the implementation of a process that will result in reporting only on the topics identified by the organization as material. The reporting organization should present an organized managerial approach, work processes that show the organization's commitment, and objectives for the coming years, alongside a report on the organization's indicators under each specific standard disclosure.

The process for identifying material topics resulted in 11 topics identified as material (out of the 19 topics presented). The 11 topics include (as described below) 18 topics that are in accordance with the definitions of the GRI Standards. According to the standard, as soon as the Bank has identified the material topics for reporting, it is required by definition, to report on them.

Chapter	Materially rating	Material topic – Leumi	GRI Index	GRI Topic	Reporting boundaries
Ethical conduct and corporate culture	1	Ethics and anti-corruption	1. Anti-corruption and business ethics	Anti-corruption	Within the organization
Creating value for customers	9	Making financial knowledge available	2. Marketing communications and product and service labeling	Marketing and Labeling	Within and outside the organization

¹¹ 102-47

Chapter	Materially rating	Material topic – Leumi	GRI Index	GRI Topic	Reporting boundaries
Creating value for customers	2	Making services accessible to disadvantaged and handicapped populations	3. Non-discrimination of customers and accessibility	Non-discrimination	Within and outside the organization
Economic, social, and environmental impacts	4	Incorporating socio-environmental considerations in granting credit	4. Bank product profile – sector-specific aspect	Product Portfolio (sector specific aspect)	Within and outside the organization
Economic, social, and environmental impacts	4	Incorporating socio-environmental considerations in granting credit	5. Indirect economic impacts	Indirect Economic Impacts	Within and outside the organization
Economic, social, and environmental impacts	4	Incorporating socio-environmental considerations in granting credit	6. Environmental and social risk management – sector-specific aspect	Audit (sector specific aspect)	Within the organization

Chapter	Materially rating	Material topic – Leumi	GRI Index	GRI Topic	Reporting boundaries
Economic, social, and environmental impacts	5	Incorporating environmental and social considerations in non-financial investments	7. Incorporating human rights considerations in investments	Human Rights Assessment	Within and outside the organization
Creating value for customers	6	Customer privacy and security	8. Customer privacy	Customer Privacy	Within and outside the organization
Creating value for customers	8	Fair conduct	9. Regulatory compliance	Socioeconomic Compliance	Within and outside the organization
Creating value for customers	8	Fair conduct	10. Marketing communication and product and service labeling	Marketing and Labeling	Within and outside the organization
Creating value for customers	8	Fair conduct	11. Public policy	Public Policy	Within and outside the organization
Creating value for customers	8	Fair conduct	12. Anti-competitive behavior	Anti-competitive Behavior	Within and outside the organization
Creating value for employees	3	Diversity and equal opportunities in employment	13. Diversity and equal opportunity	Diversity and Equal Opportunity	Within the organization

Chapter	Materially rating	Material topic – Leumi	GRI Index	GRI Topic	Reporting boundaries
Creating value for employees	3	Diversity and equal opportunities in employment	14. Employment practices in international markets	Market Presence	Within the organization
Creating value for employees	7	Health, training and welfare of employees	15. Occupational health and safety	Occupational Health and Safety	Within the organization
Creating value for employees	7	Health, training and welfare of employees	16. Training and organizational development	Training and education	Within the organization
Creating value for the community	11	Community involvement	17. Local community	Local communities	Within and outside the organization
Creating value for employees	10	Maintaining fair employment conditions for employees	18. Employment	Employment	Within the organization
Creating value for employees	10	Maintaining fair employment conditions for employees	19. Management – employee relations	Labor – Management Relations	Within the organization

This structure reflects the material issues for Leumi and its stakeholders. The reporting framework includes full response to 36 specific performance indicators (specific standard disclosures) that fall under these 18 topics, alongside 56 organizational profile indicators (general standard disclosures). In addition to these topics, the report provides more information on additional topics not identified as material in the materiality process but which Leumi has found necessary to report and elaborate on in

order to maintain reporting continuity and transparency on the topics of: Economic performance, integrating social and environmental considerations in procurement processes, reporting on energy consumption, carbon footprint, and materials (paper consumption and electronic waste).

The full reporting index appears on p. 210. In addition, for each topic, Leumi defined the reporting boundaries and examined whether its impact is within the organization (in which case the Bank will focus on managing the issue, methodically measuring its performance, improving its performance, and periodically monitoring while setting objectives) or is outside the organization (in which case Leumi will focus on its dialogue with outside parties, periodic monitoring of their performance, and encouraging responsible conduct). Some of the topics have been defined as material both within the organization and outside of it.

Objectives Report – Corporate Responsibility Management at the Group

Objective for the end of 2017	Status	Details
Establish and manage a Corporate Responsibility Leadership Forum	Done	The forum was established in 2017. Two group meetings and numerous team meetings were held
Initiate and assist units to incorporate corporate responsibility procedures in line with expectations of major stakeholders	Done	The subdivision and CSR Leadership Forum continued to assimilate processes on material topics

Future Objectives

Objective by end of 2018	Main actions planned
Continue to operate Corporate Social Responsibility Leadership Forum and team work	Conduct group and team meetings
Develop and initiate CSR innovation processes	Conduct sprints on the issue and develop relevant ideas



Ethical Conduct and Corporate Culture

"We believe that an inspiring corporate culture and value driven ethical behavior are fundamental and essential to an organization's success"



Source: The President and Chief Executive Officer's forward to the Leumi Group's Code of Ethics

The Leumi Way: Vision, Core Values and Ethics



To introduce proactive, innovative banking for the benefit of customers

We aim to create a dynamic business environment which incorporates the Bank's values into product and technological innovation – an environment where our customers can find the best and most suitable solution to their financial needs, while striving for adequate profitability, maintaining the Bank's stability and striking a balance with the needs of our employees and shareholders. As a financial group with major impact on Israel's business and public culture, we regard our commitment to the community as a social and ethical anchor we will continue to cultivate.



Our customers constitute the core of our business. They expect professional, courteous and efficient service, and that we listen to them in the moment of truth and offer them appropriate and useful value propositions.



"Yes, we can" is a world view that opens the door to new ideas coming alive. It is a world view that honors and respects challenges, placing doing at its heart but also making room for possible errors, out of recognition that "nothing ventured – nothing gained".



We live in a reality that places the value of sharing in the foreground. To produce a force multiplier, we will enhance inter- and intra-unit collaboration, with each of us thinking "Leumi," and thus ensuring the achievement of our goals. In addition, we will show openness and courageously share our opinions, thoughts, and ideas



Each and every one of us serves as a role model for someone. We must aspire to serve as **role models** to those around us.



The challenges we face and the changing reality obligate us to strive constantly to improve and achieve better results. As employees of the Bank, **excellence**, for us, is knowing that our work has helped our customers and created business value for the organization.

Statement on Business Ethics

Leumi's worldview and the norms to which the Group is committed grew and developed out of recognition of its significant role in maintaining Israel's economic and social fabric. In 2005, they were drafted into a comprehensive, binding framework entitled the Leumi Way, the Israeli banking system's first Code of Ethics. A second, revised draft was issued in 2014.

The Leumi Way – Vision, Ethics and Core Values¹² is an expression of Leumi's corporate spirit since its founding and its constant striving to comply with the highest standards of ethical, moral and responsible conduct with all its stakeholders: Customers, investors, employees and suppliers. The document outlines the Group's vision and core values and provides a practical plan for handling ethical dilemmas, as well as details ways of contacting those in charge of the issue. The Group operates in accordance the values and way defined by the paper, which continually examines the changes taking place in the social and business environment, adapting itself and outlining the courses of action the Group wishes to follow and the desired behavior according to them.

¹² [Leumi Way: Vision, Core Values, and Ethics.](#)

The Code of Ethics obligates all those involved in working for the Group and on its behalf – members of the Board of Directors, management and employees – and is assimilated in all of the Bank's units, in line with the nature of their activities.

In the spirit of the Leumi Code of Ethics and in collaboration with professional units, documents and charters have been written in recent years to regulate the desired behavior in specific areas of activity: A code of ethics for investment advisers; a charter for relations with suppliers; a pension advisory charter; social media conduct for employees; a charter for ethical conduct in Leumi's intranet environment; and a charter for employees serving in reserve duty. These are attached as appendices to the Code of Ethics. In 2017, a fair banking charter was drafted as well (see p. 67).

The Leumi Group takes steps to foresee possible conflicts of interest and prevent them from occurring. In any case involving concern for conflict of interests, employees are instructed to act in accordance with Leumi's internal procedure on the issue.

The field of ethics is managed by the Organizational Development and Learning Subdivision of the Human Resources Division, which is responsible for: implementing the Code of Ethics, conducting training on the subject, managing the Ethics Hotline, distributing information on ethical dilemmas, and producing learning materials.

The field is managed by:

The Ethics Committee^{LA}: A cross-group body that meets throughout the year, as needed. From time to time, ethics representatives in the organization's units examine the Code of Ethics' relevance in light of the changing business reality, discuss general ethics issues which arise and develop methods for instilling the Code of Ethics in the various units.

Implementation of the Code of Ethics in all units^{LA}: Each year, Leumi conducts cross-organizational activities to implement ethics and core values using tutorials, incorporating the topic in the messages issued at the corporate and unit levels and holds customized activities on the topic in the divisions and units. The topic is also incorporated in employee surveys and employee review processes.

Integrating ethics into training programs^{LA}: The topic of ethics is integrated into training programs and orientation days held for newly hired employees.

Appointing ethics trustees in the units^{LA}: Each unit at the Bank appointed an ethics representative, who is responsible for the preparation and implementation of an annual work plan. In addition, divisional ethics committees were established, headed by ethics representatives; the committees are responsible for discussing intra-divisional ethical issues and for developing and executing the divisional implementation plans.

Ethics Hotline^{LA}: 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 providing a quick, efficient and professional response.

Mechanisms for protecting the identity of parties reporting unusual activity^{LA}: Leumi attaches great importance to maintaining reporting channels that will allow the Bank's employees to report on various issues and to establishing mechanisms for protecting the identity of the reporting parties. The Bank regards each and every one of its employees as a partner to the proper management of the organization and as such expects them to report any unusual activity immediately. Leumi offers employees several channels to report any unusual activity. Contact information is published to employees as part of an internal procedure, with the commitment that any report by an employee through one of these channels will be handled uniformly, promptly and efficiently, while allowing for strict confidentiality regarding the identity of the reporting party. Each year, the information is issued to all employees via email. Under the procedure, the status and position of employees expressing fears of, or reporting on, bribery and corruption violations, will not be harmed as a result of their reporting.

Initiatives and Achievements regarding Business Ethics during the Reporting Year^{LA}

- +** In 2017, Leumi's ethics hotline received 53 enquiries, 44 of which involved questions regarding conflict of interest, 5 regarding gifts and 4 were concerned with other issues. Leumi Card's ethics hotline received two inquiries.
- +** In 2017, 74% of Leumi's employees successfully completed a course on ethics and core values.

- + **Procedure prohibiting conflict of interest:** Once a year, Leumi employees are required to certify that they are not in conflict of interest while performing their duties. If an employee declares that they are in conflict of interest, his/her managers review the matter. In 2017, 97.6% of the Bank's employees signed a statement regarding conflict of interest.
- + In 2017, all Leumi Card's employees completed a refresher tutorial on the [Code of Ethics](#)¹³ and the prohibition on being in a position of conflict of interest. 91% of the company's employees completed the tutorial.

Compliance Statement

The Leumi Group is subject to a wide range of domestic and international laws, ordinances and regulations, including directives issued by the Banking Supervision Department, the Securities Authority and the Antitrust Authority. In accordance with the Leumi Group's organizational culture, compliance with legislation is incorporated into work processes. The Group regards regulatory compliance as a way of life and part of its corporate culture, which is incorporated into work processes, leading to quality implementation of objectives.

Due to the changes and trends in the field of compliance – both local and global, and the development of the business environment, Leumi invests significant resources in implementing, assimilating and complying with legal provisions to ensure adequate business conduct at a very high level.

The Group assimilates procedures relating to that which is permissible and prohibited for its employees as part of their duties, and for preventing the abuse of position or authority to obtain benefits or personal gains. All Leumi Group employees are responsible for understanding the professional, legal and ethical issues in their field and for the proper conduct this entails. Leumi recruits employees with adequate

¹³ [Leumi's Code of Ethics](#)

qualifications and develops supportive automated systems to comply with the changing legal requirements.

Compliance is the responsibility of the Leumi Group's Chief Compliance Officer, who assists management and the Board of Directors in fulfilling their role in instilling a culture of compliance and operating in accordance with the laws and provisions in various areas. The Chief Compliance Officer reports to the Leumi Group's General Counsel. The General Counsel is also the Board of Directors' legal advisor and attends all of the Board meetings to provide ongoing legal advice. The Chief Compliance Officer is also responsible for prohibition of money laundering and terrorist financing; enforcement of securities laws; and is also responsible for handling FATCA (taxation of US citizens) issues. In addition, the Chief Compliance Officer is involved in complex transactions, participates in formulating work processes and new product development, and provides advice on complex transactions. In addition, the Chief Compliance Officer presents to the Audit Committee and/or Board of Directors an annual report on the various matters for which she is responsible, including a work plan and a planning vs. execution report and updates these parties as necessary.

The compliance policy is the Group's and applies to all subsidiaries and offices in Israel and abroad. All compliance risks are evaluated each year and a compliance risk map is drawn therefrom, forming the basis for a multi-year compliance risk hedging plan. The significance of compliance lies in protecting customers, the Bank and its employees alike; it is incorporated in a wide range of activities, which are conducted for all employees, using various means.

The Group's commitment to compliance involves several focal points:

Prohibition of money laundering and the financing of terrorism: Banks and other financial institutions are often used to carry out actions aimed at laundering money or transferring funds to terrorist organizations, and hence the banks' important role in preventing them. Leumi complies with the relevant legislation.

Declared money policy: The Bank has adopted a declared money policy, the purpose of which is to deal with 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 customer's tax residence country. In addition, under the aforementioned policy, a risk-oriented plan was devised for handling new and existing risks embodied in customers' cross-border activity.

Risk-mitigating policies: As part of the Group's risk management and compliance policies, several areas of activity have been defined in which Leumi aims to avoid or reduce business activities. These include, among other things, gambling and pornography.

Initiatives and Achievements regarding Compliance during the Reporting Year

+ Tutorial on compliance and money laundering: The compliance tutorial is one of the tools for teaching various compliance issues to all Bank employees. The computerized tutorial includes a knowledge test and is given to all Bank employees, who are required to pass the test. Bank employees are divided into various populations, each of which has its own test, with content and questions relevant to its business and level of knowledge required. The tutorial includes questions on the prohibition on money laundering, prohibition of financing terror, compliance, the "declared money" policy, FATCA and administrative enforcement of securities. About 100% of Leumi's employees have completed the tutorial in 2017.

Anti-Bribery and Corruption Statement

The concept underlying Leumi's commitment to fight bribery and corruption is that the latter are prevalent phenomena which undermine good governance and economic development, distorting competition in the global market. Leumi is committed to taking part in the struggle against bribery and corruption and shall ensure that, in its business

activities which embody such risk, partners and customers comply with anti-bribery and corruption provisions.

The issue of bribery and corruption prevention is addressed on two levels: prohibiting Bank employees from receiving or granting benefits to public servants, customers or office holders in a corporation, with the intention of attaining, either directly or indirectly, either a personal benefit and/or benefit for Leumi; and prevention of bribery in customer activity.

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

On December 30, 2015, the Group approved a compliance risk management policy that includes, among other things, the decision that customers whose activity is risk-oriented in this respect will sign a statement regarding the prevention of bribery or breach of trust. This decision was intended to reduce the scope of potential situations where assistance to, or cooperation with, customers performing illicit activities could be attributed to Bank.

In 2016, the Board of Directors discussed and approved a bribery and corruption prevention plan. As part of the plan, guiding principles were drafted, procedures were updated, risky activities were identified and red flags were published. In addition, branch managers underwent training courses, a letter was sent to managers, an online chat mechanism was set up, and all employees received a “read and sign” request (a digital signature approving that the employee has read the document). The compliance and enforcement system monitors, and examines the effectiveness of, the plan on an

ongoing basis to prevent corruption, in cooperation with the business lines and relevant units.

- + **Measures for monitoring and preventing fraud and embezzlement:** Relevant units in the Leumi Group have centers and tools which work on an ongoing basis to monitor and track incidents of fraud and embezzlement. When this type of incident is discovered in Leumi, an investigation is launched, conclusions are drawn and systems are amended accordingly. Incidents are reported to the Bank of Israel, as required, and, if necessary, to the Israel Securities Authority and the Israel Police. If customers incur damage, the Bank will work with them to restore the status quo ante, so as to ensure that they incur no further damage. Employee fraud and embezzlement incidents are handled by the Internal Audit Division and Human Resources Division.
- + **Prohibition on receiving gifts and benefits:** The Group has a strict procedure prohibiting the acceptance of gifts and benefits from customers, suppliers and any other parties with whom the Group has working relations. Gifts, benefits or special terms will be awarded to customers only in accordance with the Bank's policy, by those authorized to do so, and after exercising due judgement. In case of doubt, a supervisor's advice and approval should be sought.
- + **Having suppliers sign an anti-bribery declaration:** Agreements with suppliers performing work through the Procurement Subdivision of the Financial Division include the supplier's undertaking whereby it is not involved, and shall not be involved, in giving or receiving bribes, and that no criminal proceedings have been filed against them due to violation of laws related to giving or receiving bribes. The supplier must confirm it is aware that the Bank should be informed effective immediately of any change in the above.

Initiatives to Prevent Corruption, Embezzlement, and Fraud

Reporting channels: Leumi regards every one of its employees as a partner in the proper management of the Bank. Leumi therefore expects employees to immediately report any unusual action to their managers. Each employee, at every level, may also contact and report any unusual activity related to banking work through several other channels such as telephone, email, mail, fax, and any other way available to them. Periodically,

refresher material is sent to all employees regarding the reporting mechanisms available to them. In 2017, all Leumi employees underwent a refresher on reporting channels for illegal or unethical activity.

Embezzlement and fraud risk survey: In 2017, as part of a risk assessment on embezzlement and fraud, Leumi mapped at-risk customers in its business lines and an action plan was prepared for them. The risks exposed by the survey serve as a basis for risk control and hedging of bribery and corruption and were translated into work plans.

Training and tutorials: In 2017, the Bank incorporated bribery and corruption prevention into training conducted at branches and dedicated forums. In addition, a tutorial entitled "senior public officials" was distributed to all bank employees.

Identification of corruption incidents involving customers and business partners: Leumi monitors publications on bribery and corruption incidents of customers and/or upon receiving relevant legal orders involving such activity. If a customer is allegedly involved in a bribery or corruption case, Leumi's compliance array examines the matter and account activity in order to identify suspected irregular activity and, if needed, report to the Money Laundering Prohibition Authority.

Implementing FATCA regulations: Bank Leumi fully implements the provisions of Foreign Account Tax Compliance Act (FATCA), under a treaty between Israel and the United States since June 2014. A policy has been approved on the matter, information about appropriate procedures have been distributed, training has been conducted, and changes were made to the supportive computer systems. Bank Leumi files the necessary reports with the Israel Tax Authority on time.

During the reporting year, the issue of corruption was communicated to the employees and managers as part of the revised Code of Ethics.

In 2017, no incidents of bribery or corruption by employees were identified, and therefore no disciplinary measures were taken in this area.

Risk Management

The Leumi Group emphasizes its commitment to act responsibly and minimize risk. Risk management is a necessary precondition for meeting the Group's current and long-term objectives. The Group is engaged in a wide range of activities that involve financial risk-taking, including credit risk, market and liquidity risk, as well as other, non-financial risks, such as operational risks – including technology and cyber risks, legal risk, regulation risks, reputation risk, strategic risks, compliance risks and conduct risks.

The main responsibilities of the Risk Management Division comply with those set in the Proper Conduct of Banking Business Directive 310 on risk management. These areas include: responsibility for risk management at the Group and Bank level; drafting Leumi's risk policy for all main risks; assisting the Board of Directors to formulate the Bank's risk appetite; leading the Internal Capital Adequacy Assessment Process (ICAAP), including its various components. The Risk Management Division is also responsible for credit and market activities' authorizations; monitoring and control of main risk limits; development and validation of models; risk assessment and validation of internal rating of borrowers in specific credit portfolios according to preset thresholds; overall responsibility for proper classification and loan loss provisions and setting the Group's provision rates. The division is involved in: managing assisting major strategic projects in real time; conducting independent analyses when making strategic decisions and for approval processes of new products; and creating a comprehensive and up-to-date picture of the risk for decision-making in real time.

The risk management methods and work procedures in Israel and overseas are regularly assessed and updated, taking into account the changes taking place in the business environment and requirements of the Bank of Israel and other Israeli and foreign regulators.

This framework, which is used as a basis for estimating and managing risks and decision-making, includes:

- + Determining the risk appetite, which sets the limits for regular business activity and stress scenarios, as well as setting the policy and limits for each type of risk.

- + Determining the work processes for analyzing and managing the risk at the individual transaction and portfolio levels.
- + Preparing periodic reports for risk assessment, taking into account the changes in the environment in which the Bank operates; running potential scenarios at various severity levels to assess potential losses and their impact on the Bank; setting general and specific operating plans for dealing with, and mitigating, risks.

Risk assessment, at both the general group level and at the individual transaction level, is based on multiple structured methodologies; some are based on expert assessment in each area of activity while others are based on various types of statistical models. Changes in the Israeli and global risk environment and in the risk perception require Leumi to update its assessments and the methodologies it uses, which are constantly challenged by in-house parties and, from time to time, by external ones.

Internal Auditing

The Internal Audit Division is responsible for auditing the entire Leumi Group and all its units in Israel and overseas, in accordance with the multiyear work plan that assists the Group in achieving its targets. The Audit Division sees its mission as assisting proper and effective operations of the Group, a management tool for supporting the Bank's managerial backbone, and aiding the Board of Directors and management in fulfilling their responsibilities.

Pursuant to Proper Conduct of Banking Business Directive No. 307, the Audit Division undertakes an independent evaluation of the effectiveness of the Bank's internal control structure, in order to maximize value and improve the operations of the Bank and the Group. The functions of the Audit Division include:

- Verifying that the Bank's operations comply with the law, regulations, and bank policy and procedures.
- Verifying that the decisions and directives of the Board of Directors and its committees are implemented.

- Reviewing and assessing internal control systems and their effectiveness.
- Reviewing the implementation and effectiveness of risk management procedures and risk assessment methodologies.
- Reviewing of the steps taken to maintain the Group's assets, with an emphasis on cost effectiveness.
- Conducting special inspections and handling employee complaints about unusual activity and concern for the compromising proper conduct or integrity.

Rotation of Internal Auditors

The internal auditors at Bank Leumi and its subsidiaries are appointed to their positions, which means that the Board of Directors carries out the appointment process and terminates their work, in accordance with suggestions made by the Audit Committee (pursuant to Article 53(a) to the Proper Conduct of Banking Business Directive No. 307). However, in accordance with the Audit Division's vision from 2015, the internal and external rotation of internal auditors refreshes the perspectives and innovation in auditing and supports the preservation and implementation of career paths.

The auditors are the ones to initiate the rotation, after a minimum period of time, or at the initiative of the Audit Division, in line with procedures and maintaining a 12-month cooling off period when transitioning from a business unit to the Audit Division. The Audit Division will strive to undertake internal rotation after a period of about five years.

Legal Proceedings and Unusual Incidents during the Reporting Period

Below is a list of unusual incidents and relevant legal proceedings filed against the Leumi Group and/or completed in 2017. The other claims filed against Leumi involve different matters. For further information about financial sanctions, legal claims, and other proceedings, please see the 2017 financial statements, pp. 322-327.

	Regarding discrimination	Regarding corruption, bribery and money laundering	Regarding antitrust and anti-competitive behavior	Regarding labor relations, employee rights and breach of protective labor laws	Regarding violation of the Protection of Privacy Act	Regarding adequate disclosure, transparency and fairness towards customers
Information about claims filed in 2017	0	0	1	14	0	14
Of which: No. of regular claims	0	0	1	14	0	0
Of which: No. of class actions	0	0	0	0	0	14
No. of class actions concluded	0	0	0	0	0	3
No. of settlements and sanctions	0	0	0	0	0	0
No. of convictions	0	0	0	0	0	0

Meeting Objectives – Promoting Business Ethics at Leumi

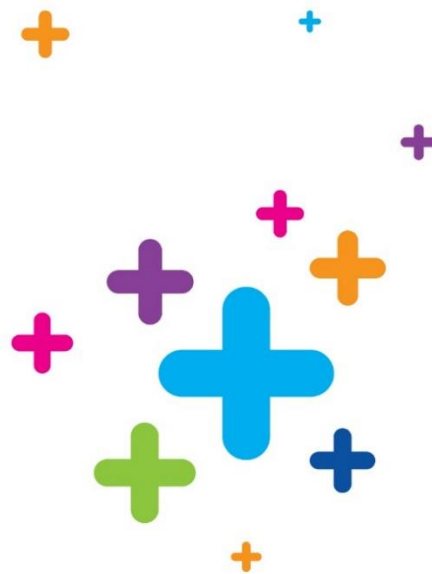
Objective for the end of 2017	Status	Details
Customized implementation of the Code of Ethics and core values in the various divisions	Done	In 2017, emphasis was placed on the value of "sharing"
Implementation at the Bank level and exposing all employees to the topic	Done	Through a tutorial, incorporation in the employee pulse survey messaging and in the annual employee performance review process

Objective for the end of 2017	Status	Details
Strengthen the position of the Ethics Committee and perception of ethics representatives	Done	The committee held 3 meetings in 2017
Ensure the Ethics Hotline provides quality service – create structured responses in cooperation with the divisions	Done	All calls to the hotline are answered and documented on an ongoing basis

Future Objectives

Bank Leumi

Objective by end of 2018	Main actions planned
Continue to instill ethics, values and conduct at the Bank and division levels	Achieve at least a 70% level of response to the Code of Ethics / conduct tutorial Instill through customized activities at the various divisions (emphasis on conduct in the business lines)
Continue the Ethics Committee's activity to promote ethics, values and conduct in the divisions	Hold at least two meetings of the Ethics Committee
Ensure the Ethics Hotline provides quality service	Respond to 100% of the calls within a reasonable period of time, until the call handling cycle has been completed



Economic, Social, and Environmental Impacts

“As Israel’s leading financial corporation, Leumi has a significant impact on the social and economic fabric of the country. This recognition gives rise to our worldview and the norms to which we are committed.”





NIS 3.5 billion

in credit was granted to projects advancing social issues: Education, health, small businesses, economic development in the periphery, etc.



NIS 1.1 billion

in credit was granted to sizable projects positively impacting the environment and promoting environmental issues, such as: Construction of alternative energy facilities, purchasing of hybrid vehicles, and waste treatment



As one of Israel's largest banking groups, the Leumi Group has extensive economic impact on the Israeli economy and its stability. This impact is both direct and indirect.

Direct impact on the economy and society in Israel: The impact stems from the Group being a leading financial entity in the economy, which provides services to millions of customers, whose business success is related to the social and economic strength of the community in Israel. In addition, as one of Israel's largest employers, the Group has impact on employees and their families – on their terms of employment, their health and safety and their professional and personal development, as well as on promoting employment in various sectors. The Group's impact is also reflected in the scope 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, financing of infrastructure projects, support of growth sectors (such as small businesses and the conversion of plants to natural gas), involvement in the capital market, services with social and environmental value, local procurement, hiring employees and financial contribution to the community.

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

The Bank does not sell banned or prohibited products.

The economic value created by the Leumi Group

Economic performance	2013	2014	2015	2016	2017
Net income attributable to the shareholders of the banking corporation (in NIS millions)	1,988	1,413	2,835	2,791	3,172
Basic net income per share (NIS)	1.35	0.96	1.92	1.85	2.10
Return on equity (%)	8.0%	5.5%	10.3%	9.3%	9.8%
Dividend per share for the year (in agorot)	0	0	0	0	63.6 ⁽¹⁾

Profit & loss (in NIS millions)	2013	2014	2015	2016	2017
Group's total income	12,788	12,504	13,415	12,934	13,474
Total operating expenses	8,817	9,371	8,836	8,580	8,501
Total loan loss expenses (income)	268	472	199	(125)	172
Profit before taxes	3,703	2,661	4,380	4,479	4,801
Provision for taxes on profit	1,380	1,278	1,691	1,717	1,692
Net income attributable to the banking corporation's shareholders	1,988	1,413	2,835	2,791	3,172
Efficiency ratio (operating expenses divided by income)	68.9%	74.9%	65.9%	66.3%	63.1%
CET1 capital ratio - Basel III	9.19% (2)	9.09%	9.58%	11.15%	11.43%

Assets (NIS billion)	2013	2014	2015	2016	2017
Total assets	375	397	416	439	451

Operations	2013	2014	2015	2016	2017
Total no. of branches in Israel	274	268	252	234	221
Salaries (including pension contributions) (in NIS millions)	5,070	5,253	5,544	5,422	5,272

Average annual salary including bonus, per employee (in NIS thousands)	248.5	231.4	270.4	270.9	273.9
Chairman's annual salary cost (in NIS millions)	5.24	3.08	5.82	4.44	2.87
President and CEO's annual salary cost (in NIS millions)	6.28	4.13	8.13	6.89	2.88

(1) Including an update according to the immediate report dated March 7 2018

(2) Until 2013 – calculated in accordance with the Basel II directives

The economic value created by the Leumi Group for its stakeholders (in NIS millions)

Customers	2013	2014	2015	2016	2017
Total credit net	283,793	311,551	319,247	334,593	347,277
Private customers: Loans to households	106,698	116,578	115,866 ^(c)	112,224 ^(c)	110,089
Private customers: Of which, housing loans in Israel, according to the regulatory operating segments	69,422	75,125	76,708 ^(c)	73,181 ^(c)	70,666
Businesses (small, medium and large) – loans	133,575	132,628	126,892 ^(c)	128,684 ^(c)	136,532
Participation as distributor or underwriter of issues through subsidiary Leumi Partners	Approx. 16,500	Approx. 14,000	Approx. 32,000	Approx. 38,000	Approx. 42,000
Underwriters – IPO market caps					
Credit granted to various economic sectors in Israel and abroad	2013	2014	2015	2016	2017
Infrastructure ^(a)	25,178	28,241	27,871	27,636	30,969
Manufacturing	23,603	22,571	19,632	17,983	19,028
Trade	23,005	26,747	26,163	26,934	26,750

Agriculture	1,825	1,857	1,805	1,866	1,883
Public and community services ^(b)	7,848	6,260	6,847	7,540	7,804

Shareholders	2013	2014	2015	2016	2017
Net profit attributable to the Bank's shareholders	1,988	1,413	2,835	2,791	3,172
Accumulated dividends for the year	0	0	0	0	969

Employees	2013	2014	2015	2016	2017
Salary expenses (including provisions for pension)	5,070	5,253	5,544	5,422	5,272

Society and community	2013 ^(b)	2014	2015	2016	2017
Provision for taxes on profit	1,380	1,278	1,691	1,717	1,692
Percentage of tax provision from the profit before taxes	37.3%	48.0%	38.6%	38.3%	35.2%
Community outreach	25.6	29.4	32.6	33.7	37.2

(a) Construction, electricity, and water infrastructures.

(b) Public and community services – hospitals, health services, social services, educational institutions and universities, community centers, sports organizations, museums and more.

(c) Beginning in 2015 – figures in respect of operating segments are presented in accordance with the Bank of Israel's directive on regulatory operating segments.

In 2017, the Group received no government support, except for the tax credit in respect of donations to the community.

Additions to fixed assets (in NIS millions)	2016	2017
Israel	648	533
USA	81	23
England	23	10

Effective tax rate according to companies' reports	2016	2017*
Israel	36.4%	34.7%
USA	35.4%	52.1%
England	18.6%	18.5%

*Before additions

The Leumi Group's Economic Impacts by Selected Segments

Boosting Service to Private Customers

The Leumi Group provides service to private customers through the Banking Division at Leumi and Leumi Card. The Group offers customers advanced banking services tailored to their needs, while creating a multi-channel customer experience – in branches, call centers, the Internet, mobile, Leumi information kiosks, and ATMs. Retail Banking works at continually improving the level of service and at tailoring value propositions to customer needs according to their life stages. The main products and services provided to this population segment involve checking accounts, deposits and savings, consumer credit, credit cards, mortgages, investment advice and pension counseling. As part of the value propositions and services to its customers, the Leumi Group offers preferential credit tracks for specialized sectors such as students, young adults, and more.

The total balance of outstanding loans granted to private customers as at the end of 2017 was NIS 110.1 billion, with the outstanding balance of housing loans totaling approx. NIS 74 billion. As of the end of 2017, deposits by households and private customers with the Leumi Group reached approx. NIS 143.5 billion.

Empowering Small and Medium Businesses

99.3% of the businesses in Israel (approx. 560,000 businesses)¹⁴ belong to the micro, small, and medium business sector, which is one of the Israeli economy's growth engines. The sector provides about 1.75 million jobs in Israel and is responsible for about 53% of the business sector's GDP.¹⁵ Enhancing the survivability of small and medium businesses is important to strengthening the economy and supporting the younger, weakened sectors and the periphery.

¹⁴ Data for 2016, Central Bureau of Statistics, Annual Statistical Report 2017, Table 18.3.

¹⁵ As of 2015. From the *Periodic Status Report on Small and Medium Businesses in Israel*, Israel Small and Medium Enterprises Authority, Ministry of Economy, 2017

Small and medium businesses are sometimes burdened by 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 2017, the Leumi Group continued to focus on this sector, promoting several measures such as a state-guaranteed fund, cooperation with the European Investment Fund (EIF) to promote technological innovation among small and mid-sized businesses, the Small Business School, “Leumi Right to your Doorstep”, and more. For more information, please see p. 96.

Alongside the range of services and credit tracks, the Leumi Group offers unique tracks and benefits to small businesses operating in peripheral areas and organizations engaged in social activities.

Total credit provided to small and micro-businesses as at the end of 2017 was approximately NIS 54.3 billion and the total credit extended to the mid-sized (commercial) business sector as at the end of 2017 was approximately NIS 25.7 billion, for a total of NIS 80 billion.¹⁶ Deposits of small and medium businesses with the Leumi Group amounted to NIS 73.1 billion as at the end of 2017.

Empowering Corporations

The Leumi Group provides banking and financial services to the leading corporations in Israel, including corporations in fields such as construction and real estate, infrastructure, industry, transportation, chemicals and technology. The Group’s ability to provide financing and services to these corporations has made a crucial contribution to the growth of the economy, subject to regulatory restrictions.

The services given include, among other things, ongoing financing according to the customers’ needs; financing investments to maintain and expand operations; providing financing solutions in the area of international trade; financing and supporting national and international projects; financing mergers and acquisitions; organizing syndicates;

¹⁶ The credit does not include off-balance sheet credit and derivatives.

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 as at the end of 2017 was NIS 56.5 billion.¹⁷ Deposits of large businesses with the Leumi Group as at the end of 2017 amounted to NIS 54.9 billion.

Empowering the Israeli High-Tech Industry

Leumi regards the Israeli high-tech industry as the economy's growth engine, and has therefore decided to expand its activity in the industry as part of the Group's strategy. LeumiTech – which works to advance the high-tech industry in Israel and abroad – was established for this purpose; the division provides credit advice to high-tech companies, develops products and programs adapted to the industry and provides growth financial solutions to technology companies at all stages.

LeumiTech offers companies a solutions package adapted to their needs; global support in high-tech centers worldwide – in Silicon Valley (Palo Alto), New York and London; dedicated teams of bankers that are well-acquainted with the industry and the financial needs of companies of various types and stages. In addition to financial tools, LeumiTech has partnered with the main players in the industry to maximize the benefits it can provide to companies.

Thus, for example, LeumiTech collaborates with, and sponsors, organizations that encourage the establishment of start-ups in specific communities, investment in which is of social importance, such as Kamatech – the first accelerator for the ultra-orthodox community, which promotes start-up companies of entrepreneurs, both men and women, from the ultra-orthodox community; and Tech for Good – an accelerator for startups developing products that benefit the community either financially or socially. As of 2016, LeumiTech has been cooperating with the European Investment Fund (EIF)

¹⁷ The credit does not include off-balance sheet credit and derivatives.

to offer preferential loans to small and medium-sized businesses promoting technological innovation.

Empowering the Capital Market

The Group's activity in the capital market includes investment consulting and pension consulting for retail customers; investment counseling for customers of the Corporate and Commercial Array; securities brokerage – including activities carried out through the dealing rooms; customers' forex and derivatives activity and market-making in the dealing rooms; banking and financial services for entities active in the capital market; as well as brokerage and custody services.

Through the activities of the Capital Markets Division and Leumi Partners, the non-financial investment arm of the Leumi Group, the Leumi Group helps its customers manage risk and plan their activity, creates growth opportunities for companies in various stages of the business and supports mergers and acquisitions. In addition, Leumi Partners is engaged in the management and underwriting of offerings (private and public) of securities in the Israeli capital market.

Shareholder, Investor and Analyst Relations

Leumi's relations with the capital market (shareholders, potential investors and analysts) is maintained by the Investor Relations Subdivision of the Financial Division. The Bank's shares are traded on the Tel Aviv Stock Exchange and listed on the leading indices in Israel, as well as on various foreign indices, such as MSCI and FTSE4GOOD. The Bank's shareholders include investors from Israel and abroad. Ongoing relations with the capital market are maintained both in Hebrew and in English through several channels: the investor relations website, group and personal meetings, conferences, quarterly conference calls relating to the financial statements, press releases and reports to the stock exchange. An emphasis was placed in that respect on several issues, including:

- + **Creating value for shareholders while maintaining quality:** We are committed to presenting leading and improved financial results, which are assessed on an

ongoing basis, under meticulous and responsible management, creating the highest possible economic value for shareholders.

- + **Transparency and accessibility:** We shall continue to provide information to all parties, in the most transparent and accessible manner possible. Ongoing contact with the shareholders and the feedback they provide enable us to continue to improve in this area as well.
- + **Upgrading operational excellence:** Every year we invest in streamlining and optimize the manner in which the organizational resources are managed in order to achieve the objectives. Leumi's leadership in the shift to digital banking has resulted in a significant improvement of our efficiency rate. We shall continue to lead those processes and upgrade operational excellence.
- + **Corporate social responsibility:** More and more institutional investors take into account social and environmental criteria when looking into making an investment in a company. There are even cases where clear-cut corporate responsibility criteria are catalysts for investment. We take care to make the relevant information available to investors and research bodies.

Statement on Considerations in Credit and Investment Procedures

Environmental Risk Assessment

In line with the directives of the Banking Supervision Department, Leumi's credit policy includes environmental risk considerations, in an attempt to identify, manage and minimize environmental exposure in granting credit, as far as possible. To incorporate the process of identifying and managing the environmental risks in the credit activity, the Group held training for relevant parties in its business lines, which involved analysis of customers' risk levels by operational segment and raising awareness of the importance of using means to mitigate environmental risks, such as an internal environmental policy and the customers' compliance with environmental laws and regulations.

Wherever relevant, credit-granting decisions include environmental risk considerations as part of the customers' risk profile. Thus, for example, when the Bank receives an assessment of a real estate property where pollution is suspected, an environmental assessment is carried out, usually with the assistance of external consultants specializing in the field, the results of which are taken into account when making credit decisions about the portfolio.

Refraining from recommending harmful products: Leumi's investment advice professionals, who are responsible for issuing recommendations to the investment advisors at the branches, refrain from recommending securities of companies whose main business is not in line with Leumi's ethical principles.

Considerations when Making Investment Decisions in Companies

Leumi Partners is the Leumi Group's investment arm. The company is responsible for making and managing the Group's investments in corporations, providing services such as underwriting, research, mergers and acquisitions, and raising any type of capital or debt.

The company is subject to Bank Leumi's risk management, credit and investment policies.

The regulation to which Leumi Partners is subject and its investment policy limit the company's investment amount in other companies, barring the Group from holding more than 20% of the means of control in non-financial corporations.

When considering investing in a company, a strict due diligence process is conducted in order to identify all risks and opportunities. In addition to due diligence of financial and managerial capabilities, Leumi reviews "black lists" such as those of the US Treasury Department (OFAC), the European Union, the Prohibition of Money Laundering Authority, the Ministry of Defense, etc.

Social and Environmental Loans

The Leumi Group attaches business value to promoting sustainability, and reviews the challenges facing its customers in this area in an effort to develop products that provide them with solutions to their needs. These challenges are set to affect, inter alia, the agriculture, construction, transport, energy and water sectors, requiring them to adjust their mindset regarding environmental challenges and climate change.

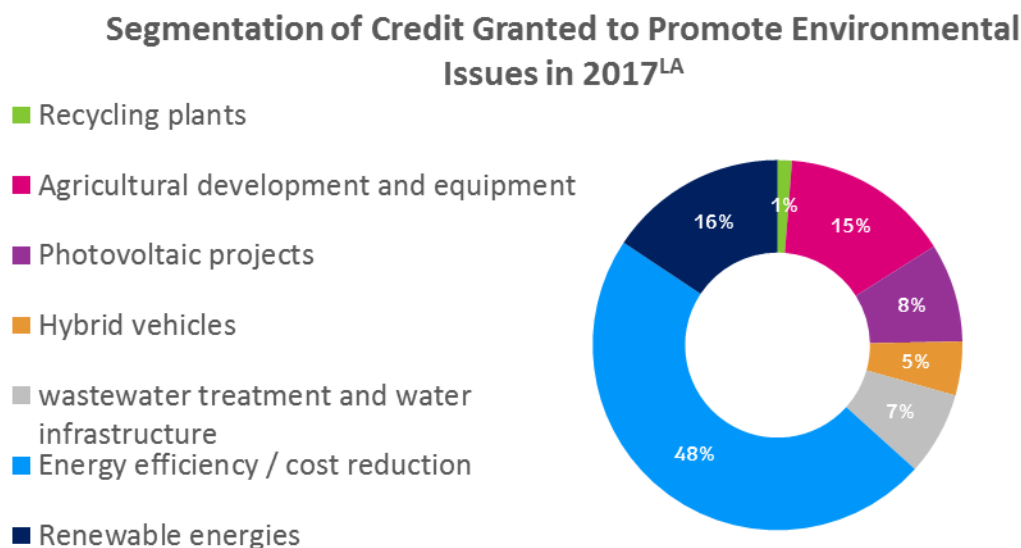
In recent years, the Israeli economy has undergone significant changes in the area of renewable energy and a shift to natural gas, while reducing consumption of polluting energy and reducing greenhouse gas emissions. The Group offers its customers a range of finance products to support their adaption to these changes, to reduce the latter's adverse impact and enhance their positive impact on the environment, while recognizing the potential risks embodied in some of its areas of activity and taking care to hedge them, in order to avoid causing harm. Social and environmental loans are provided by the Business-Commercial Division and Banking Division. Following are several examples of credit products with environmental value:

Financing environmental infrastructures projects: In 2017, Leumi participated in the financing of several projects with a positive impact on the environment, such renewable energy and waste treatment facilities.

Loans for private solar installations: Leumi provides its customers with financing tracks for small and medium-sized solar installations intended for customers who own a roof, structure or land on which the facility can be installed, as well as for entrepreneurs who wish to rent a roof or land and build such an installation on it.

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

In 2017, Leumi granted approximately NIS 1.1 billion in credit to advance environmental issues^{LA}



* Including loans granted to finance projects in China and Africa (NIS 0.24 billion). The data presented herewith were collected specifically for this report (and at this stage are not automatically retrievable) and therefore are not comparable with previous years. The data include loans and guarantees.

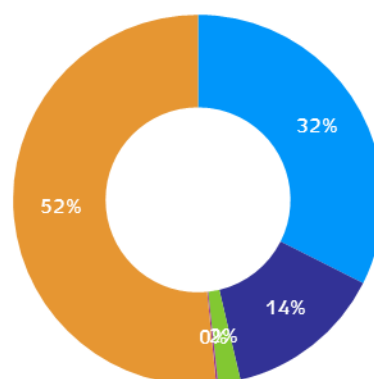
Promoting Social Credit and financial Products

More information on social credit products can be found on p. 97.

In 2017, Leumi granted approximately NIS 3.5 billion in credit to advance social issues^{LA}

Segmentation of Credit Granted to promote social Issues in 2017^{LA}

- Infrastructure designed to support community education and healthcare facilities
- Small Businesses
- Economic development in the periphery, special populations and social businesses
- other
- Affordable housing



* Including loans granted to finance projects in China and Africa (NIS 0.38 billion). The data presented herewith were collected specifically for this report (and at this stage are not automatically retrievable) and therefore are not comparable with previous years. The data include loans and guarantees.



Creating Value for Customers

The Leumi Group is committed to building relationships with its customers and to nurturing and preserving them over time. These relationships are based on trust, on providing appropriate and useful services and products, and on a quality service experience. To this end, we rely - in all of our activities - on high standards of compliance with the laws, rules and regulations of the state and regulators, in addition to ensuring our values and professional ethics.





Israel IL

We launched the Israel IL Project that helps customers from disadvantaged populations join the world of digital banking: 100,000 private customers and 4,000 business customers were trained at the branches since the project first began, resulting in an increase in their app activity. The Israel IL-Mobile, our mobile branch, turns digital services accessible to customers residing in assisted-living facilities



Small Businesses

We continued to focus on encouraging growth of micro- and small businesses, offering them services such as government-guaranteed loans and the Small Business School (free of charge)



PEPPER

We launched Pepper - An innovative digital banking service, with no current account fees, emphasizing transparency, clear information and encouraging financial awareness



90,000

proactive surveys were held to improve our service: The surveys evaluated criteria such as availability, speed of response, proactivity, understanding and familiarity with customers' needs, personal attention and professional level



We promoted financial knowledge

among the general public through our School of Business Management, Digital Marketing School, the Women in Business Community, and presentations on a variety of financial issues offered to the public



Fair Conduct Statement

Leumi customers are at the heart of the daily work of the Group's employees. They expect fair, available, accessible and transparent banking, and having their money managed fairly, responsibly and professionally, out of an understanding of their needs and attention to their wishes. They have high consumer awareness and are in contact with other consumers, especially through social media. The Leumi Group is committed to building relationships with its customers and to nurturing and preserving them over time. These relationships are based on transparency, fairness and on providing appropriate and useful services and products to customers. To this end, we adhere to our system of values and professional ethics, including preserving human dignity, protecting privacy and refraining from discrimination and prejudice, while complying with the laws, rules and regulations.

Leumi's Fair Banking Charter outlines the rules of conduct expected of the Group's employees, with emphasis on giving top priority to the customer's best interests, upholding transparency, providing full and accessible information and adapting each product to the customer's needs and capabilities. The Charter also addresses the issue of fair pricing and the importance of providing support to customers even when handling complaints.

The Company has a Conduct Risk Management Policy in place for the Bank's retail customers. The management of this risk is based on the understanding that the best interests of the customer and the best interest of the bank are one and the same and on the aspiration to create and maximize mutual value – an aspiration which underlies the bank's vision and its core values.

Following are several existing mechanisms to ensure the provision of fair service to customers:

- + **Adequate disclosure to customers:** When a service or product are sold (credit/deposit) – adequate disclosure is provided regarding the product and service cost. Before executing a transaction, the customer is required to approve

the terms and conditions presented to him/her by signature, and state that he/she would like to execute the transaction. Only after the customer's automated approval and signature have been received is the transaction carried out and the customer receives confirmation of its completion, terms and conditions.

- + **Clarity regarding fees:** Bank Leumi notifies customers who open an account about the fees the Bank charges and the current fees plans. The Bank also grants longstanding customers and customers with disabilities additional benefits on fees beyond those awarded to regular customers. Each branch has a document that summarizes comprehensive information about the fees in the different plans, which is provided to any customer, upon request. The fees schedule is also published on the Bank's website, which also features a calculator for calculating various scenarios and repayment schedules.
 - + **Fair conduct when offering credit to customers:** Leumi has a Code of Ethics for offering loans to customers and there are work procedures and supporting computer systems that provide proper conduct guidelines to employees who offer loans.
 - + **Identifying customer needs fairly:** Bank Leumi seeks to identify the needs of its customers in order to adapt the products and services offered to them. The Bank carries out a needs identification process for customers applying for credit from the Bank. The process includes a discussion with the customer about his/her age, the purpose of the loan, and his/her assets and previous liabilities. The objective of the process is to understand the customer's needs and financial condition, from both the Bank and the customer's perspectives. If the customer applying for credit has deposits, the Bank is required to inform him/her about them as an alternative to the credit requested. Emphasis is placed on defining needs, setting targets, adapting the product or solution to the customer's needs and abilities, taking into account his/her assets and liabilities, and fair disclosure.
- Preventing customer debt increase:** Bank Leumi strives to detect severely overdrawn accounts at early stages, by reviewing all accounts on a daily basis.

Customers with problematic accounts receive two letters, at different dates, stating that they must settle their debt to the Bank. In addition to the letters, a representative from the Customer Call Center calls customers who have exceeded their credit lines. In addition to informing the customer about the problem, the representative's job is to guide the customer and help him repay the debt by various means, such as changing interest rates and granting a loan to help control the debt repayments. A call from the call center and the letters are usually enough to prompt customers repay their debts. The Problem Debt Subdivision and Problem Debt Units are responsible for reaching rescheduling agreements through the units' managers and employees, thus preventing legal proceedings and saving costs – to the benefit of the Bank and its customers. The Problem Debt Subdivision meets debtor–customers in face-to-face meetings on customer days taking place in legal firms to conclude legal proceedings and reach settlements to the benefit of the Bank and the debtors. Leumi holds direct, sensitive, speedy and businesslike dialogues with customers in financial difficulty, by examining their individual ability to settle their debts and finding the most convenient solution

Fairness in Capital Market Activity

Traders in the dealing rooms uphold the rules of fair competitiveness and respect for competitors – banks and non-bank brokers. Furthermore, traders in the dealing rooms are well versed in all the regulatory requirements and rules of professional ethics. These issues are given emphasis and significant managerial attention by the Head of the Capital Markets Division and managers of the dealing rooms. Transaction fees are regulated and traders in the dealing rooms undergo training sessions that focus on this issue and their phone calls with customers are monitored to make sure that customers' interest is not adversely affected under any possible circumstances.

Fairness in capital market consulting: Investment and pension consulting at Leumi are carried out professionally and objectively, in accordance with the customers' needs and subject to all relevant provisions of the law. Leumi's consulting services always place

the best interests of the customer at the top, embracing high professional standards and presenting a complete picture to the customer, with sensitivity to conflicts of interest. Leumi's consultants are guided by the values of the Bank's Code of Ethics for Investment and Pension Consultants and the values of the Leumi Way.

Code of Ethics for Investment and Pension Consultants: In 2011, Leumi was the first Israeli bank to launch a code of ethics for investment and pension consultants. The Code provides clear guidelines on dos and don'ts for the consultants, reflecting the uniqueness, sensitivity and complexity of the investment consulting profession. The code helps consultants prepare for providing service tailored to each customer's specific needs, exercising significant caution in managing the customers' money, as well as transparency and sensitivity to any conflict of interest.

Fairness in advertising

Prior to launching any significant advertising campaign, legal advisors examine its integrity, including in respect to regulatory requirements and reputational and ethical considerations.

According to the Banking Rules (Customer Service) – Advertising for Minors, 1995 (Revised 11/02), the Bank set out principles and rules for targeting minors in advertising, prohibited content and internal and external procedures were outlined (with the advertising agencies) regarding advertising to minors.

The rules require, inter alia, that advertising aimed at minors be consistent with the values of Leumi's Code of Ethics and positive social values (e.g., mutual guarantee, kindness, honesty, justice, tolerance, equality, non-violence). The rules also require that ads are in line with the target audience's level of knowledge, understanding and maturity and that the information contained in it is clear, precise and correct.

Regulation and Public Policy

The Regulation Subdivision, which is part of Leumi's Strategy and Regulation Division, is responsible for handling, and interfacing with, the various regulators in Israel, serving as liaison between them and the Bank's units, managing relevant work processes and

responding to the regulators' requests. The Subdivision is responsible for the work processes and representing the Bank vis-à-vis the Association of Banks, the Knesset and government ministries. The Subdivision also handles, with the relevant professional entities, invitations to Knesset committee meetings, bills, directives and regulations, and is responsible for analyzing their implications for the Group's activity.

When making strategic decisions regarding major changes, such as regarding restructuring or the launching of new products and services, the Bank examines the possible impact of these decisions on its stakeholders, with emphasis on accessibility and adaptability of the services to the needs of specific population groups, such as small businesses, senior citizens, the ultra-orthodox sector, Arab society, marginalized populations, people with special needs, etc.

Antitrust Activities

The Bank's business activity is conducted with strict adherence to the antitrust laws that govern the Bank, and whose purpose is to ensure free economic competition.

To ensure compliance with the provisions of the law, the Bank has an internal enforcement program for the Antitrust Law, which includes training, audit, reporting and supervision mechanisms, as well as a procedure for the Bank's employees, which governs the Bank's activities in the field of antitrust, according to its various interfaces – with competitors, customers and suppliers. The enforcement program is managed by the Legal Division.

The procedure is intended to enable the Bank's employees to act within the framework of antitrust laws and to seek legal advice and obtain guidance where needed. The procedure is updated from time to time in accordance with regulatory changes.

Business Conduct Initiatives and Measures

- + In 2017, managers at Leumi underwent a knowledge assessment on antitrust, as part of an annual program on the topic.
- + **The Advice Law and securities laws:** Every two years, all employees are required to complete a tutorial on restrictions that apply to them when conducting

securities transactions; each year, consultants are required to complete a tutorial on the Advice Law. In 2017, all of Leumi's investment consultants completed a tutorial on the topic. 90% of the employees completed the tutorial successfully.

Engaging and Conducting Dialogue with Customers

Customer Satisfaction with the Service^{LA}

In 2017, about 90,000 surveys were initiated to monitor Leumi customers' satisfaction with the service they receive from the branches, call centers, divisions and various units. The surveys use various measures, according to the type of customer and topics under focus at Leumi. 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 customers' needs; personal attention; the professionalism of its bankers, etc.

In 2017, the general customer satisfaction score (on a scale of 1–10) in the Banking Division (the largest) was 8.95.

In cases of abnormal results, Leumi uses quality control measures while identifying 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 customer experience by training employees and by continually measuring customers' satisfaction with the service.

Additional Measures Taken to Measure and Improve the Quality of Service in the Banking Division:

Listening to the customer's voice is one of the cornerstones on which the service improvement process at the Banking Division is based. A number of service quality control measures exist for this purpose:

- + **Regular service surveys**, in which customers are asked about their satisfaction from all service channels – the branch, Leumi Call, website and app.
- + **Undercover inspections**: Monthly inspections designed to identify the customer experience from the moment he/she enters the branch, with an emphasis on support by digital channels and the branch's appearance, the waiting experience at the branch, and the process of opening an account for a new customer. The inspections are designed to allow a thorough understanding of customer needs and the development of adequate personalized solutions and services.
- + **Routine inspections** of branches and customer call centers' availability in accordance with the targets set.

Leumi Card^{LA}

Throughout the year, Leumi Card carries out regular quality of service surveys among private and business customers, as well as surveys that focus on specific processes carried out by the customers in an effort to improve them. In 2017, approx. 20,000 customer satisfaction and customer experience surveys were conducted among Leumi Card customers (by telephone and email).

The following results were obtained from analyzing 6,000 of the surveys:

- 36% of the respondents indicated that the service they received was beyond their expectations.
- 49% of the respondents indicated that the service met their expectations.

Dialogue with Customers on Digital Media and Social Networks

Leumi's activity on social networks and in digital media channels is based on several principles: 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 important to them, and act accordingly. These measures help to increase the trust between the Group and its customers. In addition, these channels allow Leumi to offer customers its specialty services in various financial categories, in an accessible and creative manner. Leumi customers can express their opinion and comment on the Bank's products and services, offering ideas for streamlining and development, and consulting with experts in special-purpose blogs and in the financial arena, all done quickly, openly and without the need for intermediaries.

Handling Inquiries from the Public and Employees

The Public Inquiries Bureau is responsible for handling complaints and inquiries received by the Bank from the public and employees. The bureau is headed by a public inquiries commissioner, a Bank Leumi executive who reports to the Bank's General Counsel.

The public and employees can contact the Public Inquiries Bureau through various means: sending an online form through the Bank Leumi website, sending a letter by mail, sending a fax, and by telephone. The contact information for filing an inquiry with the Bank is available on Bank Leumi's website, at the Leumi information kiosks, and on signs at the branches and headquarters (specifically for security, catering and cleaning contract workers).

Inquiries reach either the Public Inquiries Bureau directly, from employees and customers, or via parties such as the Bank of Israel, the Office of the President of Israel, and MK's bureaus.

Public inquiries are handled as an integral part of the service Bank Leumi provides its customers. The commissioner and public inquiries officers handle any type of inquiry received by the Bureau – complaints, requests for information, or requests for help –

seriously and professionally. The Bureau evaluates them fairly, efficiently, and independently, working objectively and impartially to reach conclusions, and, wherever relevant, decide on remedies for the inquirer. Inquirers receive a generous, clear, and thoroughly explained response (except in cases in which the bank secrecy obligation prohibits explaining the decision) within reasonable time.

The decision-making of public inquiries officers reflects values of honesty, fairness and responsibility towards customers.

Depending on the case, the Public Inquiries Bureau is prepared to lean in favor of the inquirer, ex gratia, even if the complaint is found to be unjustified or in cases where the customer is in severe distress or special personal circumstances.

A customer's complaint sometimes reveals a flaw with potential consequences for other customers. In such cases, the issue is sent for the relevant official at the Bank for handling, and the Bureau monitors the issue until the flaw is corrected in full.

Bank of Israel directives on handling public inquiries

Bank of Israel Directive 308A, which came into effect on April 2015, defines the status of the public inquiries commissioner and his/her areas of responsibility and powers, and sets the rules for proper handling of public inquiries by a banking corporation. Among other things, the directive states that banking corporations must report data on the handling of public inquiries according to uniform guidelines – twice a year to the Bank of Israel and once a year to the public. Below is the breakdown and status of public complaints received by Leumi in 2017.

Breakdown of public complaints for Bank Leumi and Leumi Card, by topic – 2017^{LA}

Topic	Total no. of complaints	No. of justified complaints
Quality of service	1,524	158
Means of payment	2,559	226

Topic	Total no. of complaints	No. of justified complaints
(Non-housing) loans	606	16
Housing loans	274	12
Dormant accounts	42	0
Foreign currency	156	12
Information	432	22
Securities	129	6
Foreign trade	0	0
Current account (incl. current loan accounts)	843	66
Deposits and savings	90	8
Clearing house activity	32	5
Other activities of the banking corporation	649	25
Others	166	21
Total	7,502	577

Thirty-two additional complaints were received by other subsidiaries, 16 of which were found to be justified. These complaints are not segmented according to the above topics. In 2017, the Leumi Group received 7,534 complaints, of which some 593 were found to be justified.

Public Complaints on Bank Leumi and Leumi Card on Additional Issues – 2017^{18LA}

Topic	Total no. of complaints	No. of justified complaints
Protection of privacy	8	0
Information security	10	0
Discrimination	5	0
Total	23	0

In addition to complaints filed by cleaning workers and security guards, the Public Inquiries Bureau received 4 complaints from contract workers and additional complaints by employees in respect of issues such as salary terms and conditions, retirement terms, etc. No ethics-related complaints were filed.

In 2017, Bank Leumi's Public Inquiries Bureau granted relief to customers in respect of complaints in the amount of NIS 1.4 million, of which NIS 278,000 were in respect of justified complaints, and others – ex gratia (unjustified complaints or about which it was impossible to form an opinion).

Leumi's Innovation Strategy

The immense impact of technology on our lives in general and on the financial industry in particular requires the banking system to lead technological and business changes in order to adapt to the new world and meet customers' expectations. Bank Leumi therefore adheres to its vision to "lead proactive and innovative banking for the customer" and thus outlined an innovation strategy, instilled in its organizational culture and expressed in a number of ways:

- + Close ties with the FinTech community in Israel for raising ideas, collaboration, and implementing technologies. The relations are undertaken through joint activity at accelerators, incubators, venture mentoring, joint events, and more.
- + Ties with academic institutions in Israel to promote innovation and entrepreneurship in finance among students.
- + Cooperation with banks in other countries for mutual inspiration and learning.
- + Intra-organizational innovation: Leumi is home to a community of innovation leaders, whose purpose is to enhance an internal culture that empowers the Bank's employees and encourages the adoption of innovation and creativity within and outside the bank, while creating a culture of corporate innovation and creativity around the Bank's core every day challenges. In addition to this activity, the Bank launched an internal digital system dubbed Leumi Ideas, for the orderly management of internal creativity processes and to promote and implement innovation initiatives.

The technological progress and innovation led by Leumi form the basis for the Bank's main goal – to create the best customer experience and provide the greatest value.

Leumi's Digital Solutions

Bank Leumi believes that creating a high-quality user experience is based on a thorough understanding of customers' needs in general and in times of need in particular. Understanding customer needs, by listening and conducting thorough inquiries, makes it possible to provide customers with professional, quality, and proactive service that offers the best financial solutions for them. These solutions include a series of breakthrough products and services, based on advanced technologies, which aim to help customers and offer innovative, accessible, easier, and cheaper banking.

In recent years, Leumi has placed significant emphasis on making its digital services accessible to a variety of audiences, with the understanding that such services allow Leumi's customers – including households and small businesses – to save time and

money and manage their accounts in a more structured, straight-forward and focused manner.

In 2017, Leumi launched numerous digital and financial services, first and foremost **Pepper** – the first of its kind digital banking platform in Israel and one of the first such services launched worldwide that is entirely managed by mobile. **Pepper** is a fee-free online checking account, based on a unique technology that helps customers manage their money, better provides them with an in-depth understanding of how they spend their money, and teaches them how to save more efficiently. Based on artificial intelligence, **Pepper's** unique technology is able to become acquainted with each and every customer's unique characteristics and adapt the content accordingly, thereby providing him/her with an utterly personal banking experience.

Other services launched for Leumi's customers (some of which also target customers of other banks) allow users to transfer cash to contacts, restore ID information and access digital services, manage direct channel usage rights, make future money transfers, chat with bankers, select credit card PINs, and more.

Privacy and Information Security Statement

In order to provide its customers with personalized service, Leumi requests that they provide up-to-date, accurate personal information. In return, it is committed to protect their privacy and the secrecy of the information placed at its disposal. Leumi's employees make no use of the information to which they are exposed during the course of their work for personal gain or need. Providing information about customers is made only by authorized personnel, solely in case of an official request by a competent law enforcement authority and pursuant to the Bank's procedures.

The Bank employs numerous means for safeguarding and protecting the information of its customers. The various defense systems collect data, monitor, identify unusual incidents, etc.

The Compliance and Enforcement Department is responsible for privacy protection issues (excluding the technological aspects); the Cyber and Security Subdivision of Leumi's Technology Division is responsible for information security.

The opportunities brought about by the digital revolution also embody threats one should be prepared for. In the spirit of the times, Leumi is preparing for various types of cyber-attacks and is working to hedge the risks arising from them. Cyber security protects the Bank's assets and enables it to conduct its regular business activity in line with its strategy. The Bank's activity is continuously adapted to the risks and dynamic cyber environment in Israel and globally, integrating effective controls. The Bank complies with the Bank of Israel's requirements, reporting on unusual cyber events.

As part of its digital services, the Bank provides means of identification and controls, managing the risks inherent in these services. The Bank reinforces its fraud identification controls, while taking multiple steps to raise its employees' and customers' awareness through various channels.

Leumi attributes great significance to providing tools and maintaining a dialogue with its customers regarding responsible online conduct, while safekeeping information and upholding privacy. To this end, the Bank has set up a webpage dedicated to [safe browsing](#), which includes guidelines on online liability, information security and the Bank's privacy policy.

Measures for monitoring and preventing fraud and embezzlement: Relevant units in the Leumi Group have centers and tools that work on an ongoing basis to monitor and track incidents of fraud and embezzlement. When this type of incident is discovered in Leumi, an investigation is launched, conclusions are drawn and systems are amended accordingly. Incidents are reported to the Bank of Israel, as required, and, if necessary, to the Israel Securities Authority and the Israel Police. If customers incur damage, the Bank will attempt to restore the status quo ante, so as to ensure that they incur no further damage.

Suspected cases of embezzlements or fraud by employees are handled by the Internal Audit Division; if disciplinary action is required, it is carried out in cooperation with Human Resources.

Banking secrecy duty: Every bit of information relating to the customer and his/her account is subject to banking secrecy. According to the Bank's procedures, the use of information by the Bank is solely for the purpose of carrying out the banking operations and the service provided to the customer in relation to his/her account at the Bank, and not for any other purpose. The Bank's procedures prescribe rules for the provision of banking information within the Bank and to third parties.

Right of inspection: Pursuant to the Protection of Privacy Law and the Bank's procedures, data subjects (such as the customer and/or involved parties authorized to use the account) may review the information about them and even request to amend it if they find it incorrect, incomplete, unclear or not up-to-date. Information includes digital information, audio recordings of phone calls, chats and videos.

Initiatives and Measures Regarding Customer Privacy and Information Security

- + **"Protected or Risky":** To raise employees' awareness of information security risks and implications of the digital world, in 2017, Leumi developed a unique board game for employees and their families. The game exposes participants – in an experiential and fun way – to information security issues, providing useful information about various risks in the digital world, such as phishing, information theft, and more. The game raised awareness to these issues' implications on the employees' private domain and consequently – on the workplace. The game was distributed to 4,500 employees and was accompanied by a series of powerful video clips on the importance of adhering to information security and privacy guidelines.
- + 72% of Bank employees completed an information security tutorial in 2017.
- + Phishing attempts (fraudulent attempts by hostile parties to collect customer information in order to access their accounts), in any, were handled so that if customers incurred any damage, the Bank worked to restore the status quo ante, to ensure that they incur no further damage.
- + There were no cases of information leakage.

Information Security and Protecting Customer Privacy at Leumi Card

Leumi Card complies with all provisions of the law and regulations with respect to privacy protection and cyber defense, including Bank of Israel Proper Conduct of Banking Business Directive 357, which includes guidelines for protecting the privacy of the company's customers and guidelines for cyber defense and information security.

The Fraud Prevention Department is responsible, among other things, for mitigating the embezzlement risk at the Bank, in accordance with the Leumi Card's operating risk management methodology, including credibility and controls system that supports employees throughout the period they work for the Leumi Card. Emphasis is placed on the sensitivity of their jobs, authorizations issued to carry out transactions as part of their jobs and work procedures in which they are involved. Reports on this activity are delivered as part of the quarterly reports that the Chief Risk Officer delivers to management and the Board of Directors. An annual discussion on embezzlement and fraud is also held.

The document laying out Leumi Card's information security and cyber defense strategy defines Leumi Card's principles and objectives with regard to information security and cyber defense in accordance with the Leumi Card's business strategy. The purpose of the document is to serve as a framework for information security and cyber defense policy and the organization's work procedures relating to this field, which define management and implementation principles, areas of responsibility, the relevant officeholders, the powers assigned to officeholders, the order by which actions are to be executed and the technologies used by the Leumi Card. As part of its preparations for dealing with the different cyber threats, Leumi Card undertakes in-house and external procedures to mitigate cybersecurity risk to the Company and its customers. Cyber risks are managed by several security and control circles at a number of layers with the objective of reducing potential exposure to this threat.

Leumi Card considers both the information in its systems and that held by its customers and suppliers a primary asset, and invests heavily in the implementation of advanced information security control defense mechanisms and procedures.

Examples of these measures include system hardening, writing and updating procedures and work processes (such as the management of Leumi Card's authorization procedure), hacking tests, information and cyber security reviews, raising employee awareness to phishing attacks and monitoring such attacks against websites, imposter mobile apps, etc.

Reducing Gaps and Empowering Population Segments

Statement on Accessibility for People with Disabilities

About 21% of Israeli adults have disabilities: Physical, sensory (audio and visual impairments), mental, or emotional. This group consists of approximately 1.1 million people, for some of whom accessibility is critical; i.e. its absence is liable to be a barrier to consuming services.¹⁹

Accessibility is the way to overcome these barriers. Under the Equal Rights for People with Disabilities Law, 5758-1988, "accessibility" means "the ability to reach, to be mobile and to be oriented in a place, to use and to enjoy service, to receive information that is given or produced in a place or a service or in connection with them, to use given facilities and to participate in programs and activities that take place there."

Leumi attributes great significance to providing equal, respectful and customized service to all customers and to improving the service offered to people with disabilities. The Group invests much thought and resources in providing customers with disabilities full access to the Bank's various services, both at branches and through direct and digital channels (the website, application and automated devices). Adjustments are made according to accessibility laws and beyond compliance, in close cooperation with certified accessibility consultants and NGOs specializing in this area, such as Access

¹⁹ People with Disabilities in Israel, 2017, Commission for Equal Rights of People with Disabilities. Based on 2015 data.

Israel, the Institute for the Advancement of the Deaf and Migdalor Association and professional organizations, with the objective of providing our customers with accessible service and an optimal customer experience.

The Leumi Group takes care to regularly inspect accessibility at its branches on the basis of several key variables, such as: Convenient access to the branch, accessible service stations, accessible signs, the presence of an elevator or lift, the presence of handicapped services, access to ATMs, technical aids, and an advanced TTS ATM software – “the talking ATM.” In addition, the Bank developed an infrastructure for printing large-font forms; customers may also obtain mail notifications in large print. The issue of accessibility is incorporated into undercover customer surveys held at the branches.

Leumi is working on making the Bank’s branches accessible according to the timetable set by the Buildings, Infrastructure and Environment regulations.

Leumi’s website includes information on adjustments made by Leumi by type of disability (visual, hearing, speech, motor / wheelchair, online accessibility) and all benefits provided to customers with disabilities.

The Banking Division’s Planning and Measurement Subdivision is responsible for making Leumi’s services accessible to customers with disabilities. The Finance Division’s Real Estate Subdivision is responsible for making the Bank’s physical facilities accessible to people with disabilities.

This area is managed by:

The appointment of accessibility coordinators ^{LA}: Bank Leumi has appointed two accessibility coordinators, whose job is to lead and coordinate the Bank’s accessibility measures and to serve as a contact point for all inquiries on the subject. In addition, a designated e-mail box has been opened for inquiries about accessibility:

Negishut.Leumi@BankLeumi.co.il. Inquiries are resolved in a swift and efficient procedure to the satisfaction of the customers.

Accessibility trustees at branches ^{LA}: Branch employees have been trained as accessibility trustees and accessibility coordinators have been appointed to handle

physical and service accessibility aspects. In addition, bankers at branches have been trained on accessibility issues, and undergo refresher courses every year.

Employee information and training^{LA}: Leumi's intranet includes a special website about accessibility with detailed information about certain disabilities and the unique services Leumi offers people with such disabilities. In addition, an assimilation and training program was developed for all employees, as well as a tutorial (mandatory for newly-hired employees); a knowledge test on service accessibility was administered, with customer-facing employees required to take the test annually (in branches and units providing direct services to customers).

Digital service features for people with disabilities^{LA} – A range of services that can be used and accessed through computers or mobile devices, without the need to speak to representatives, is now wider than ever, enabling people with disabilities to manage their bank accounts quickly, readily, and reliably. Most products and services are already accessible for people with motor disabilities. All customers, mainly the audio impaired, now have the option of written correspondence with a banker; for the visually impaired, talking ATM software has been installed at branches.

Initiatives to Improve Access to Services for People with Disabilities^{LA}

As of the end of 2017, 97% of Bank Leumi's branches were fully accessible to people with disabilities. The user interfaces at most service stations were also made accessible, and the Leumi Line system was adapted to support customers seeking accessible service. In addition, Bank Leumi publishes information about accessible branches.

The Bank has invested significant financial resources in making its websites and branches accessible.

Statement on Making Financial Knowledge Available

The Leumi Group strives to provide all its customers with advanced financial tools for the purpose of establishing an economic infrastructure that will affect their personal, professional and business development. The Group works at all times to meet 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 literacy is the ability to read, analyze, and understand financial data that impact an individual's economic welfare; it is the ability to assess economic possibilities, use money wisely, plan for the future, as well as respond intelligently to the present situation and to economic changes. A considerable portion of the population is unaware of the financial products and tools available to them for managing their finances wisely and lack the knowledge and tools to reach informed economic decisions at critical life junctions. In addition to managing its customers' funds, the Leumi Group also invests efforts in providing these tools and knowledge: The Group believes that this issue is closely related to consumer protection, and that acquiring such knowledge is mutually beneficial. In this manner, the Group not only enhances its customers' trust but also the public's perception of the financial sector as experts in this field and promotes the involvement of employees in the community in which they work. The task of making financial knowledge available is shared by the Banking Division's Business Development Subdivision, the Digital Division's Marketing Subdivision, and by the Corporate Development and Learning Subdivision of the Human Resources Division.

This area is managed on two levels:

- + **Enhancing the customer's financial knowledge:** A better understanding of financial issues can lead to an improvement in customers' economic situation, especially among younger people. By making financial knowledge – e.g., on pension, savings, the capital market, the housing market – accessible to its customers, the Group enables them to independently balance their needs and financial capabilities in the short term and long term.

+ Development of additional channels for customers: The Group's commitment to providing tailored banking services to all customers motivates it to ensure its products and services are accessible. Leumi works diligently to develop digital tools that allow customers to independently carry out banking transactions, enrich their financial knowledge and increase their freedom of action.

Initiatives to Enhance Customers' Financial Knowledge ^{LA}

Pension consulting services: The Bank offers relevant customers professional comprehensive pension consulting services that are tailored to their insurance, financial, retirement plans and family needs.

Customer conferences, courses, and training sessions: Arranged by the Bank's divisions, customer conferences allow Bank Leumi to maintain a focused and meaningful dialogue with its customers, by relevant population groups and sectors. At the conferences, important information about family and business budget management is presented to customers, as well as the financial tools available to them. The conferences offer customers the opportunity to enhance their knowledge in various subjects and improve their business performance.

Wise consumption and Encouraging customers to save: Bank Leumi encourages and helps customers manage their bank accounts to encourage saving, wise consumption, and planning for the future. For this purpose, the Bank offers a wide range of deposit – and savings plans with various linkage options, for varying periods, by way of a one – time deposit or fixed monthly installments, with numerous exit options. Customers can make the transactions at branches or by direct channels. On the secure website, Bank Leumi makes a deposit wizard available to its customers to help choose an optimally customized deposit.

Simplifying information for the customer: As part of its efforts to improve customer service, Bank Leumi rewrote and redesigned dozens of notices sent to customers, so as to make them simpler and easier to understand. These are the most common notices that the Bank sends to customers, such as the distribution of determining fees, exceeding the credit limit, and the banking identity certificate.

Making financial information and analysis available to businesses: Managing and processing financial information pose significant challenges for CFOs of businesses. A CFO bases his/her work on ongoing daily information, and the quality and reliability of that information has great impact on the company's conduct, funds management, decision making in real time, and as a result – on its success. To help companies cope with these challenges, Leumi has launched its Cash Management services. The system makes a variety of products and solutions available to businesses through a secure, easy to use, user friendly online interface. The service includes tools to manage and obtain concise financial information from the entire banking system in Israel and abroad in one place, including cash flow statements and cash flow forecasts. The service enables CFOs to be more proactive and efficient in managing risk for their companies.

Workshops for business customers: In 2017, dozens of conferences and professional sessions were held for thousands of business customers, with the purpose of getting to know the customers and enhancing their knowledge. The sessions included information on the Cash Management system, improving cash flow, managing family and inter-generational businesses, investments, and securities.

Economics on the Bar: In 2017, as a part of the Bank's efforts to promote financial knowledge among its customers and the general public, Leumi held open lectures on a wide range of financial topics – from digital banking to banking for businesses. The lectures were held in collaboration with media outlets across Israel, garnering large audiences.

Leumi's Schools: As part of its extensive efforts for economic empowerment of various population segments in Israeli society, the Bank established Leumi's Schools, designed to provide the general public and the Bank's customers with a range of professional tools and financial skills, by leading experts, free of charge. The courses are given by outsourced experts as well as by experts from Leumi.

Framework	Topics	Scope of activity
Leumi's Business School	<p>An extensive course designed to provide small business owners with a variety of practical tools to help them grow and develop their businesses. Free of charge, the course is offered to customers of all banks.</p> <p>The course's curriculum features the following topics: Networking, negotiation, e-commerce, digital marketing, business development, financial aspects of business management, and taxation.</p>	<p>Course format: 7 meetings across the country, 35 course credits.</p> <p>Five courses were held between 2014 and 2017, with the participation of approximately 3,000 business owners from all over Israel. In 2017, 2 courses were held, with the participation of about 1,200 business owners.</p>
Digital Marketing School	<p>Established in 2017, Leumi's Digital Marketing School targets early-stage women entrepreneurs or small business owners, providing them with practical tools for establishing and marketing their businesses through a variety of digital platforms.</p> <p>The course is open to the general public. It offers the following topics: Marketing</p>	<p>In 2017, one course was held, as well as several one-time sessions. A total of over 100 women took part in the various sessions.</p>

Framework	Topics	Scope of activity
	strategy, blogging, promotion and marketing on social media, production of content and videos, online community management, and more.	
Next Generation School	The course is designed for next-generation mid-sized family business owners who are in the process of intergenerational transition. The course is designed to provide participants with practical tools to improve their business skills, while addressing the unique needs of the businesses in a changing world. The course features the following topics: Strategy and innovation, negotiating for a family business, networking, how to win in a competitive world and more.	The course includes 3 sessions. In 2017, 70 of Leumi's customers participated in the course, free of charge.
Capital Market School	Leumi's Capital Market School was established to provide customers with hands-on tools for smart	In 2017, the course was held nationwide, with more than 600 participants taking part.

Framework	Topics	Scope of activity
	conduct in the capital market. Free of charge, the course teaches Leumi's customers various topics, such as the capital market, including investment in securities, adjusting investments and investment psychology, Leumi Trade, pension savings, etc.	

Israel IL – Bridging the Digital Divide

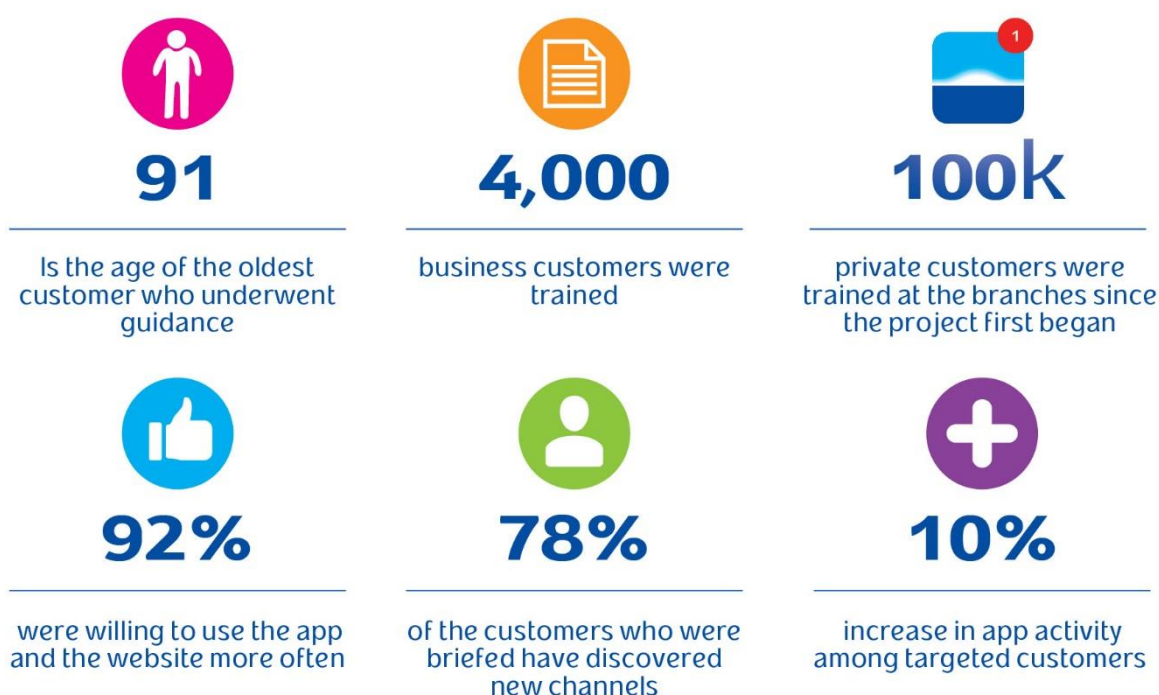
The digital revolution affects numerous fields, transforming various industries, communication channels between people and businesses, consumption habits, education, etc. When it comes to the financial industry, the digital revolution is in full swing. As leaders of the digital financial industry, Leumi has realized that along with hundreds of thousands of customers who are actively using digital channels, hundreds of thousands of others have not yet crossed the digital divide and taken advantage of the digital revolution. For this purpose, we launched a unique flagship project: Israel IL – A nationwide project that allows Leumi's customers to obtain digital training by “digital guides”, who individually guide them through connecting to a digital channel of their choice, presenting and providing guidance on the various transaction opportunities that the customer wishes to make and pursue.

The project targets all customers, of all ages. However, Leumi has decided to allocate additional resources to the elderly population, first and foremost through the Israel-IL-Mobile Bank Branch – that makes a variety of services accessible to elderly people residing in assisted living facilities. The Israel-IL-Mobile Bank Branch features ATMs accessible to customers of all banks and allows Leumi's customers to carry out

transactions and obtain information through the digital kiosk installed in the vehicle. The Israel-IL-Mobile Bank Branch also features a banker, who assists customers in using banking services performed directly with the branch.

Digital assistants have been placed at the Bank's branches where the teller stations have been converted into digital stations, to help teach customers how to carry out transactions using automated devices and mobile phones. Digital developments have also been implemented to help customers communicate with bankers and carry out digital transactions without the need to reach their branches.

The project also features brief training sessions conducted in the ATM section of all Leumi's branches and in central locations across Israel, teaching customers how to obtain information and carry out transactions on Leumi's website and apps – one-on-one sessions across Israel, nationwide digital customer conferences (such as Digital Cafe, how-to videos, special trainings for Bank employees, and more.



Alongside Israel IL, Leumi cooperates with various entities to make the digital world accessible to the general public:

- + **ORT's Web Surfing Club:** The project focuses on empowering and on developing leadership skills and social involvement of youth through volunteering with adults in order to reduce digital divides. About 300 middle school students from 15 schools across Israel meet once a week with the elderly and help them become better versed with the digital field, teaching them computer skills and useful applications.
- + **Machshava Tova:** Machshava Tova works to reduce social gaps through technology. As part of the cooperation, employees of the Leumi Technologies Division volunteer at the Machshava Tova Technology Center in Lod. The employees serve as mentors and lecturers on employment at the NGO's service, assist the youth groups and run Summer Tech, a one-week technology summer camp, featuring presentations developed and delivered by the Bank's knowledge experts.

Surveys conducted among participants of such training sessions on our digital services indicate that they become repeat customers who continue to perform digital transactions in lieu of using traditional banking channels, becoming more loyal and satisfied customers. The digital revolution is here, and it is our responsibility to continue helping our customers connect to a digital world.

Digital Means for Advancing Financial Knowledge

Leumi Blog: Each month, Leumi Blog publishes around eight new columns with up-to-date and helpful information on various subjects. In 2017, the blog averaged 43,000 hits a month.

Financial Forum: The experts answer. Users on the Financial Forum on Leumi Blog are invited to ask the experts about subjects such as the capital market, mortgages, financial and business consumption, digital services and innovation.

A user-friendly and accessible mobile app that includes a "balance at a glance" service and viewing of bank account data without entering the system, making the information accessible to customers and giving them better control in managing their account.

* For more information on advancing financial knowledge, please see Employee Community Outreach.

Empowering Small Businesses

Leumi's handling of the small business sector is characterized by providing value propositions and financial services to businesses with an annual turnover of up to NIS 25 million or a total obligo²⁰ of up to NIS 10 million. These offerings and services are provided to customers according to their changing needs.

The Bank defined small businesses as a target population, and accordingly launched Leumi's Business Arena – a package of exclusive and innovative tools and services. The Arena provides solution to various needs:

1. **Credit:** Credit products tailored to the needs of small businesses.
2. **Availability and service:** Available professional and fast service at flexible hours through a business hotline manned by professional bankers, providing solutions even outside the branches' opening hours.
3. **Digital tools:** Receiving information and carrying out operations in the business account anywhere, anytime and through a variety of devices, such as over the Internet, mobile and tablet computer.
4. **Expertise and content:** Customer management tools via various media (see School of Business Management and Business Community on Facebook).

²⁰ A customer's total debt to the bank and collaterals given to the bank in respect of third party debt.

Main Initiatives to Promote Small Businesses

Leumi Right to Your Doorstep: Every week in 2017, Bank Leumi managers met business customers on their premises to discuss the state of the business and offer immediate banking and other solutions, as part of the Bank's overall value propositions for small businesses. Altogether, thousands of meetings have been held outside Bank Leumi branches. In addition, as part of a new business service model, an in-depth meeting is held with the customer (at the business or branch) every six months, to understand his/her business and personal needs and offer them the best value proposition in the short and long term.

Leumi-Koret program for the promotion of small businesses in the periphery: Under this program, Bank Leumi has been granting loans at preferential terms to small businesses in the periphery since 2009. In 2017, 200 loans, totaling NIS 51 million, were granted.

State-guaranteed fund: Bank Leumi won a tender published by the Ministry of Finance to grant state-guaranteed loans to small and medium-size businesses. Under this partnership, numerous loans were granted to businesses in various industries. In 2017, 1,590 loans, totaling NIS 480 million, were granted.

Leumi Card SMART: Leumi Card offers its customers various plans that include clearing services, immediate crediting of their accounts and a one-stop-shop service station – all for a fixed monthly fee. The Smart packages also offer added value to businesses in the course of their daily activity, meeting their needs for cost control, transparency, and streamlining.

Statement on Services for the Promotion of Socially Disadvantaged Groups

The Leumi Group works towards the production of accessible, clear and simple products and services for all its customers, and supports the promotion of positive social change the products and services it offers.

As one of Israel's largest corporations, which is also active overseas, Leumi has a significant impact on the social, economic and environmental fabric of Israel and of its other countries of operation. This recognition forms the basis for the Group's commitment to reduce social gaps and promote disadvantaged populations.

Leumi supports the creation of positive social change by making services and products accessible to customers from diverse populations and providing solutions to social needs, with an emphasis on speakers of foreign languages, customers who have fallen into debt, micro-business owners from disadvantaged backgrounds, etc.

The policy is implemented on several levels:

- **Accessibility in the periphery** – The Leumi Group's branches and centers are deployed nationwide to provide the full range of its services and products to all its customers, wherever they are.
- **Development of specialized products for unique populations** – Leumi appointed a special manager to oversee solutions to the special needs of Arab society and the ultra-orthodox community.
- **Providing service in several languages:** For customers who speak Arabic, English, or Russian and who wish to speak with a representative in their own language, we offer a 24-hour call-back service. When customers speaking a language other than Hebrew arrive at a branch, they are offered service in their own language, as far as possible. Leumi has branches in predominantly Arab communities, where service is mainly provided in Arabic, according to the customers' needs. Marketing materials are accessible to speakers of various languages, including Arabic, English and Russian.

- + **Mortgage Time Out:** A service designed to make it easier for apartment buyers who have taken out a mortgage. Customers meeting the conditions can take a “mortgage time out” and enjoy three months’ deferral of payments per year, out of a choice of periods offered to them. In 2017, 637 borrowers took advantage of the Mortgage Time Out service.
- **Promoting social businesses:** for example, businesses that employ people with disabilities or youth at risk.
- **Development of socially-valuable products and services:** The Group offers its customers a broad range of services intended to create shared value – social value for customers and for the community, alongside creating business value.
- **Digital literacy:** Leumi strives to make its digital services actively accessible to a wide range of population segments, especially those that do not have a natural inclination to use these services. For more information, please see Israel IL at p. 91.
- In addition, the Group provides credit for the development of social and communal infrastructures, such as hospitals, green areas, local economies, and more.

Leumi’s Activity in the Arab Community

In early 2016, the Arab Israel Bank was merged into Bank Leumi. Two years after the merger, the Arab Israel Bank’s former customers enjoy Leumi’s strong financial position and its wide range of credit and investment products, excellent value propositions and attentive, dedicated face-to-face service.

As of December 31, 2017, 43 of Leumi’s branches are located in predominantly Arab communities.

Within this framework, the Bank offers enrichment activities and meetings to empower women, encourages women-owned businesses and grants loans tailored to women’s needs, as well as special loans ahead of the Arab community’s holidays.

Social Credit and Services to Promote Disadvantaged Population Segments

To meet the social challenges facing its customers, the Leumi Group develops unique social credit products, which help support the economic and social development of disadvantaged populations in Israel. The Banking Division promotes social businesses, such as those that employ people with disabilities or youth at risk, for example:

A. Social bonds – “Leap to Education” – Leumi continues to support social bonds as part of its collaboration with Social Finance Israel, a public benefit company which strives to achieve social goals through the issue of social bonds, in an effort to promote the program “Leap to Education” – to reduce dropout rates by computer science students from disadvantaged populations. As part of the program, 600 students will receive personal support, study assistance and scholarships (according to certain criteria), in order to allow them to keep up with the curriculum.

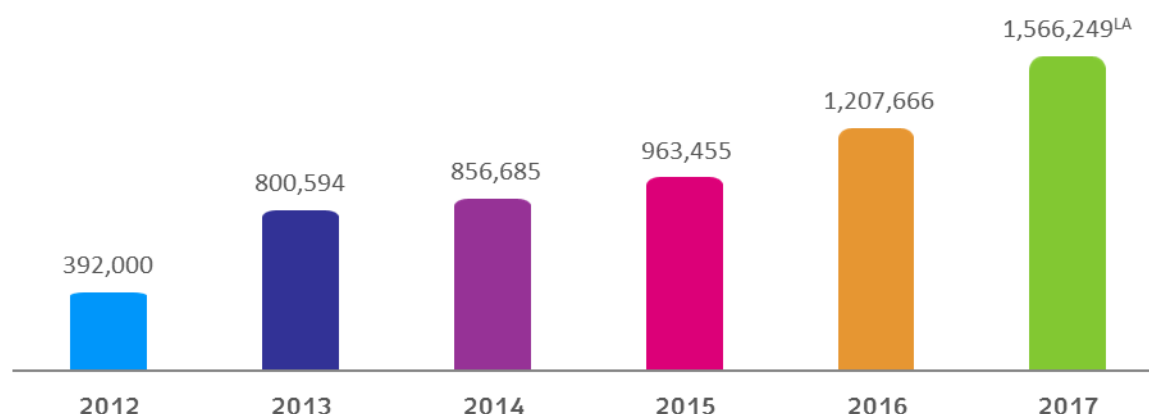
b. Granting loans to social businesses and employers of people with disabilities: To promote the activity of social businesses and initiatives, Leumi partners with relevant organizations and foundations to create programs that help finance such projects. In 2017, Leumi continued its cooperation with the Koret Fund, offering loans to entities engaged in social activities or employing people with disabilities.

c. Yozmot Atid – Loans to female micro-entrepreneurs: A joint venture with the NGO ‘Yozmot Atid’ (formerly “Latet Atid”), which identifies and supports female entrepreneurs experiencing economic difficulties, women business owners, or women with business model. Leumi grants loans of up to NIS 40,000 while the NGO gives each entrepreneur a support package that includes a business plan, extensive business mentoring and benefits to develop the business. The service is accessible to women entrepreneurs in 15 branches across Israel. In that manner, Leumi wishes to empower women, support them and help them achieve economic independence.

In 2017 Leumi Group granted social credit totaling approximately NIS 3.5 billion.

For a breakdown of the amount, please see p. 63.

Round-Up Over the Years (in NIS)



For the ninth consecutive year, Leumi Card continues to offer its Round Up and donate service, in cooperation with the "Round Up" NGO. The service allows the company's customers to round up the sum of transactions carried out at businesses, with the difference transferred as a contribution to a range of NGOs of the customer's choice. In 2017, approximately 8,110 new Leumi Card customers joined the service. In total, more than 38,000 Leumi Card customers participated in Round Up this year. Since the beginning of its cooperation with the Round Up NGO, Leumi Card customers have donated a total of about NIS 6.2 million to NGOs of their choice.

Deployment in the Periphery and among Low-Income Populations

- 39 of the Group's branches are located at the heart of peripheral towns.
- 25 of the branches are located in predominantly ultra-orthodox communities.

Bank Leumi US (BLUSA)

By granting loans to disadvantaged populations, BLUSA supports low- and middle-income populations, as required by the CRA Community Reinvestment Act. The loans are granted in all of BLUSA's areas of activity (New York, California, Florida and Illinois), meeting the needs of local populations. For example: Loans to promote affordable housing, housing loans and loans to industries operating in underprivileged areas; loans to businesses supporting the local community by providing employment; loans to businesses in economically disadvantaged areas, sustaining and enabling the stability

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

In 2017 loans totaling \$496 million were granted under the CRA.

Meeting Objectives

Responsible and Fair Banking – Leumi

Objective for the end of 2017	Status	Details
Approval of the Fair Conduct Policy	Done	The fair conduct policy for retail customers was approved

Enhancing customers' financial knowledge – Leumi

Objective for the end of 2017	Status	Details
Financial education conferences for customers across Israel	Done	In 2017, the Bank held around 300 professional conferences on prudent financial conduct in the fields of investment, the capital market, family finances and tools for managing small businesses

Service accessibility – Leumi

Objective for the end of 2017	Status	Details
Launch a supportive interface in four languages (Hebrew, Arabic, English, and Russian) at the digital kiosks	Partially implemented	Deployment has not been completed yet due to technological complexity

Objective for the end of 2017	Status	Details
		Deployment of kiosks will continue through August 2018
Complete physical accessibility project in 100% of the branches, according to law	Done in 97% of the branches	6 branches that have not yet been rendered fully accessible for various objective reasons (they are being closed down, transferred to another location, or undergoing adaptations). These branches offer service alternatives in cooperation with the Commission for Equal Rights of People with Disabilities at the Ministry of Justice
Install voice signage for the automated devices in at least 95% of the branches.	Done	
Full accessibility of information on the website (AA standard compliance)	Done	Adapting the online channels to the AA Accessibility Standard

Empowering small businesses – Leumi

Objective for the end of 2017	Status	Details
A course for small business owners on all aspects relating to the management of their businesses (financial, marketing, networking)	Done	
Business Clinic – in cooperation with the Hebrew University and	Done	

Objective for the end of 2017	Status	Details
Tel Aviv University – a course for outstanding students on advice to small businesses		
State-guaranteed small and medium business fund – grant special state-guaranteed loans to current and new customers nationwide	Done	

Unique populations – Leumi

Objective for the end of 2017	Status	Details
Conduct tutorials to narrow the digital divide for approx. 40,000 of the Division's customers	Done	In 2017, approximately 100,000 one-on-one training sessions were conducted at the Banking Division's branches. In addition, thousands of business customers were trained on-location by the Business Patrol
Expose customers at the branches to digital products so as to enable them to carry out transactions independently, in order to increase the services' availability to them	Done	During the year, the Banking Division's branches were assigned targets for shifting customers to digital channels and measured against them. At the end of 2017, the Leumi app became the customers' preferred channel for financial information.

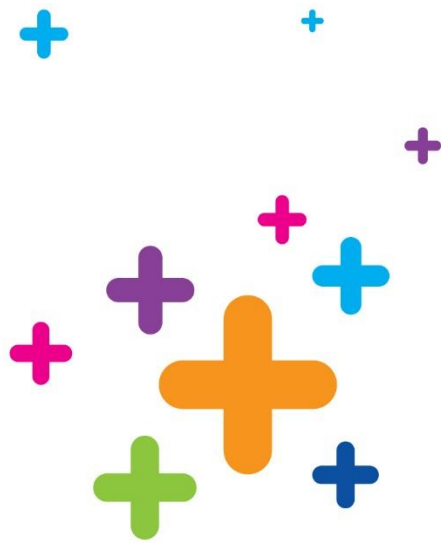
Future Objectives

Service accessibility – Leumi

Objective by end of 2018	Main actions planned
Render the application fully accessible and provide highly-responsive mobile support for the websites	Full accessibility pursuant to the AA standard

Promoting financial knowledge – Leumi

Objective by end of 2018	Main actions planned
Financial education – Launch a tool to encourage economic conduct and independence for youth	Launch the ME application and debit card for pocket money management, allowing parents to control their children's spending and youth – to manage their money independently. The app is linked to a debit card and allows parents to monitor its usage



Creating Value for Employees

The human factor is the basis for the Leumi Group's operations and success; the Group attaches great importance to nurturing and developing its employees in order to inspire in them a sense of identification and pride in their workplace and to continue attracting quality people.





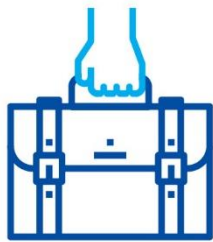
In the top ten

of 'the best companies to work for' ranking conducted by BDI and The Marker (placed first among the financial companies!)



Gender equality

We maintained a high percentage of women at all levels and continued to place them in key positions. women account for 61% of all Leumi employees, 44% of senior management and 50% of branch managers



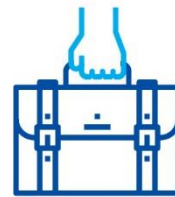
Employees' welfare

We continued to promote initiatives for employee welfare, including – family economics workshops; assistance in situations of stress and anxiety; a welfare fund for employees in financial distress; support for Leumi's retirees; subsidized subscriptions to cultural institutions; subsidized discreet psychological counseling; subsidized health insurance; and vacations and team-building days



64 hours of training

per employee, on average



10% of all employees

hired by the Group come from under-employed population segments



Employment Statement

The Leumi Group employs people in Israel and abroad and regards them as a key to its success. The Group attaches great importance to its employees' welfare, satisfaction and professional and personal development. Under to this approach, the Group strives to promote and uphold transparency, fairness, equal opportunity, employment diversity, and prevention of abusive employment and harassment; to foster excellence and innovation among its employees, with an emphasis on engagement and dialogue, and taking care of the employees' health and welfare.

The Leumi Group opposes discrimination of any kind and prohibits discriminatory practices within the enterprise, for any reason whatsoever. The Leumi Group makes hiring and promotion decisions about its employees and candidates based on practical considerations of performance and capabilities, without discrimination due to race, color, religion, gender, sexual orientation, marital status, national origin, disability or age. The also Group strives to create employment opportunities for people of all origins and religions as well as for people with disabilities. The Leumi Group maintains lawful employment practices. The Bank does not employ minors.

The Leumi Group operates with complete fairness and full transparency with respect to employment terms and conditions. Salary terms at every level are based on professional and practical criteria and are anchored in salary agreements. The Group compensates its employees objectively and by performance solely.

The Leumi Group maintains a high proportion of women at every level of the Bank and their appointment to key positions.

Leumi views sexual harassment and other types of harassment at the workplace with utmost severity, and places great importance on preventing them. To prevent such offenses and to create a safe, respectable, and pleasant working environment, which promotes equality and mutual respect, the Bank has appointed a senior attorney to be responsible for the prevention of sexual harassment at the Bank. Any complaints of sexual harassment are referred to her.

Leumi Group recognizes the importance of balancing life and work and allows its employees to strike a successful balance between building a professional career and their family life.

Leumi's employment terms and conditions, alongside its corporate culture, provide each employee with a supportive environment in which the Group implements practices designed to support this work-life balance.

The Leumi Group believes that a fair, transparent and engaging relationship with the employees' representative body contributes to the advancement of the Bank's and the Group's business while contributing to the employees' satisfaction. Since Leumi's establishment, the representative body of Leumi's employees has been representing them vis-a-vis the Bank's management; each employee may contact the representative body at any time, for any reason. Significant organizational changes are made in coordination and consultation with the employees' representative body.

The labor relations between the Bank's management and represented employees are based on a series of collective agreements and on other agreements forged over the years, including ad hoc agreements between the Bank's management and the employees' representative body.

As part of the process of evaluating effectiveness, Leumi conducts employee pulse surveys. These concise, focused surveys enable the Bank to obtain an up-to-date, swift and continuous snapshot of the employees' perceptions regarding key aspects of the corporate culture, of the implementation of the Bank's vision and core values and of the cultural processes derived therefrom, of leadership at Leumi and of employee engagement. Several structured dialogue mechanisms have been established between the management and employees in order to hold an open dialogue with employees, to allow them to express their positions, needs, and ideas to the management, and to learn about the field and meet the employees.

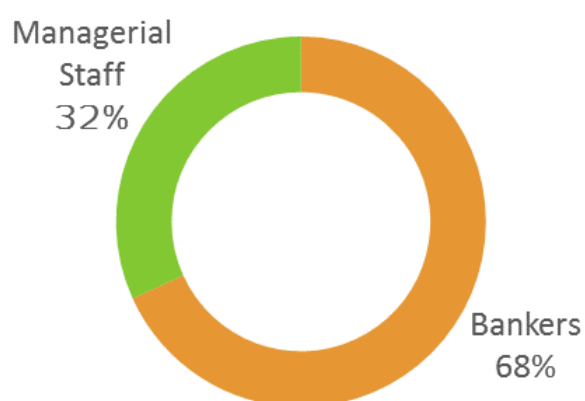
In 2017, Leumi was ranked eighth in BDI's "100 Best Companies to Work for in Israel"

The following is a breakdown of the Group's employees²¹ as of December 31, 2017.

Total Employees in the Group by Year:

	2017 ^{LA}	2016	2015	2014	2013
Leumi – Total ²²	8,622	8,909	9,662	9,850	10,058
Leumi Group – Total (including Leumi)	11,135	11,351	12,152	12,405	12,670
Of which: Leumi Card	1,490	1,410	1,441	1,469	1,481

**Segmentation of Employees
by Rank^{LA}**



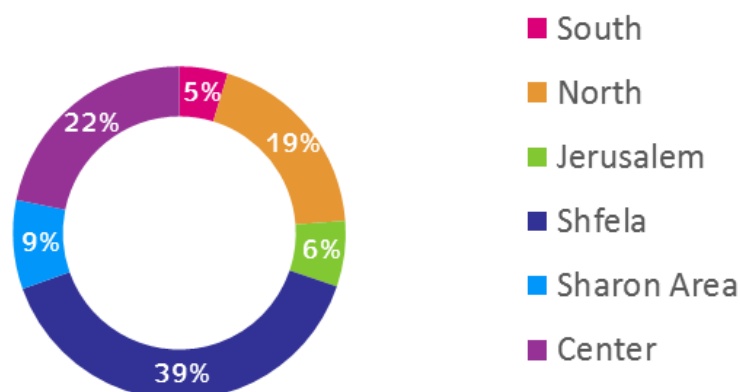
**Segmentation of Employees
by Gender^{LA}**



²¹ Unlike in the financial statements published by Leumi, all data presented in this report (unless otherwise specified), refer to the employees of the Group and are not based on their roles (excluding LOWP and MLOA positions, including specific overtime hours; external companies' employees are not included).

²² Unless otherwise specified, Bank Leumi figures include data for the former Israeli Arab Bank.

Geographical Distribution in Israel of Leumi Group's Employees



Employment Characteristics at Bank Leumi

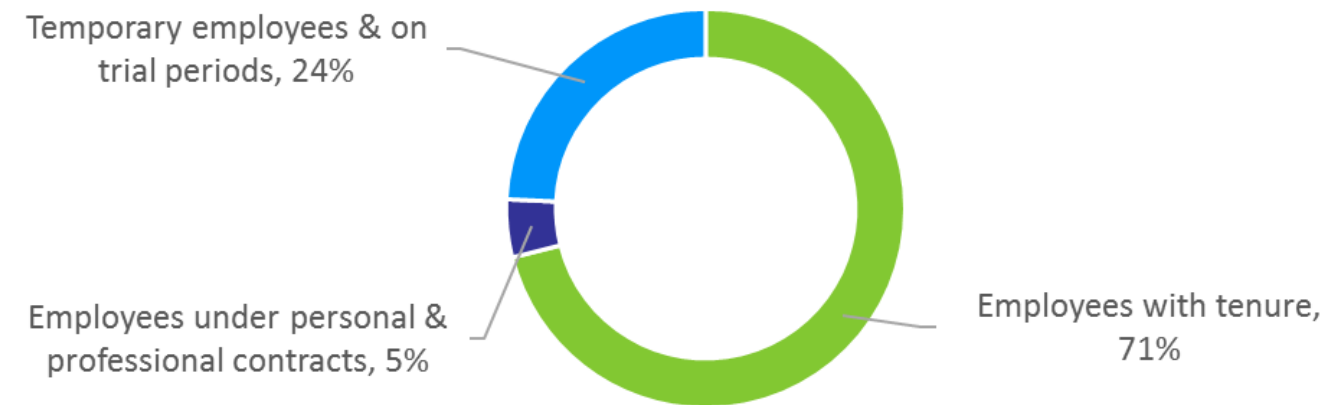
There are several forms of employment at Bank Leumi:

- **Probationary / temporary employees:** A newly hired employee usually starts out as a probationary or temporary employee. Employees may remain in this status for several years, at the end of which the Bank decides whether to grant them tenure or terminate their employment.
- **Permanent employee:** An employee who has been approved for tenure at the Bank.
- **Professional outsourced workers, under personal contracts:** Workers in unique positions, who have a personal contract with the Bank and are not subject to the collective agreement.
- **Personal managerial contract worker:** Senior executives (subdivision heads and upwards). These workers are not subject to the collective agreement.

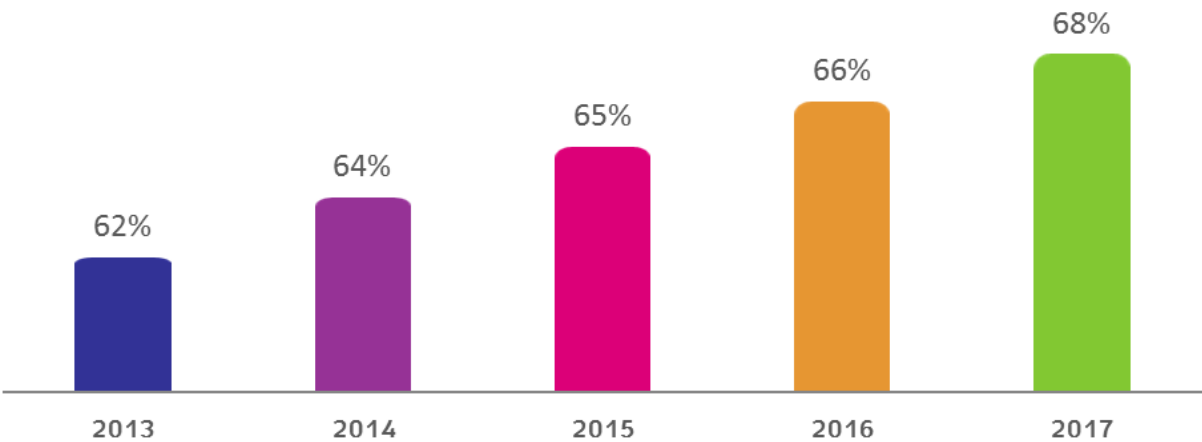
Most of Leumi's employees work full-time. Any differences between benefits granted to full-time employees and those granted to part-time employees are the direct result of the percentage of the position.

In addition, the Bank enters into agreements with outsourcing companies. For further information, please see p. 138.

Segmentation by type of employment - Israel only



Percentage of University Graduates Over Time - in Israel Only



Employees with College Degrees, by Gender and Rank in 2017 – Bank Leumi^{LA}

% with college degrees	% of bankers	% of managerial staff	% of women	% of men
77%	67%	97%	74%	80%

Non-Discrimination, Equal Opportunity and Workplace Diversity Statement

Leumi Group believes in the importance of hiring and retaining diverse human capital, which is reflective of Israeli society's composition, with the understanding that such diversity contributes to equal opportunity in Israeli society and expands the horizons of all of the group's employees, creating a dynamic, productive, challenging, creative and progressive workplace.

The Leumi Group's diversity and equal opportunity policy is reflected in three main areas:

- + [Hiring of employees from diverse populations](#), with an emphasis on underemployed populations, such as the Arab community, Israelis of Ethiopian origin and ultra-orthodox Jews, by adjusting the criteria for hiring and granting special assistance.
- + [Hiring and promoting employees with disabilities](#), as an inseparable part of responsible employment by the Leumi Group.
- + [Equal gender opportunity at the Leumi Group](#), in all its activity areas, at all levels and in all fields.

Hiring Employees from Diverse Populations

The Administration and Operations Subdivision in the Human Resources Division in Leumi is responsible for employment diversity and for systematically measuring the issue annually. The hiring team in the Subdivision includes a diversity supervisor, whose duty is to promote the recruitment of employees from underemployed populations with the placement agencies, screening centers and units in the Bank. The Recruitment Unit provides personal assistance to candidates, showing great sensitivity, in order to dispel, as far as possible, the stress and fears associated with the process. The diversity supervisor is also in charge of hiring people with disabilities.

Following are the main processes and mechanisms to promote the issue at Leumi:

A. Prioritizing resumes of candidates from target populations: Nominating a designated diversity officer in the hiring team.

B. Assistance in screening tests: Significant additional time (30%) in cognitive tests is given to candidates from target populations; adjustment of languages on the day of the evaluation; the existence of a non-screening evaluation day; adding points to candidates in specific tests; integration of Arab evaluators on screening days for candidates from the Arab community, and more.

C. Easing minimum job requirements: Job requirements for candidates from target populations are adjusted: For example, the Group recruits candidates from the ultra-orthodox community 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.

D. Face-to-face interviews: Candidates who received a borderline score at the screening center get a second chance: they are summoned for an interview by the Recruitment Subdivision, 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.

E. Promoting candidates from target populations through the recruiting business units: The Recruitment Subdivision contacts recruiting executives in order to promote the candidacy of people from these populations.

F. Proactively approaching organizations, NGOs and placement agencies in order to receive resumes of candidates from target populations, continuous contact and periodic meetings with NGOs representing these populations.

G. Focus days for candidates from the ultra-orthodox community: The Recruitment Subdivision participates in conferences and seminars in order to promote recruitment of candidates from the ultra-orthodox community.

Data on Hiring Employees from Under-Employed Population Groups ^{LA}

- + 10% of all employees hired by the Leumi Group in Israel in 2017 were people from under-employed populations.

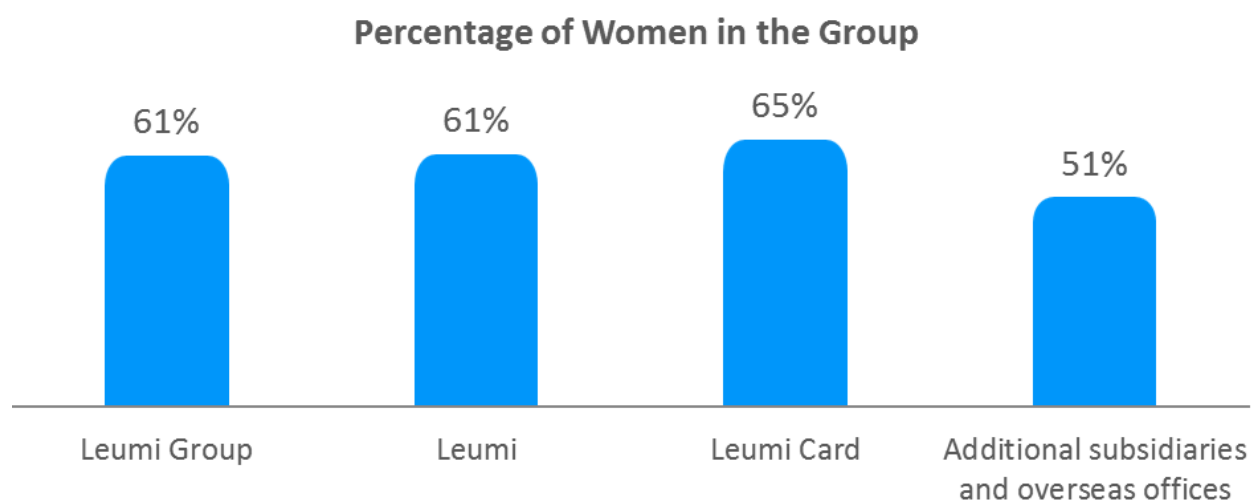
- + 8% of the Group's employees are from the Arab community; 22% of them are managers
- + 21% of Bank Leumi's branch managers are from the Arab community

Breakdown of employees by Age, Rank and Gender – Leumi Group²³

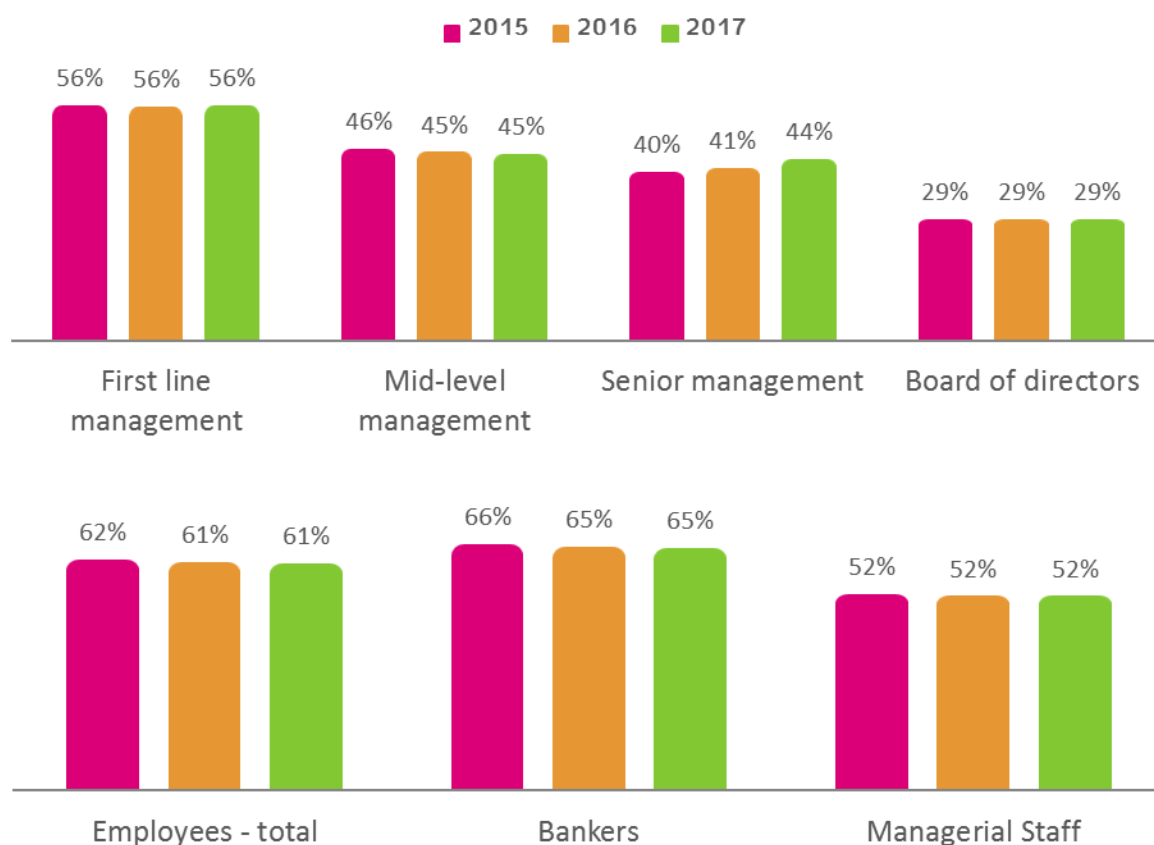
Rank	Age	Women	Men	% of women
No. of senior managers	Up to age 30	0	0	0
	Aged 31-50	38	50	43%
	Aged 51+	34	43	44%
	Total	72	93	44%
No. of mid-management employees	Up to age 30	0	3	0%
	Aged 31-50	299	319	48%
	Aged 51+	132	211	38%
	Total	431	533	45%
No. of first-line managers	Up to age 30	21	17	55%
	Aged 31-50	1,062	755	58%
	Aged 51+	227	243	48%
	Total	1,310	1,015	56%
No. of bankers	Up to age 30	1,360	544	71%
	Aged 31-50	2,454	1,527	62%
	Aged 51+	1,113	597	65%
	Total	4,927	2,668	65%
No. of employees under professional contracts (Leumi)	Up to age 30	0	0	0%
	Aged 31-50	24	44	35%
	Aged 51+	5	13	28%

²³ The data for Leumi Capital Market Services' bankers are included in the 31-50 age category.

Rank	Age	Women	Men	% of women
	Total	29	57	34%
Group total	Up to age 30	1,381	564	71%
	Aged 31-50	3,877	2,695	59%
	Aged 51+	1,511	1,107	58%
	Total	6,769	4,366	61%
Total no. of managers (including under professional contract)	Total	1,842	1,698	52%
Total no. of bankers	Total	4,927	2,668	65%



Percentage of Women in the Group



50% of Bank Leumi's branch managers are women

Fair wages at Bank Leumi

The Leumi Group operates with complete fairness and full transparency with respect to employment terms and conditions. Salary terms at every level are set on the basis of professional and purposeful criteria and are anchored in salary agreements. The Group compensates its employees objectively and by performance, regardless of their gender.

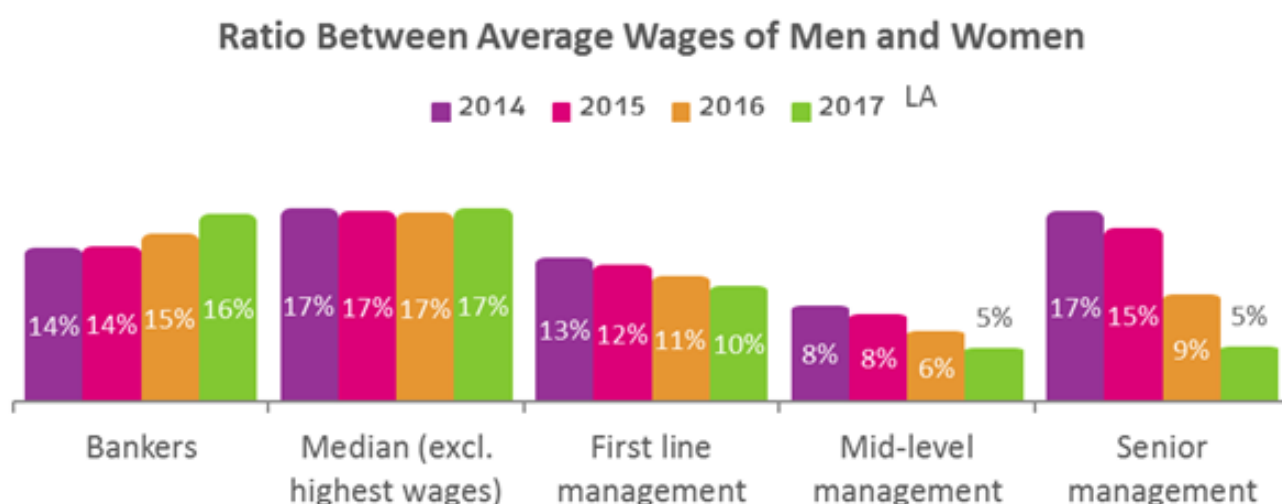
In 2017, the minimum monthly salary for provisions paid to men and women at Bank Leumi was identical to the minimum wage in Israel.

In 2017, there was a 12% year-on-year decrease in the ratio between the maximum monthly salary²⁴ and the minimum monthly salary paid by Leumi.²⁵

In 2017, the highest wages paid by Leumi was 10.9 time the median wages per employee (less the highest salary). In 2016, this ratio stood at 11.5. In 2017, there was a 13.6% year-on-year decrease in the maximum wages paid to the employee and a 3.1% increase in the median wage (less the highest salary).

In 2017, 38% out of the 10% employees at the highest pay grade in Leumi were women.

The chart below shows the ratio between women's and men's wages by rank (men's wages divided by women's wages minus 1). It should be emphasized that the review was in respect of the average monthly wages at each pay grade.



Leumi Card

Salaries at Leumi Card are determined on the basis of pertinent criteria, such as professional experience, the nature of the position, fairness relative to the market, and employee performance evaluation. A review conducted in 2017 found that women accounted for 20% of the company's top decile of wage earners.

²⁴ In this section, salaries denote taxable income, less bonuses.

²⁵ The wage data are for employees who worked at over 95% of their position during 2017. For more information about officeholder compensation, please see the financial statements.

Systematically Rooting Out Discrimination

Leumi views incidents of discrimination very seriously, and deals with them immediately. Any complaint by a candidate or employee regarding discrimination based on any cause whatsoever is examined in depth. In 2017, 4 claims of gender-based discrimination and 5 age-based discrimination cases were handled. Although no actual discrimination took place, relevant procedures were reinforced.

Prevention of Sexual Harassment

Leumi views sexual harassment and harassment at the workplace with utmost seriousness, and places great importance on preventing them. To prevent such offenses and create a safe, respectable, and pleasant working environment, which promotes equality and mutual respect, the Bank has appointed a senior attorney to be responsible for the prevention of sexual harassment at the Bank. Any complaints of sexual harassment are referred and submitted to her. The Bank has also defined sexual harassment as a serious disciplinary offense, and the regulations on the issue have been personally sent to every employee and are given to every new employee upon being hired. The regulations and how to contact the officer in charge appear on the Bank's organizational portal and posted on bulletin boards in the units. In 2017, the Human Resources Department issued a letter to all employees, outlining the significance that the Bank attributes to a work environment that is free from sexual harassment, and distributed an updated procedure on the prevention of sexual harassment. Complaints about sexual harassment are handled professionally, efficiently, and swiftly by the sexual harassment prevention coordinator. In 2017, few sexual harassment complaints were filed: the sexual harassment prevention coordinator investigated each case, pursuant to the Prevention of Sexual Harassment Law. No complaints about sexual harassment were filed at Leumi Card in 2017.

Statement on Employee Safety and Security

Leumi Group attaches great importance to maintaining the security and safety of its employees and visitors, and invests considerable resources in creating a safe environment for them.

Promoting Employee Safety and Health

In the Group companies, safety is handled and controlled in a comprehensive and meticulous manner in order to ensure that the environment in the Group's facilities is free of potential hazards and supports the employees' ongoing, efficient work.

Leumi is committed to implementing the highest standards to ensure the employees' safety, and complies with all laws, regulations and compulsory standards in the realm of health and safety at work, including the development of a safety management plan. Leumi also complies with the ISO 18001 standard of the Standards Institution of Israel for occupational health and safety.

The issue of safety is managed by Leumi's Real Estate Subdivision through the following main mechanisms for promoting and ensuring occupational safety:

- + **The Safety Committee:** A committee comprised of representatives of professional units, employees and members of management. 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 that impact employee safety and hygiene. The Committee is comprised of representatives from the professional units – half of whom are employee representatives and half of whom are management representatives. The safety issues are not included in the agreement with the Employee Committee.
- + **Conducting surveys and inspections at the Bank's units:** Leumi takes a proactive and prudent approach in all matters related to a safe working environment, regularly and proactively initiating a series of safety and environmental inspections and surveys, including checking for the presence of pollutants, odor hazards, and more.

- + **Investigating work accidents:** In case of a work accident, the employee must report to his/her direct manager and complete an online form. The complaint is forwarded to the safety officer, who investigates it and reports to the relevant personnel for the purpose of drawing conclusions and, if necessary, fixing maintenance and planning hazards. In addition, the employee is referred to the Human Resources Division to exercise his rights. Leumi's Engineering and Safety Subdivision handles inquiries and questions regarding work accidents and work safety.
- + **Preventing occupational diseases:** The Bank takes care to prevent occupational diseases, conducts environmental and health risk surveys and monitors exposed environments. As such, two 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, and are trained and medically monitored.

Safeguarding the Employees and Customers

The Fire Safety and Security Subdivision is responsible for safeguarding the lives of employees, customers, suppliers, and all visitors to the Bank's sites, as well as for safeguarding the Group's property. The Subdivision is responsible for the following:

- + Activating comprehensive high-tech security systems to deter, safeguard, document, support and prevent security incidents and robberies.
- + Providing appropriate responses to various emergency scenarios, including robberies and burglaries, fire safety, emergency preparedness, earthquakes and fire.
- + Increasing employee awareness to security issues and providing guidance regarding conduct in emergency situations and criminal incidents, including developing a "toolbox" for employees dealing with verbal and physical violence by customers, distributing a tutorial on security and safety and conducting emergency drills.
- + Training branch employees regarding how to prevent robberies and handle robbery incidents, in order to minimize damage and, first and foremost, protect and save lives.

- + Investigating and preventing fraud against the Bank; investigating and looking into unusual events in the interface between the Bank and its customers.

Initiatives to promote employee security and safety

- Development of a "toolbox" for employees dealing with verbal and physical violence by customers.
- To cope with robbery incidents, deterrence, documentation and technical assistance devices have been installed in branches. In addition, employees of all branches are trained and provided with information on how to prevent robberies, and cope with robbery incidents, in order to minimize damage and, first and foremost, protect and save lives.

Leumi Card

Promoting road traffic safety: Leumi Card ensures that every employee who is eligible for a company vehicle undergoes a five hours theoretical and practical drivers' training that includes training on a simulator that simulates driving while the vehicle is skidding or rolling over. The employees undergo this training every three years. In 2017, 28 employees underwent such training. The company also publishes tips for safe driving on the daily e-mail and organizational portal.

The Rate of Absenteeism due to the Employees' Illness or Work Accidents in the Leumi Group²⁶

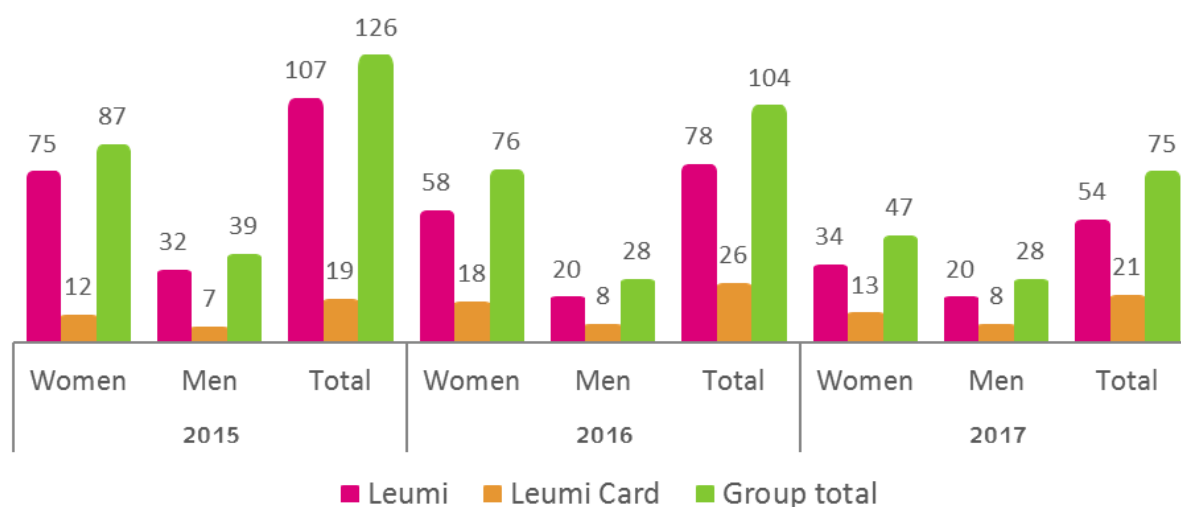
Company	Category	2014	2015	2016	2017
Leumi	Employee illness – excl. work accidents	3%	3%	3%	3%
	Work accidents (including car accidents)	0.1%	0.1%	0.05%	0.1%

²⁶ Number of days of absence due to illness/accident out of total work days per year. These figures include information on existing employees as at 31.12.2017.

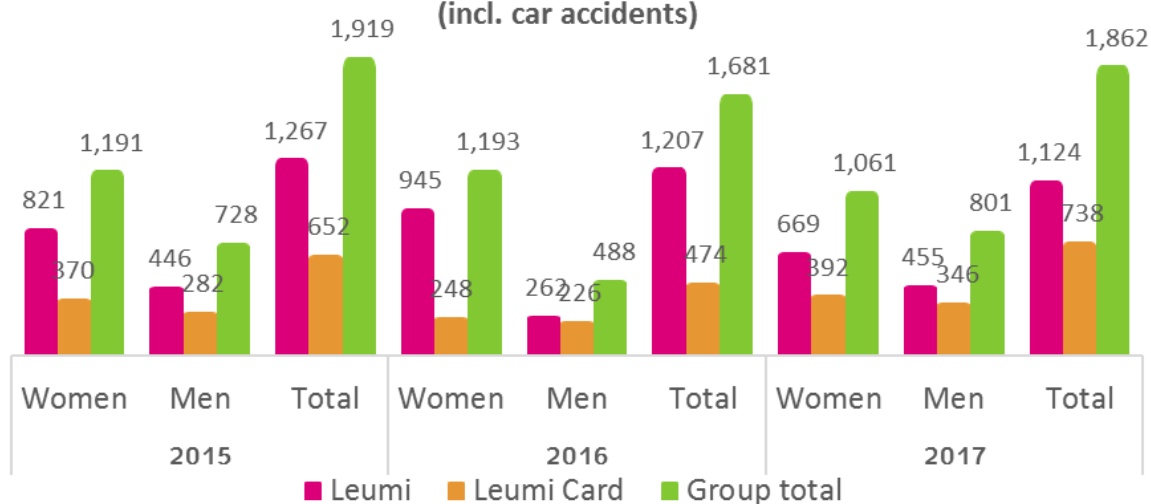
Leumi Card	Employee illness – excl. work accidents	4%	4%	4%	4%
	Work accidents	0.1%	0.2%	0.1%	0.2%
Other subsidiaries and overseas offices ²⁷	Employee illness – excl. work accidents	1%	0.0%	0.1%	1.9%
	Work accidents (including car accidents)	0.03%	0.00%	0.0%	0.0%
Total	Employee illness – excl. work accidents	3%	3%	3%	3%
	Work accidents (including car accidents)	0.07%	0.06%	0.06%	0.21%

²⁷ Calculation of work days in Israel.

No. of Work-Related Accidents (incl. car accidents)



No. of Absence Days as a Result of Work-Related Accidents (incl. car accidents)



There were no fatalities from work accidents.

* 2015 data were recalculated.

* The data do not include absent days of employees who left the Company during the year.

Employee Health and Wellbeing Statement

The Leumi Group attaches great importance to its employees' welfare and health and believes that a healthy and active lifestyle – encouraged and led by the workplace – contributes to the employees' engagement, efficient functioning over time, increased satisfaction and cooperation between the employees and units. The Leumi Group promotes awareness of a healthy lifestyle among its employees, and invests in processes and tools intended to encourage them to take care of their health, while looking after their personal wellbeing and assisting them in handling problems and personal crises. Employee welfare is managed by the Individual and Welfare Subdivision, while the promotion of a healthy lifestyle is the responsibility of the Sports Subdivision – both units of Leumi's Human Resources Division.

The main steps taken by Leumi to promote a healthy lifestyle among its employees:

- + **Preventative medicine:** Bank Leumi allows eligible employees to undergo comprehensive medical tests for early detection and prevention of disease, in addition to offering flu shots ahead of the flu season. The Bank also offers health insurance through the workers' committees.
- + **Promoting awareness of a healthy lifestyle:** Leumi employees are offered to participate in healthy lifestyle and weight loss support groups. The Sports Subdivision also publishes information to employees in an effort to encourage them to maintain a healthy lifestyle through a healthy diet and exercise.
- + **Sports activities:** To encourage a healthy lifestyle and promote exercise, a fitness room and gym were built for the employees at the Leumi Service Campus in Lod. Leumi also offers its employees discounted memberships for fitness and sports clubs throughout Israel, and invites employees and their families to participate in marches, races and trips nationwide (at subsidized rates). Leumi takes part in the Workplace League, with hundreds of employees taking part in competitive sports activities in 50 teams nationwide.
- + **Occupational physician:** Bank Leumi has an in-house occupational physician available for its employees. His duties include advising employees returning to work after a prolonged illness.

- + **Blood drives:** Bank Leumi holds blood drives at its branches nationwide, allowing employees to easily donate blood.

As part of the efforts to promote employee welfare, Bank Leumi's Welfare Subdivision offers employees a wide range of services and activities, including:

- + **Social worker** who assists employees in personal, family, health, economic, and job distress. In the past two years, great emphasis has been placed on helping employees and human resources managers in transferring processes between units at the Bank.
- + **Alleviating conditions of stress and anxiety** during emergencies (security situations, robberies, fire, and violence at branches).
- + **A welfare fund** is designed to help employees facing financial hardship due to a serious illness or health and social emergencies.
- + **Assisting employees with unusual economic difficulties:** For employees in need of this assistance, the Bank offers the services of a consulting firm specializing in family economics, in cooperation with the Bank's credit center – so as to find optimal solutions for the short and long term.
- + **Special support groups** for large families, bereaved families, children of deceased Bank Leumi pensioners, and more.
- + **Support for families with children through various growth stages**, from first grade through adolescence, and until they join the IDF.
- + **Support for retirees:** Cultural and recreational activities for Bank Leumi pensioners, inter alia through a special-purpose internet portal.
- + **Subscriptions to cultural institutions:** Bank Leumi offers employees and retirees subsidized subscriptions to cultural institutions, such as museums, theaters, cinematheques, opera, and dance.

Any information received by the social worker is kept in complete secrecy, as required by law. To involve additional parties at the Bank, the employee's consent is required.

Employees experiencing personal difficulties or similar issues may contact the welfare team, whose contact information appears on the employee portal.

Work-Life Balance

Leumi Group recognizes the importance of balancing life and work. The employment terms and conditions at Leumi allow for a successful combination between building a professional career and family life (raising children, caring for elderly parents, etc.). The terms of employment, alongside the organizational culture at Leumi, provide a supportive environment for every employee (man or woman) to balance their family and work.

The Group implements several practices to support this balance:

- A five day, 39-hour, work week – less than is customary in the Israeli economy.
- According to a permanent guideline, employees will only work overtime if necessary and on the instruction of a manager.
- The rules for accumulating and utilizing sick days provide employees with benefits beyond those required by law, both for employees' illness and for the illness of family members (children and elderly parents).
- Nursing mothers in Leumi are entitled to an hour of nursing per day, which exceeds the time stipulated by law, out of the desire to assist employees returning to work after maternity leave.
- Leumi participates in the reimbursement of expenses for pre-school activities and summer camps for eligible employees.
- Leumi reimburses eligible employees for their children's college tuition.
- Leumi holds fun days to its employees and their families.

Saluting IDF Reservists

Bank Leumi's Reservists Charter undertakes to support and protect the rights of employees serving in IDF reserve duty, with the objective of promoting and encouraging a supportive attitude by their colleagues and managers. The Charter is based on the idea that there is a close relationship between IDF reserve duty and high-quality employees – people with values and loyalty, who strongly contribute to the organization and have leadership and management skills.

In 2013, Bank Leumi won the Reservists Shield award from the Minister of Defense, IDF Chief of Staff, and Chief Reservist Officer. The Reservists Shield is awarded to the businesses that invest the most in their employees doing reserve duty.

In 2017, 415 Bank Leumi employees served approximately 4,240 days of IDF reserve duty.

In 2017, reservists received a gift package for two, and a thank-you letter from the Head of the Human Resources Division.

Special benefits are also awarded to employees recognized as handicapped IDF veterans, who are eligible to ten additional vacation days for rehabilitation and recovery. Under the terms, Bank Leumi allows these employees to redeem unused vacation days or accumulate them beyond the annual quota allocated to each employee, up to a maximum of 10 days.

Parental Leave for Employees

Pursuant to Israeli law, Bank Leumi grants employees who give birth a 26-week maternity leave,²⁸ comprising of 15 weeks of paid leave (Maternity Leave A) and 11 weeks of unpaid leave (Maternity Leave B). At the end of the 26 weeks, an employee is entitled to continue her unpaid leave until one year from the birth date has passed, without prejudice to her rights.²⁹

After returning from maternity leave and until 12 months have passed from the date of birth, the employee is entitled to a "parenting hour" – working 60–90 minutes less each day (depending on the area of residence) while continuing to receive a full salary.³⁰ A male employee who has had a child is entitled to a parental leave of up to 20 weeks, consisting of 9 paid weeks (Parental Leave A) as well as up to 11 weeks of unpaid leave (Parental Leave B). It should be noted that women who give birth are eligible for a

²⁸ For employees who have been employed by the Bank for over a year. Employees who have been employed by the Bank for less than a year are entitled to 15 weeks and to a unpaid leave only.

²⁹ Subject to her seniority at the company

³⁰ A full-time regular employee. Under law, for non-regular employees, the entitlement ends after 4 months from the end of the maternal and parental leave period.

mandatory paid maternity leave for the first 6 weeks, which means that together, they receive a total of up to 26 weeks of maternal and parental leave, as long as the employee's spouse meets the legal requirements thereto.

A male employee is entitled to continue his unpaid leave until one year from the birth date has passed, without prejudice to his rights.³¹ After returning from parental leave and until 12 months have passed from the date of birth, the employee is entitled to a "parenting hour" – working 60–90 minutes less each day (depending on the area of residence) while continuing to receive a full salary, provided the mother foregoes this option.³² It is also possible for parents to alternate the "parenting hour" between them.

Parents who have undergone formal surrogacy or adoption procedures have the same rights as biological parents.

Data on Maternity and Parental Leave for Employees – Bank Leumi and Leumi Card^{LA}

Data includes Leumi and Leumi Card employees only	Women	Men	Total
No. of employees who have taken maternal or parental leave in 2017	656	8	664
No. of employees who returned from maternal or parental leave in 2017	553	8	561
No. of employees who have taken maternal or parental leave in 2016 and have worked at least 12 months after their return to work	439	3	442
Ratio between the no. of employees who have taken maternal or parental leave and returned to work in 2017	0.84	1	0.84
Ratio between the no. of employees who have taken maternal or parental leave in 2016 and have	0.79	0.6	0.79

³¹ Subject to their seniority at the company.

³² A full-time regular employee. Under law, for non-regular employees, the entitlement ends after 4 months from the end of the maternal and parental leave period.

worked at least 12 months after their return to work and the no. of employees who have returned from maternal or parental leave in 2016

Employees returning from maternal or parental leave, going back to their position, except for exceptional cases, in agreement with the employee.

Leumi Card

Employee Welfare Initiatives

The Company makes available to its employees and their families a range of services, including subsidized discrete psychological counseling, mortgage consulting, a fund for employees in crisis, subsidized daycare and summer camp for employees' children, biennial health checks (according to age and seniority criteria), subsidized health insurance for employees and discounted health insurance for their families.

The Company also gives employees gifts for the holidays and on personal and family celebrations, and even operates a rich benefits program that includes team building days and trips, holiday activities, company recreation, and social events.

Saluting IDF Reservists

In 2017, as in previous years, Leumi Card saluted its employees serving in IDF reserve duty, both through public acknowledgement on various channels, a paid vacation day for employees serving more than seven continuous days of reserve duty, and through a company gift.

Statement on Employee Learning and Development

The human factor is the basis for the Leumi Group's operations and success; the Group attaches great importance to nurturing and developing its employees in order to inspire in them a sense of identification and pride in their workplace and to continue attracting

quality people. Bank Leumi's management supports its business units in achieving their business targets through teaching and training, with a focus on improving the professional and managerial skills of its employees and managers, and to adapt them to a changing environment.

Leumi's Training Subdivision in the Human Resources Division is a strategic partner in achieving the Group's business objectives and development goals, and is involved in all organizational processes, including organizational changes, professional training, management training, preparation for technological changes, personal development programs, knowledge preservation and management, regulatory training and the development of learning technologies.

Bank Leumi's employees undergo professional and managerial training when they take up their positions and participate in "gyms", business classes, and skill training. Bank Leumi also supports employee enrichment – at the Branch Managers' Club, outside seminars, and workshops for personal and interpersonal skill development. These processes are carried out through lectures and digital methods – at the Training Center and on the desktop, in real time on the job through knowledge managers or mentoring processes, peer learning, virtual classes, e-learning, and other methods.

The Organizational Development and Training Subdivision is responsible for methodically managing and measuring this area in Leumi. In addition, the Training Center believes in learning processes that are interwoven and integrated into the work routine so as to promote the business objectives of the Bank and to benefit the personal and professional development of employees.

The Subdivision, in cooperation with additional units at Leumi, is leading several key processes:

- + **Training courses and programs:** The training programs focus on the core banking fields and are in line with the business objectives such as credit, investment consulting, customer relations management, retail banking, service and customer experience, and sales. In addition, all employees undergo comprehensive training on regulation and compliance.

- + **Management training and leadership development:** Training Leumi's managers at various ranks and initiating activity to develop managers' capabilities and a sense of leadership, using various learning process methods.
- + **Measurement and effectiveness assessment:** Processes for drawing conclusions are held on a regular basis, with the aim of improving the proposed training programs for employees and ensuring that they are in line with the business objectives.
- + **Learning via online channels:** Within this framework, Leumi enables its employees to efficiently learn professional content, at their own pace and according to their chosen means.
- + **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 at Leumi, programs were written for the development of managers with high potential, in preparation for more complex duties further in their careers.
- + **The One Hundred Forum:** The forum, which includes approximately one hundred heads of subdivisions (senior managers), was established with the aim of nurturing managers, increasing their involvement in and influence on the Bank's activities, building an expanded management forum with members of Leumi's management. The forum is managed by the Headquarters, Work Relations and Staff Administration Subdivision.
- + **Leadership Forum:** The forum, which includes about six hundred branch managers and headquarters executives at the subdivision level, was established with the aim of increasing the involvement and managerial influence of these managers in leading business and organizational processes.
- + **Promoting academic studies:** As part of its policy of nurturing excellence, the Group funds higher education for employees who meet the requirements.

Employee Learning and Development Initiatives

Leumi

- **Sales and service simulator:** An innovative and unique training and learning space for employees and managers to develop interpersonal skills: Service and sales skills, interpersonal communication skills, management skills and negotiation skills.
- **Leadership Program:** A unique two-year program for the development of senior middle management, led by members of management and members of the One Hundred Forum. As part of the program, participants develop their leadership and influence skills, while focusing on three main areas: Self-management, management of relationships and systems management. The program combines academic studies with workshops and peer learning.
- **Business class and “gyms”:** Workshops and one-day training seminars for improving skills and reducing knowledge gaps in business areas.

Leumi Card

The Company holds training courses for new representatives and individual training programs for newly hired employees in professional positions. Leumi Card also conducts 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, 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 Leumi Campus – 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, as well as personal development and growth. The program includes various activities such as management courses, peer learning, management forums, and personal consulting processes. In addition, as part of a desire to promote learning and personal development of employees in order to retain outstanding employees, the Company grants scholarships to employees and managers who meet its requirements.

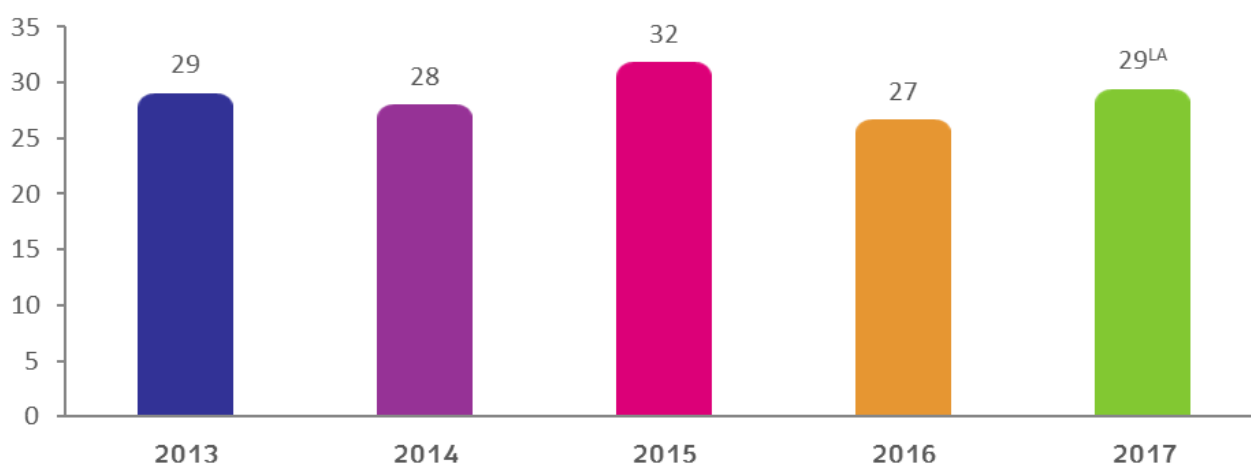
Training

In 2017, the total training days (8 hours per day of training) for employees at the Leumi Group stood at about 69,150 – an average of approx. 64 training hours per employee^{LA}.

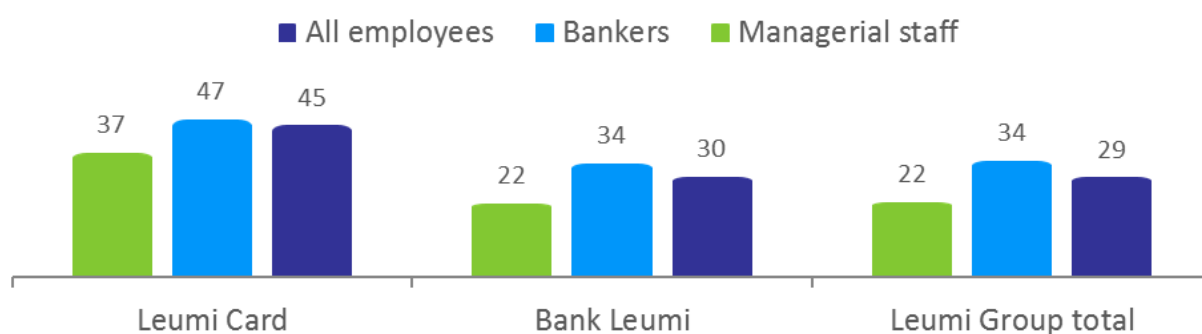
This figure includes online learning and other modes of learning. Some of the data in the information systems cannot be segmented by level and gender, as required by the GRI. Therefore, segmented data show lower averages than the total hours of training that actually took place.

The breakdown of the training data below does not include BLUSA and data that are not segmented according to GRI requirements:

Average Training Hours per Group Employee



Average Training Hours per employee in 2017



Leumi Jobs: Improving transparency in internal mobility and placement procedures

Leumi has an online system that allows employees (bankers and managers) to view available positions at the Bank and apply for them. The platform encourages employees to play an active role in their career management, increases transparency, and is an expression of Leumi's view on promoting and developing employees. In 2017, about 1,130 employees were subscribers and received updates on new openings while 142 employees assumed new positions, to which they applied through the platform.

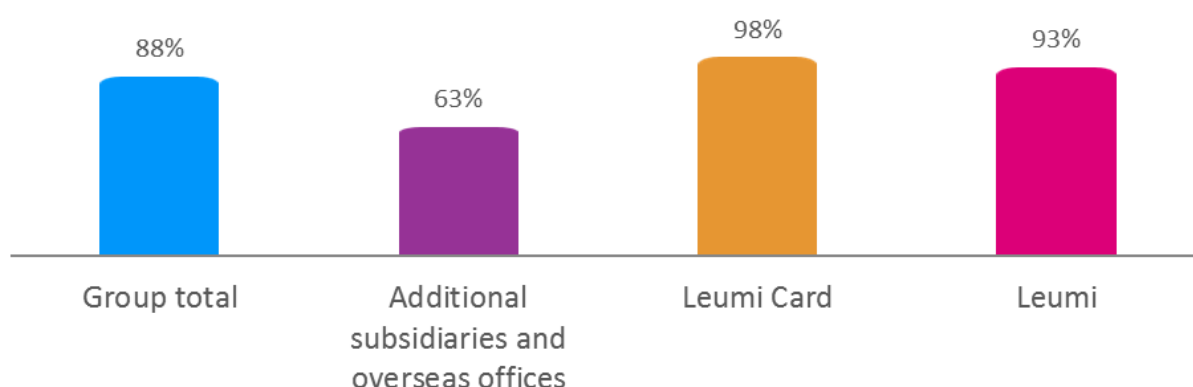
Employee Feedback and Assessment

Employee performance meetings are held once a year as part of the annual evaluation review process, both as a tool for supporting decision-making, and to improve performance, development, and empowerment. The evaluation meetings are structured and include reference to meeting the targets for the preceding year and setting targets and emphases for the coming year. Most of the process is a dialogue between the employee and his/her direct supervisor, providing an opportunity to obtain the manager's feedback about the employee's performance and quality of work in the preceding year, coordinate mutual expectations looking ahead, and thinking together about possible ways to continue to learn and develop. The process also includes a self-evaluation component.

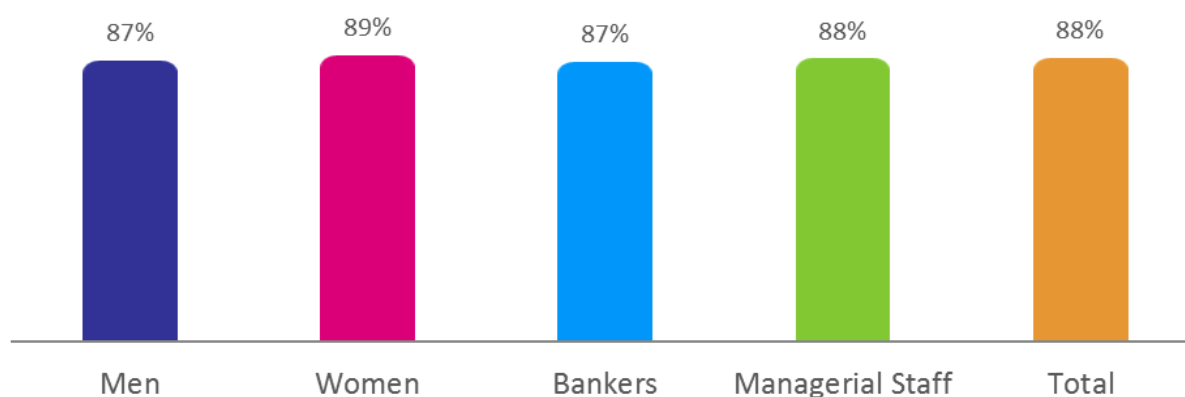
The annual evaluation process includes filling out an automated opinion form, which can be viewed by the employee. In addition to the annual performance evaluation process, Bank Leumi conducts an annual "midway dialogue" process, which allows an open, less formal discussion that is not associated with remuneration.

In addition to the annual evaluation process, Bank Leumi carries out other manager evaluation processes by (external) assessors. Evaluations are also carried out during management courses.

**Percentage of Employees who Received Feedback,
by Company, 2017**



**Percentage of Group Employees who Received Feedback,
by Gender and Population, 2017**



* The percentage of feedback recipients at Leumi Card is calculated based on the percentage of feedback recipients out of the total number of participants in the annual assessment process, rather than a percentage of total employees, as calculated for the rest of the Group. All company employees participate in the annual evaluation process, including representatives with at least one year's seniority at the Company, excluding VPs.

The remaining representatives (with a seniority of up to one year) receive feedback once a month, and are therefore not included in the calculation mentioned above.

Employee Engagement and Increasing Transparency

Leumi has several structured mechanisms in place for dialogue between employees and management, such as:

- + **Live meeting with the CEO:** In 2017, 4 virtual meetings were held with the CEO broadcasted to all Bank Leumi employees. The meetings focused on strategic issues at Leumi, connected employees to Leumi's story, and increased their engagement and sense of belonging to Leumi. Satisfaction with the meeting was high, thanks to the dialogue that takes place during the broadcast, in which employees' questions sent in advance and were answered during the broadcast.
- + **Meetings between employees, the CEO, and division managers:** Throughout the year, meetings were held between groups of employees, the CEO, and division managers. These meetings made it possible to hold an open and direct dialogue between management and diverse groups of employees. Members of management also visited branches and districts, where they spoke with small groups of employees.

Employee Satisfaction

Since 2013, Bank Leumi has carried out the Leumi Pulse surveys – short and focused surveys that offer a fast and continuous up-to-date snapshot of employee perceptions about key aspects of the organizational culture, implementation of the vision and core values, including cultural processes derived from them, and about leadership at the Bank and employee engagement.

The results of the surveys are presented to the Bank's management, serving as a basis for discussion and for drawing lessons at the Bank and Division levels, are taken into account when formulating recommendations for improvement.

In December 2017, 7,760 of Leumi's employees, in all units, took a pulse survey.

In addition, each year, in November, Bank Leumi allows Coface BDI to conduct an external objective survey on employee satisfaction at the Bank. This survey is also used to rank the Bank in CofaceBDI's Best Companies to Work for rankings.

According to the 2017 survey (whose results were published in 2018), Bank Leumi was ranked eighth in the Best Companies to Work for Ranking by CofaceBDI and The Marker, placed first in the financial industry.

Leumi Card

In 2017, CofaceBDI conducted an employee satisfaction survey and an interface survey in some of the company's subdivisions.

In the survey conducted in 2017 (whose results were published in May 2018), Leumi Card ranked 22nd in the CofaceBDI and 'The Marker Best Companies to Work for' ranking.

Maintaining Proper Work Relations³³

The work relations between the Bank's management and the employees (through 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's managements and the employees' representative body.

In 2017, relations between the management and employee representatives remained good, based on mutual respect and attentiveness. In 2017, there were no labor disputes, strikes or lockouts initiated by the employee representative body at Leumi.

In 2017, about 96% of employees and managers in the Leumi Group in Israel were employed under collective bargaining agreements. All other employees in the Group are employed under personal contracts, including employees of Leumi Partners and of

³³ 102-41

overseas offices, where there were no employment collective bargaining agreements in place in 2017.

Contract Workers

Leumi obtains services from employees of manpower agencies, service providers and software companies, who serve in various capacities: Tellers at the branches, call centers representatives, IT workers and programmers, and more. These workers are employed by the manpower agencies and software companies, rather than by Leumi.

Following is a list of services Leumi receives from contract workers:

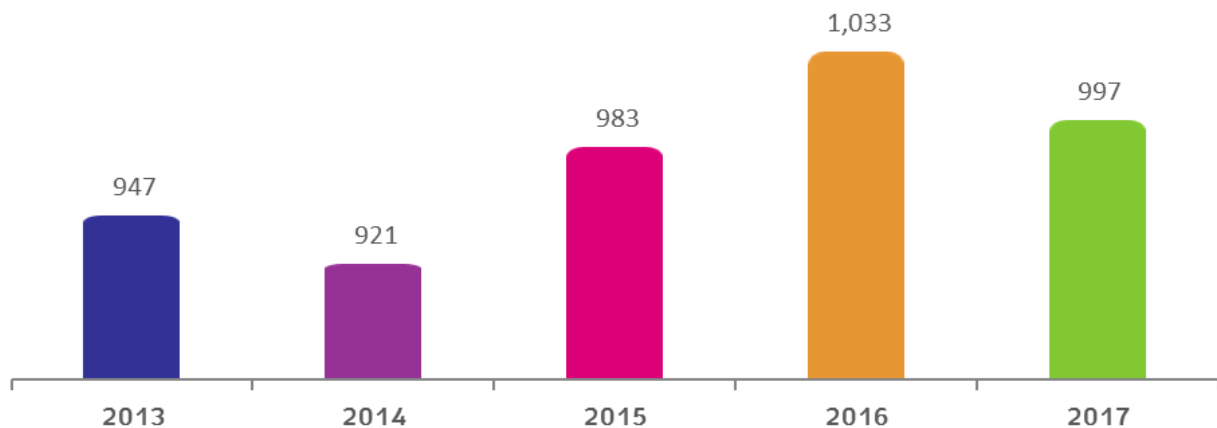
1. **Call center representatives:** Employed by manpower agencies.
2. **Tellers and administrative workers:** Employees of manpower agencies who work as tellers, secretaries and office staff, for a limited time.
3. **Outsourced workers:** Employees of software companies who usually work off-premises, providing computer and software services to Leumi.

As part of the Bank's policy, Leumi hires contract workers as employees from time to time, according to need.

As at December 31, 2017, Leumi received services totaling 997 positions from contract workers (some of the contract workers provided services to the Bank part-time). Leumi Card received such services totaling 69 positions.

Services provided by suppliers – such as representatives and assimilators working as part of short term projects, or providing security, catering and cleaning services are not included in the contract worker data.

No. of Contract Workers in Bank Leumi



Hiring Contract Workers ^{LA}

In 2017, 431 of the contract workers, who worked for the subsidiaries' service providers, were hired as bank employees.

Hiring Managers from Local Communities

As of December 31 2017, Leumi employed 7 Israeli managers in the US and 4 in the UK. The remaining managers were employed locally by the foreign offices.

Employee Turnover

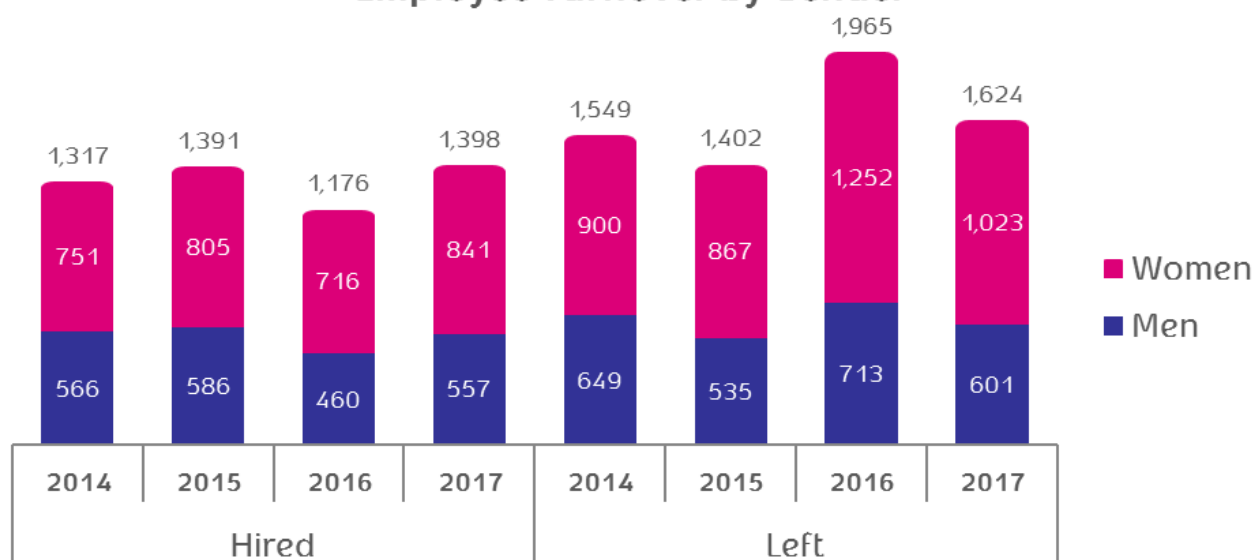
Voluntary Retirement Plan

In 2017, following previous efficiency and voluntary retirement processes, Leumi offered an additional voluntary retirement plan to Bank employees. 450 employees signed retirement arrangements under the voluntary early retirement plan, most terminating their employment by December 30, 2017 and receiving benefits (according to their seniority), including an early pension arrangement until retirement age, according to law, or increased severance pay, subject to the parameters defined by the plan.

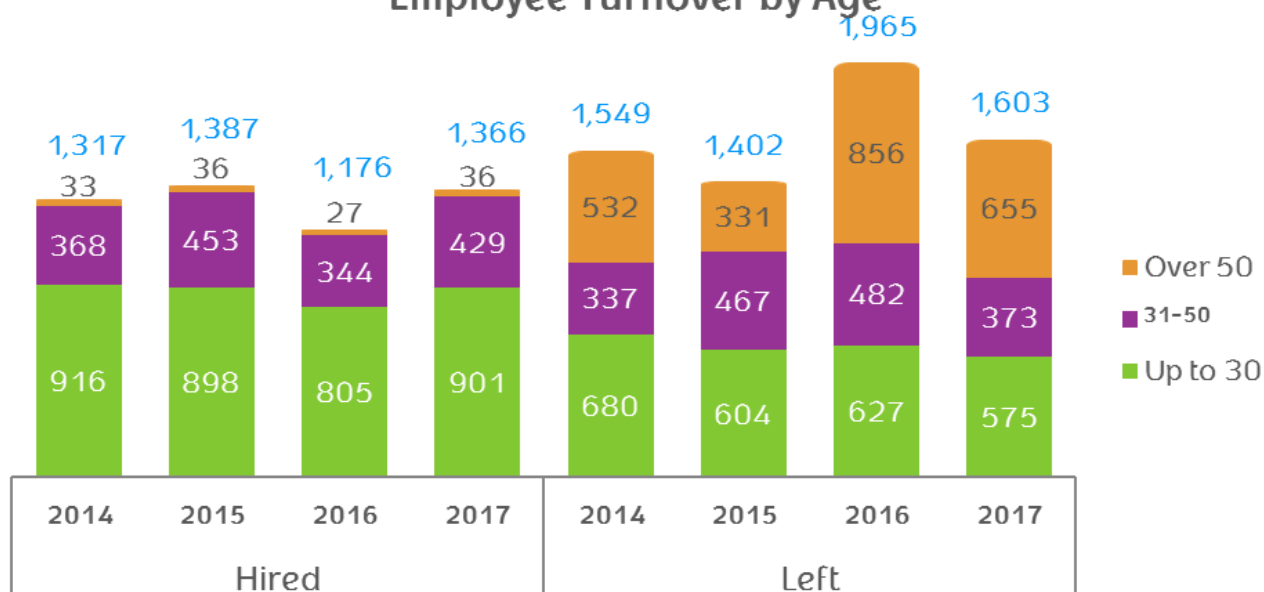
Retirement Planning Courses

In 2017, 8 retirement planning courses were held in 2017, attended by 406 employees and their spouses. The courses featured lectures on a range of topics, including retirement as a turning point, post-retirement from a social perspective, organizing time in post-retirement, relationships with the family after retirement, improving memory, a healthy lifestyle, wills and inheritance, retirement and post-retirement targets and investment planning, sleep disorders, volunteering, medical insurance, etc.

Employee Turnover by Gender



Employee Turnover by Age



Comments regarding employee turnover:

* As of 2017, hiring data also include the hiring of contract workers as Bank Leumi employees (see p. 138)

- + Leumi Capital Market Services – the data on employee turnover are not segmented by age.
- + About one-third of Leumi Card's employees are service representatives, most of whom work at the Company until they turn 30. The highest employee turnover rate is therefore among employees in this age range.
- + The breakdown of employee turnover data by age and gender was performed specifically for the Corporate Social Responsibility Report, using information available in the Group's systems and subject to its limitations.

Meeting Objectives

Developing Excellence and Training Employees – Leumi Card

Objective for the end of 2017	Status	Details
Implement a CRM system upgrade	Done	
Train employees for positions that require specific skills – execution of 85% of the activities defined in the divisional training programs. Average 17 hours of training per employee per year	Done	The Company's employees participated in the sub-divisional training programs throughout the year
Train employees for positions that require general skills – Participation of 30% of employees in BrainZone activities	Done	The Company's employees participated in Leumi Campus activities throughout the year

Developing Excellence and Training Employees – the Trust Company

Objective for the end of 2017	Status	Details
Provide various types of training to the company's employees – a minimum total of 120 hours for all employees	Done	

Engagement and Dialogue with Employees – Leumi Card

Objective for the end of 2017	Status	Details
Launch an in-house employee app	Done	The app was launched early in the year. As of the end of 2017, about 55% of the employees downloaded the app. The app allows employees to receive information 24/7, such as viewing their personal calendar, signing up for social activities, accessing the corporate phone book, etc.

Work-life Balance – the Trust Company

Objective for the end of 2017	Status	Details
encourage employees to use 85% of their leave days	Partially implemented	

Security and safety – Leumi

Objective for the end of 2017	Status	Details
Reduce the number of employee accidents (excl. car accidents) by 3% compared with 2016	Done	A 45% year-on-year drop in work accidents. In 2017, 27 accidents were reported, compared with 49 in 2016
Conduct training for 30 construction contractors during 2017	Done	45 construction and maintenance contractors took part in a conference on safety issues
Have relevant employees undergo safety certification courses required by the regulations for safety trustees, emergency medical technicians (EMTs) and altitude workers	Done	Each relevant unit underwent training according to the annual plan. The altitude training session was not held, since all the work was assigned to a maintenance contractor who trains their employees independently
Have safety supervisors at the branches and headquarters conduct 40 comprehensive safety surveys	Done	42 safety surveys were conducted in the branches
Complete training of safety trustees in branches with more than 25 employees	Done	Safety trustees at former branches of the Arab Israel Bank underwent intensive training. Trustees in other large branches were given more extensive training
Activate a multi-year ergonomic training program: Conduct	Partially done	Training was conducted in several units and branches. At this stage, it was decided to restrict training

Objective for the end of 2017	Status	Details
training at headquarters and 20 branches		solely according to need rather than according to an annual plan

Future Objectives

Security and safety – Leumi

Objective by end of 2018	Main actions planned
A 10% year-on-year drop in work accidents with casualties.	Annual safety tutorial, issue branch safety trustees summary of conclusions on work accidents, distribute content
Hold the required safety certifications for safety trustees for relevant employees according to the regulations – cover at least 95% of the training sessions	Cover all the necessary training according to a table listing the relevant employees
Training of building and maintenance contractors on work safety – conduct safety training for 25 contractors during 2018	Invite contractors to a conference to be held at the Keshev branch and to makeup classes for contractors who could not attend
Have safety supervisors at the branches and headquarters conduct 40 safety surveys – 90% of the required safety surveys	Cover surveys according to a five-year plan
Hold refresher courses for 90% of the safety trustees at the branches	Conduct a refresher day for all trustees at the training center
Monitor the 30 safety surveys conducted during 2017	Tour branches

Leumi Card

Objective by end of 2018	Main actions planned
Train employees on general skills	Participation of 30% of employees in the Company's BrainZone activities. Encourage the use of the TO GO learning platform
Train employees on skills required for specific roles	Implementation of 85% of the activities defined in the sub-divisional training programs
Enterprise measurement – conduct pulse surveys, interface surveys, and a 360 survey at the Company's subdivisions	Create methodologies for the surveys, manage them and develop work plans based on the findings

Leumi Card's employee data

Age and rank

Rank	Age	Women	Men	% of women
Senior management (ranks 17–22)	Up to age 30	0	0	0
	Aged 31–50	2	7	22%
	Aged 51+	2	0	100%
	Total	4	7	36%
Mid-management (13–16)	Up to age 30	0	0	0
	Aged 31–50	54	40	57%
	Aged 51+	3	10	23%
	Total	57	50	53%
First line management (8–12)	Up to age 30	9	7	56%
	Aged 31–50	67	41	62%

	Aged 51+	4	3	57%
	Total	80	51	61%
Bankers	Up to age 30	403	167	71%
	Aged 31-50	385	224	63%
	Aged 51+	37	25	60%
	Total	825	416	66%
Total employees	Total	966	524	65%

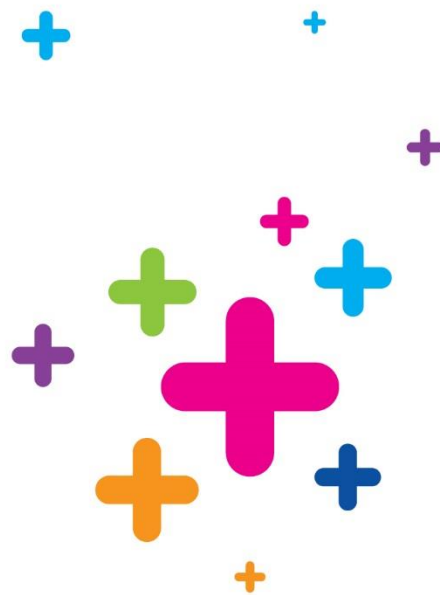
Training and feedback data

Category	Women	Men	Total
Total no. of training hours	43,802	23,127	66,929
Average no. of training hours	45	44	45
Average no. of training hours per banker	-	-	46.6
Average no. of training hours per manager	-	-	36.7
% receiving feedback (out of those eligible for feedback)	729	429	98%

Employee Turnover

Category	Age	Total
Hired	Up to age 30	376
	Aged 31-50	89
	Aged 51+	3
	Total	468
Left	Up to age 30	277
	Aged 31-50	94
	Aged 51+	8
	Total	379

No. of contract workers hired as company employees: 33



Creating Value for the Community

The Leumi Group is a leading banking group and, as such, has notable and significant impact on Israel's economic, environmental and social fabric. This realization resulted in the Group's worldview 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.





39,000 hours of volunteer work

were carried out by 4,300 employees, assisting youth, the elderly, needy families and people with disabilities



5 IDF units

were adopted as part of the Adopt a Fighter project. We recognize and reward our hundreds of reservists



Digital literacy

We have promoted digital literacy among adults and youth, through various projects with the ORT school network and NGO Machshava Tova, as well as through the Israel IL Project



NIS 37.2 million

was invested in the community, approximately 0.77% of our pre-tax net income. Donations and sponsorships were granted to hundreds of organizations, such as: Follow me!; Friends of Atidim; Young Entrepreneurs; Fair Chance for Children; Passover food donations; Friends for Health; Yozmot Atid; Pa'amoni; Lod Development Fund, etc.



8000 youth

participated in the 'Follow me! youth leading change' activities supported by Leumi. Follow Me! alumni comprise 20% of the combat soldiers in the IDF. 54% of the program graduates attend higher education institutions



Community Investment Statement

The Leumi Group is a leading banking group and, as such, has notable and significant impact on Israel's economic, environmental and social fabric. This realization resulted in the Group's worldview 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.

The Leumi Group's community outreach is expressed in its constant investment in the next generation, by creating opportunities and providing tools for success. The Group focuses on advancing education, entrepreneurship and leadership among youth from Israel's geographic and social periphery, on activities aimed at reducing gaps and promoting equal opportunity, by providing donations, sponsorships, volunteer work, and other activities through the Centennial Fund. The Group regularly cooperates with social organizations, conducting a continuous dialogue with them, through which it has learned about the needs of the community and is continuously formulating solutions for these needs.

The Leumi Group expresses its vision of investing in the community through several key channels, as follows:

- + **Donations and social sponsorships** are granted to NGOs and organizations promoting a range of social and community causes. Members of the Donations and Sponsorships Committees are appointed by the President and CEO, and evaluate applications for support meticulously and thoroughly, in accordance with predefined criteria. The Donations Committee is managed by the Corporate Social Responsibility Subdivision of the Human Resources Division, while the Sponsorships Committee is managed by the Marketing Subdivision. The donations and social sponsorships channel includes the activity of the Centennial Fund for Tomorrow's Generation, as outlined below. The Group does not grant donations earmarked for political parties, or for promoting political aims.

- + **Employee volunteering:** The employees' volunteer work is carried out in cooperation with local authorities and NGOs, focusing on activities to reduce social gaps and promote disadvantaged populations, with emphasis on at risk children and youth.

The Group's total expenditure on investment in the community in 2017 reached NIS 37,170,185, which constitutes 0.77% of its pre-tax net income. In this framework, the Group donated to, and sponsored about, 450 organizations. This amount includes the total donations and sponsorships given by Leumi as part of the Leumi Tomorrow – the Centennial Fund for Endowing Israel's Future Generation, donations and social sponsorships Committees, donations made by all of the Group's subsidiaries, budgets of employee volunteer activities, and donations in equipment as well as employee volunteer hours.

Donations and Social Sponsorships

Most of Leumi's Group's investment in the community is carried out through the Leumi Tomorrow – the Centennial Fund for Endowing Israel's Future Generation (hereinafter – the "Centennial Fund"). The Centennial Fund is a registered NGO working for the advancement of children and youth across Israel. The NGO is fully funded by donations from the Leumi Group and its employees, and managed by a committee that includes some of the Group's senior executives. The NGO is chaired by the Head of Human Resources Division at Leumi. The NGO is headquartered at the Corporate Social Responsibility and Employee Volunteering Subdivision.

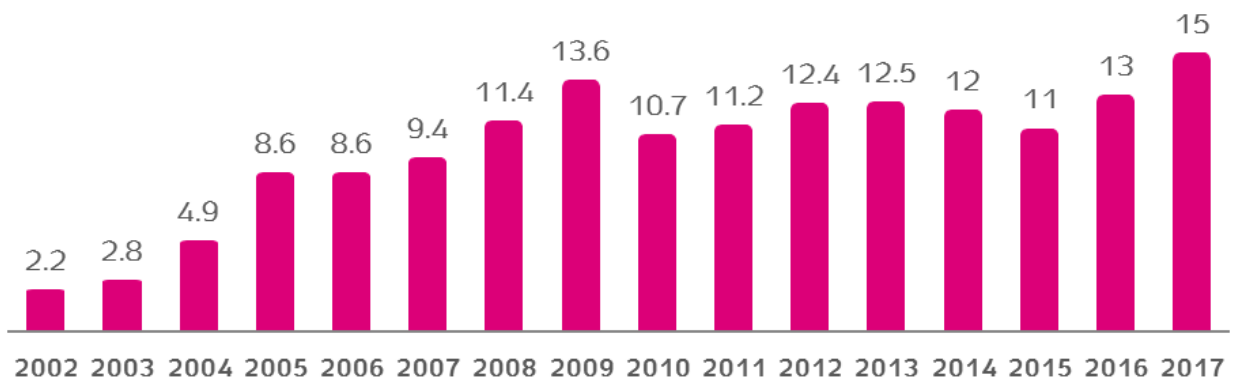
The organization promotes three main areas:

- Leadership development and promoting values education and social involvement
- Increasing the number of high-school graduates eligible for a matriculation certificate and making academic education accessible to youth
- Increasing the number of recruits for quality service in the IDF

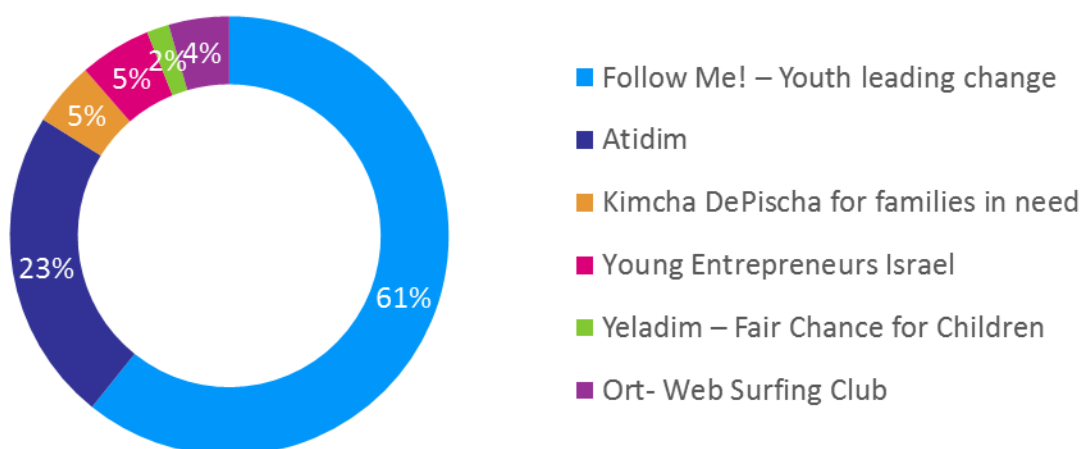
The programs are held throughout Israel, among a range of population sectors and through long-term cooperation with NGOs. In addition, the NGO assists populations in need and distributes food parcels ahead of the Passover and Ramadan holidays.

Since its establishment in 2002 until the end of 2017, the Centennial Fund has invested a total of **NIS 160 million** in non-profit organizations and social organizations working for future generations, out of which approximately NIS 15 million were invested in 2017. In 2017, 22,000 youth from families with lower socio-economic backgrounds and various population sectors, supported by the Centennial Fund, took part in activities in 100 communities across the country.

**Donations by Leumi Tomorrow – the Centennial Fund for
Endowing Israel's Future Generation
Total of NIS 159.5 million**



Breakdown of Donations by Leumi Tomorrow – the Centennial Fund for Endowing Israel's Future Generation, in 2017



For a list of companies that contributed to the Centennial Fund, please see the NGO's financial statements.

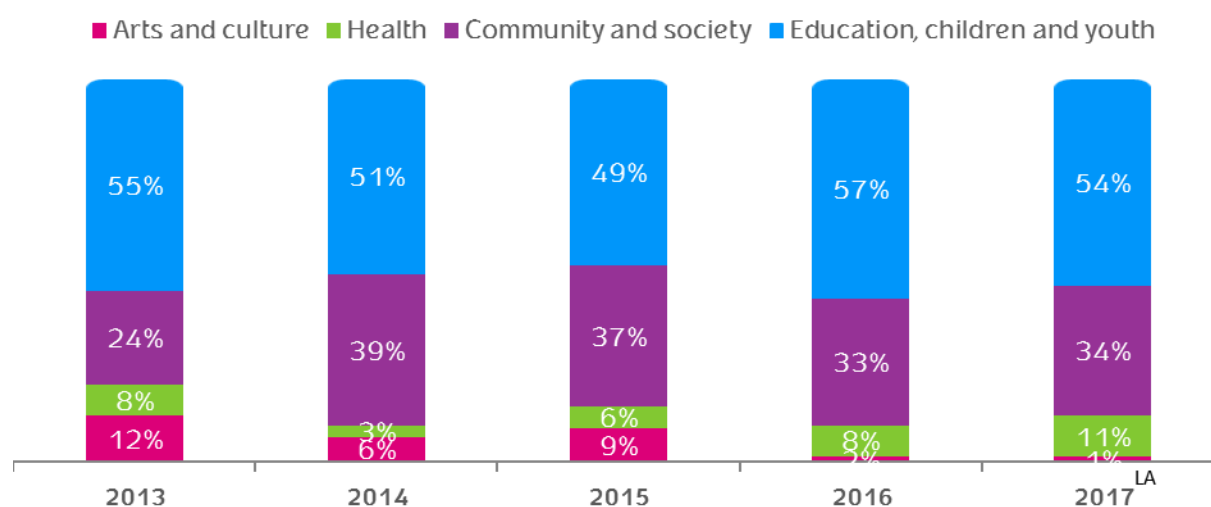
In addition to the donations made through the Centennial Fund, the Leumi Group makes donations through a donations committee, and social sponsorships through the sponsorship committee.

Since 2010, the Leumi Group has invested NIS 254 million in the community

Total Investment in the Community – Leumi Group (NIS Milion) Since 2010



Breakdown of Community Investment by Leumi Group



Investment in the community by Country – 2017

Country	NIS million
Israel	36.9
United States	0
England	0.2
Romania	0
Total	37.2

Employee volunteering

The social involvement of its employees is a key element in the Group's notion of its responsibility towards the community. The employees view it as their mission, investing their time and skills in social causes.

The guiding principles of Leumi employees' volunteer activity are as follows:

- + A concept of long-term, significant communal partnership and coordination between employees' abilities and the community's 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 – strengthening their commitment.

- + Activity within the local community, with a focus on “the next generation” – children and youth.

The employees’ volunteer work is carried out in cooperation with local authorities and NGOs, focusing on activities for the next generation, as elaborated. The activity includes social and values enrichment, as well as financial education (in after school programs, kindergartens, schools, youth groups, hostels, boarding schools, and hospitals); improvement of living conditions (food distribution, renovation, collecting equipment); improvement of scholastic achievements (help with homework, mentoring, and lectures); and other areas (food harvesting, food distribution, support of Holocaust survivors, and activity in clubs for the elderly).

In 2017, 4,300 Leumi Group employees took part in volunteer activities in the past year, contributing 39,000 hours of volunteer work.^{LA}

Management of Volunteer Work at Leumi

The volunteer work at Leumi is managed by the Corporate Social Responsibility and Employee Volunteering Subdivision in the Human Resources Division. The unit is responsible for establishing contacts with social organizations, initiating projects, overseeing the activities and supporting the volunteers. The field work is operated by a network of social leaders across Israel, with about 20 divisional social leaders and 350 leaders in the districts, subdivisions and branches across the country.

The leaders have at their disposal a budget, technological tools (online forms, an information website, and ideas for activities) and a system for reporting work hours and volunteering activities. The social leaders are responsible for identifying needs, creating and liaising with social organizations, managing the unit’s volunteering budget and implementing the activity program. Activities to recognize the leaders and volunteers are held at the divisional and Bank levels. Most of the employees’ volunteer work is carried out outside working hours.

Main Social Projects Supported by the Leumi Group in 2017

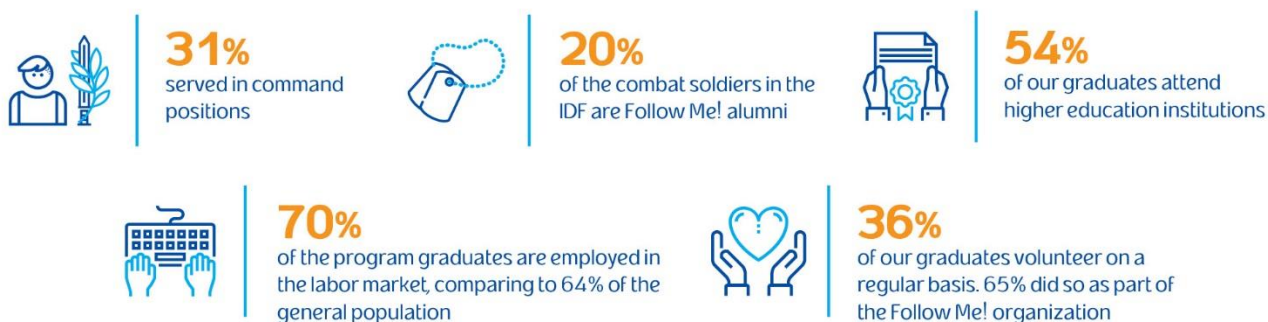
Cooperation with the Follow me! NGO

Follow me! – Youth Leading Change is an NGO that seeks to integrate teenagers and young adults at risk in Israeli society, by education for values and leadership development, and offering tools. The non-profit organization operates about 400 groups throughout Israel, in which about 8,000 teenagers from all sectors participate each year, in approximately 150 communities across Israel: Groups for leadership and preparation for the army, hiking courses, matriculation learning centers, empowerment for youth of Ethiopian origin, military preparedness courses, community service communes, Nahal groups, and an alumni association.

The Follow me! – Youth Leading Change NGO has been the Leumi Group's strategic partner for 16 years. The Group is the NGO's main donor and supports its activities in the periphery while professionals from Leumi advise the NGO's managers and help them and the Bank's CEO heads the NGO's Friends Association. More than 1,200 Leumi employees volunteered in the Follow Me! projects during 2017.

From a survey with the 'Follow me!' alumni program conducted in 2017:

The 'Follow me! Youth leading change' impact



Friend of Atidim: Leumi support two programs run by the NGO:

- [The Kedem Atidim program](#) promotes scientific excellence and empowerment among high-school students in peripheral areas. Some 3,700 youth participate in the program in 15 communities across Israel.
 - [The N.A.M. \(an acronym in Hebrew for Outstanding Arab Youth\) program](#), that seeks to advance outstanding youths from the Arab sector in the North towards higher education in prestigious tracks at the Technion and their recruitment to quality jobs. In 2017, 54 students participated in the program.
- [Young Entrepreneurs](#): The NGO was adopted by the Leumi Group since its founding twenty years ago. 3,000 youth participate in the program in 70 communities across Israel and all population segments. 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 the profits, or decide to donate the proceeds to the community. In addition to the financial support, Leumi employees invest their own time and energy in providing ongoing guidance and training on financial and business matters to the young entrepreneurs.
- [Give Kids a Chance](#): An NGO that helps children at boarding schools, providing them with the same opportunities as children who live with their families. The donation has funded the establishment of seven therapeutic gardens in various boarding schools as part of the Flourishing Gardens venture, in which Bank Leumi employees volunteer with the boarding schools children on a weekly basis.
- [ORT's Web Surfing Club](#): The project focuses on empowering, developing leadership skills and social involvement of youth by their volunteering with adults to reduce digital divides. About 300 middle school students from 15 schools across Israel meet once a week with the elderly and help them become better versed with the digital field, teaching them computer skills and useful applications features.

- **Passover food donations:** Since 2005, ahead of the Passover and Ramadan holidays, the Leumi Group leads a campaign to distribute food packages to disadvantaged families throughout the country. Leumi employees take part in the campaign through monetary donations, and through the packing of food parcels and their distribution to families. In 2017, more than 3,800 food packages were distributed to families in need across Israel, including to Christian families ahead of Easter, and Druze families ahead of the Nebi Sheib holiday.
- **Leumi for financial education:** Leumi volunteers use their professional knowledge in their ongoing volunteer work in the Pa'amonim NGO, which assists families in financial distress. In addition, within the framework of cooperation with the NGO "Shiur Acher," Leumi volunteers give financial education classes in schools, expanding children's and youth's financial knowledge.
- **Leumi with the Community in community centers:** Cooperation with the Israel Association of Community Centers, which enables Leumi employees to volunteer across Israel, with an emphasis on social and geographic peripheries.
- **Machshava Tova:** Machshava Tova works to reduce social gaps through technology. As part of the cooperation, employees of the Leumi Technologies Division volunteer at the Machshava Tova Technology Center in Lod. The employees serve as mentors and lecturers on employment at the NGO's service, support the youth groups and run Summer Tech, a one-week technology summer camp, featuring presentations developed and delivered by the Bank's knowledge experts.
- **Friends for Health:** An NGO that supports people with medical condition and handicapped people in distress. Since 2010, the organization has managed a special support fund donated by Bank Leumi. The Bank's donations helped about 200 patients in 2017.
- **The Association for the Wellbeing of the Soldier's 'adopt a fighter' project:** Bank Leumi has adopted five units as part of this program: The School of Field

Intelligence, the Central Knights Battalion, the commando Duvdevan Unit, the 12th Battalion of the Golani Brigade, and the Magellan Unit.

- **“Yozmot Atid” (“Initiatives for the Future” in Hebrew):** A program that help entrepreneur women who suffer from poverty to achieve economic independence. The program offers a support system, including loans at preferential terms, personal business advice, group training, and networking.
- **Pa’amonim:** The NGO assists individuals, families, organizations and populations in a variety of life situations, who are interested in undergoing mentoring and financial counseling and who need to acquire knowledge, tools and new habits in this area. The assistance is provided by issuing information and tools for independent learning in addition to individual or group financial assistance, for a period of several months, in the field of financial conduct. The organization also operates financial education programs throughout Israel, offering presentations, study programs, and group workshops.
- **The Lod Development Fund:** An organization engaged in developing the city of Lod in various ways. Bank Leumi’s donations, beginning in 2013, focus on student activities in the city, in an effort to generate change. Participating students live in Lod during their studies, volunteering for the town’s residents, and favorably influencing the population.
- **Israel IL – Bridging the Digital Divide:** For more information, please see p. 91.

Donations and Volunteering by Leumi Card Employees

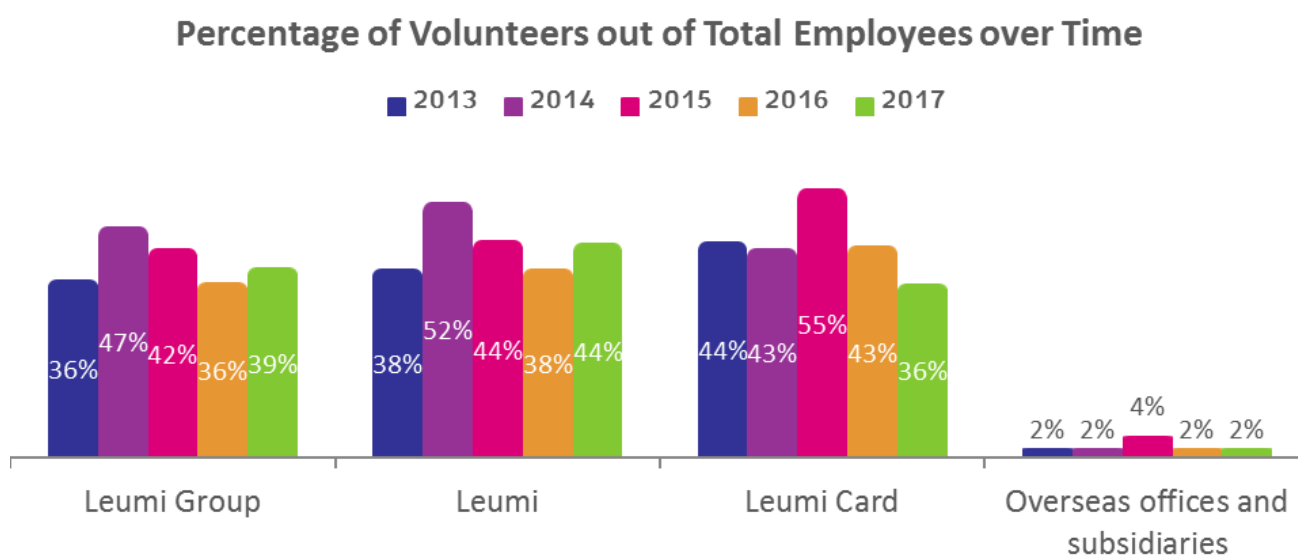
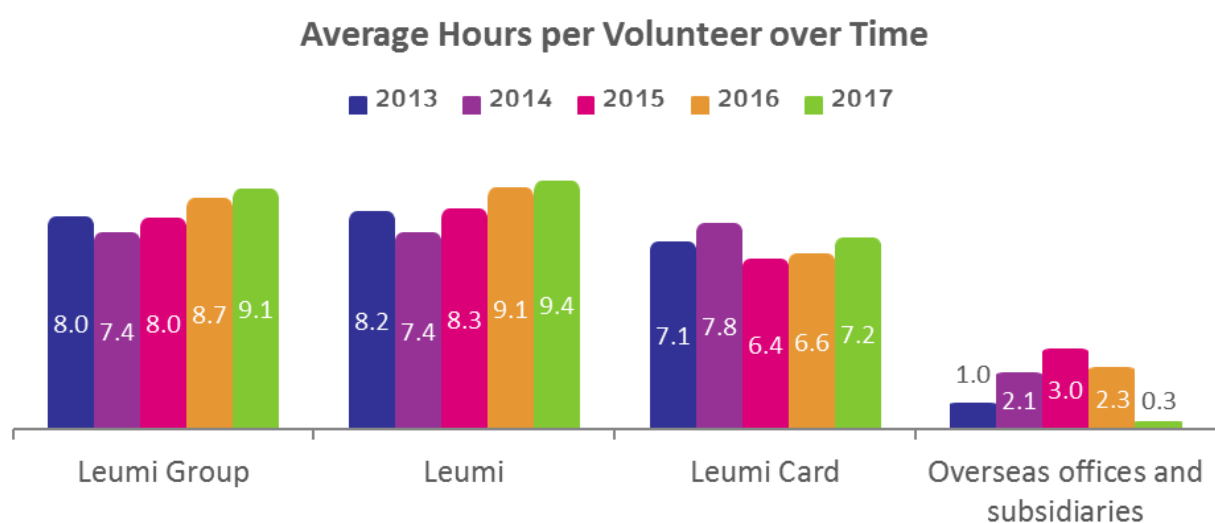
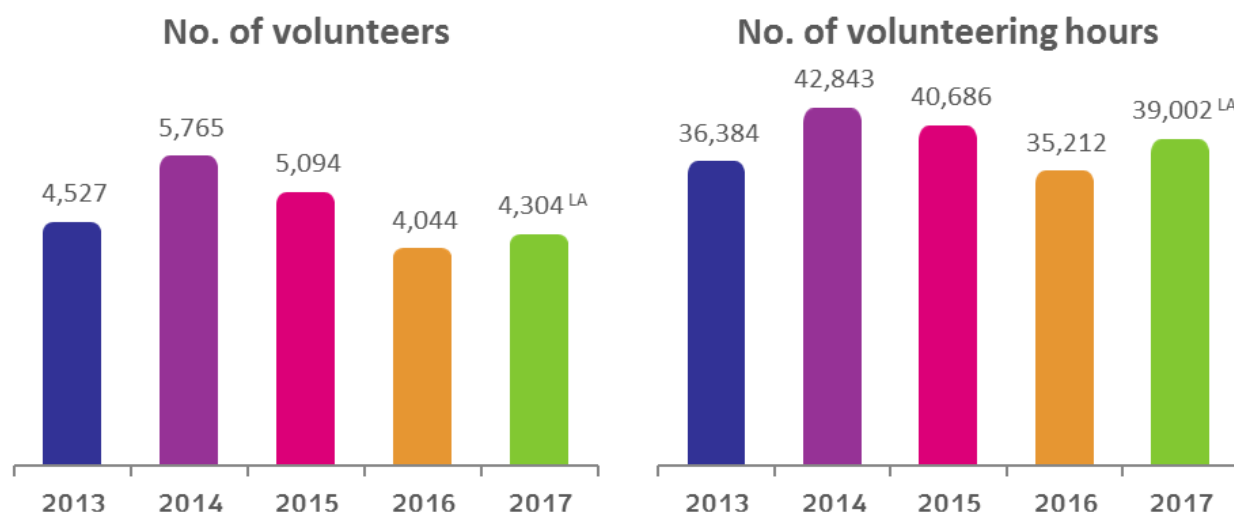
Leumi Card is also engaged in promoting and nurturing the future generation, focusing on children and youth at risk. The company seeks to create opportunities and reduce social gaps in an effort to enable children and young adults to maximize their skills and integration into society. The following are the key programs in which the company’s resources were invested in 2017:

- **Adoption of the “Makor Haim” school:** An elementary school in the Pardes Katz neighborhood, which Leumi Card has adopted in the past three years; the

company's volunteer employees engage in various activities: the celebration of holidays with students; cultural and enrichment activities outside the school; and the celebration of milestones such as bat mitzvahs and the end of the school year. Leumi Card also pays some of the tuition of the school's outstanding students participating in Tel Aviv University's Science-Seeking Youth program.

- **The "Gesher La'atzmaut" project of "Yeladim – Fair Chance for Children"** is a program that supports graduates of boarding schools and foster homes aged 18 to 24 who have no family to return to. The project offers housing and support and helps members integrate into the community. In addition to Leumi Card's monetary donation to the project, volunteer employees meet the graduates once a week, teaching them life skills or assisting them with their studies.
- **Adopting the Komemiyut School:** An elementary school in the Pardes Katz neighborhood, comprising 200 students. Leumi Card's flagship product in the school is "Book – a Success Story", an experiential project that aims to encourage reading among children: Under the project, taking place for the fifth consecutive year, fifth graders at 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 an "older brother" (each student has a permanent employee accompanying him/her throughout the year).
- **Ahuzat Sarah Boarding School:** A boarding school for children removed from their homes by court order. Leumi Card's flagship project at the boarding school is the adoption of the Israel Trail. Leumi Card funds the project, and each month, its employees join a hike on the Israel Trail with children of the boarding school celebrating their Bar Mitzva/Bat Mitzva.

Paid summer work for employees' children: Children of employees aged 14–18 are offered summer jobs in Leumi Card's adopted NGOs. This platform is of great value to both employees and their children, due not only to the paid work but to the value provided to society, as well as the NGOs who are given free manpower and assistance.



Measuring the Effectiveness of Investing in the Community

The “Leumi Tomorrow – Centennial Fund for Endowing Israel’s Future Generation” NGO is evaluating the effectiveness of its activity, including objectives, measurement, and evaluation programs, with emphasis on the measurement of long-term results.

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

At Leumi Card, community involvement activities are monitored throughout the year. Discussions are held with the volunteers and with the communities in which the activities are held, concerning the degree of the activities’ success and their impact on the target population. In accordance with feedback, and where necessary, improvements are made in the activity programs.

Meeting Objectives

Investment in the community by Leumi

Objective for the end of 2017	Status	Details
Enhance coordination between donations and volunteer activities in order to boost shared value	Done	Emphasis was made on engaging employees in organizations to which Leumi makes donations, while assessing the possibility of donating to organizations where Leumi’s employee volunteer
At least 3,400 employees will participate in at least one volunteer activity in 2017	Done	3,755 of Bank Leumi’s employees volunteered in the community
At least 1,000 volunteers participated in the activities of the “Follow me!” organization	Done	1,156 employees volunteered in the “Follow Me!” activities

Investment in the community, Leumi Card

Objective for the end of 2017	Status	Details
Launch another "Book – a Success Story" project in the 2017-2018 school year	Done	In November 2017, the eighth class of the "Book – a Success Story" was launched
Maintain a volunteer rate of 40% of the company's employees	Partially implemented	36% of the Company's employees participated in various volunteer activities. During the year, there was an increase in the percentage of employees who engaged in volunteer work on a regular basis

Investment in the Community – the Trust Company

Objective for the end of 2017	Status	Details
Reach a volunteer rate of 90% of the company's employees in 2017	Done	

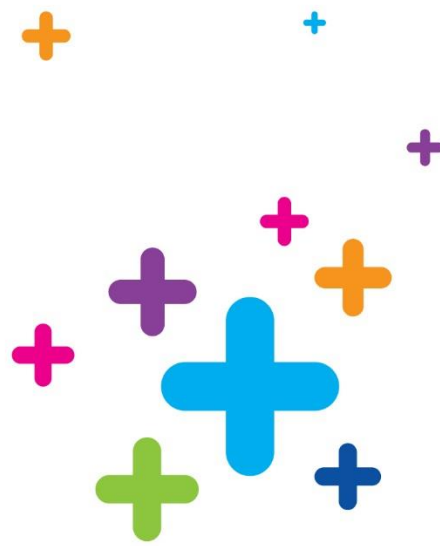
Future Objectives

Investment in the Community by Leumi

Objective by end of 2018	Main actions planned
Have at least 3,500 employees participate in at least one volunteer activity	

Investment in the Community – Leumi Card

Objective by end of 2018	Main actions planned
Leumi Card: Launch another class of "Book – a Success Story" project in the 2018–2019 school year	Recruit volunteers to conduct regular weekly mentoring sessions and peak team activities for the children and volunteers throughout the year
Leumi Card: 35% of the Company's employees doing volunteer work	Manage relations with volunteers and recruit new ones; refresh the volunteer program and help execute volunteer initiatives proposed by employees
Leumi Card: Hire employees' children to work at various NGOs to which Leumi Card donates funds during the summer vacation (with wages paid by Leumi Card)	Develop a volunteer program in cooperation with the NGOs and execute it



Integrating Environmental and Social Considerations in Procurement Practices

The values underlying the practices of Leumi's Procurement Subdivision are: Equality, transparency, sensitivity to conflicts of interest, exercising discretion, confidentiality, fairness, professionalism and protecting the environment.

Source: Main Points of the Supplier Charter.



NIS 4.6 million

of our procurement budget
was spent purchasing services
from companies that promote
the hiring of people from
underemployed sectors



NIS 1 million

was spent purchasing products
from NGOs and social businesses.
our suppliers, by the way, believe
we are very fair with them and
are satisfied with their business
relationship with us



EOM + 30

Our payment policy to
suppliers



Green suppliers

We test our new construction
and maintenance suppliers for
compliance with environmental
criteria and monitor the
materials they use



Supply Chain

Leumi's procurement activity includes the ongoing purchase of projects, equipment, products and services, as needed.³⁴ Most of the procurement activity is carried out in a centralized manner for all of Bank Leumi's units, including for some of the subsidiaries. Leumi's Procurement Subdivision is responsible for identifying suitable suppliers, screening vendors, requests for proposals, conducting negotiations, contracting suppliers and managing the ongoing relations with them. Procurement at Leumi is divided into technology procurement (hardware, software, product maintenance, consultants and communications) and general procurement (office equipment, security and safety, printing and mail, marketing & advertising, transportation, construction, cleaning and maintenance).

The Group also works with several suppliers that provide products specific to the banking industry, such as ATMs and machines for counting banknotes. More than 94% of Leumi's purchases are from local suppliers registered in Israel.

Procurement Data

- + In 2017, the Group contracted more than 4,400 suppliers (including direct purchases by the units).
- + About 75 new suppliers started working with the Bank's Procurement Subdivision during the year.
- + All suppliers newly contracted by Leumi's Procurement Subdivision have undertaken to meet the Bank's employment environment criteria (terms and conditions of employment, safety, etc.).

³⁴ Most of the procurement activity is carried out by the general procurement function, which is responsible for procurement processes and for carrying out large transactions. The Procurement Subdivision of the Finance Division is responsible for these processes. In addition to these procurement activities, direct purchases are made by the headquarters units and branches. The information in this section refers to the general procurement activity only, unless noted otherwise.

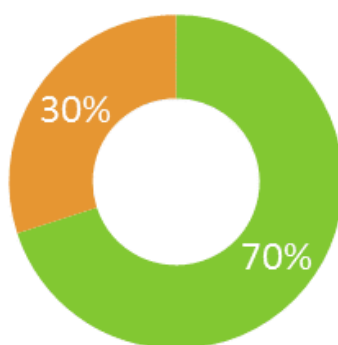
- + As applicable, and depending on the type and extent of engagement, Leumi's contracts with its suppliers include clauses regarding commitment to employee rights.
- + All construction and maintenance suppliers newly contracted by the Procurement Subdivision (32 suppliers in 2017) have undertaken to meet the Bank's environmental criteria.

Mapping of Supplier Characteristics

- + In 2017, around 60% of the suppliers working for Leumi's Procurement Subdivision were small and mid-sized businesses³⁵
- + The Leumi Group strives to maintain long-term, proper, and responsible relations with suitable suppliers, while maintaining an open dialogue with them in all areas of activity.

Distribution of Procurement at Bank Leumi in 2017

- Technology procurement
- General procurement



³⁵ Small suppliers - Businesses with 0-20 employees; mid-sized suppliers - Businesses with 21-100 employees.

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

Responsible Conduct with Suppliers

- + **Fair and ethical conduct towards suppliers:** In 2013, a charter was drafted based on the Leumi Way, outlining the Group's conduct towards its suppliers, with an emphasis on equality, transparency, sensitivity to conflicts of interest, exercising discretion, confidentiality, fairness, professionalism and protecting the environment.
- + **Payment Terms to Suppliers³⁶:**
 - As a rule, Leumi's policy of paying its suppliers is "EOM + 30" (payment of up to 30 days after the end of the month in which the supplier's invoice reached the Bank), unless the purchase order indicates other payment terms.
 - Payments are made earlier in case of a supplier experiencing liquidity problems – by special request and according to a hierarchy of authorizations.
- + **Dialoguing with suppliers:** Leumi operates a secure supplier portal, allowing the exchange of contract documents and invoices for payment in an efficient, rapid, and transparent manner between Leumi and its suppliers.

Initiatives to Promote Responsible Conduct with Suppliers

- + Where material transactions are concerned, the Bank strives to manage the price quote processes through an online system, which allows for the submission of questions and providing a uniform response to all the suppliers participating in the procurement process in a quick and uniform manner. In addition, the phase of

³⁶ The data refer to payments made by the central payment unit. There may be differences in payments made by other units.

selecting the winning supplier is conducted while maintaining separation between aspects of quality and cost, with emphasis on fairness.

- + Some of the procurement procedures – such as real time tenders – take place online, in order to increase transparency.
- + Leumi's Procurement Sub-Division manages procurement processes using mechanisms that help maintain fairness and transparency, such as a FAQ mechanism for suppliers participating in the purchasing process. A supplier survey is conducted every two years, with the purpose of assessing suppliers' perceptions of their interfaces with the Procurement Subdivision, with emphasis on applying the values of the supplier charter (fairness, equality, confidentiality, etc.). The most recent survey was conducted in 2016; an additional survey is expected in 2018.
- + Before bidding for construction projects, the Procurement Subdivision initiates a preliminary tour for subcontractors, with the aim of enabling potential suppliers to coordinate expectations, understand the nature of the project and in order to maintain transparency and equality.

Enhancing Positive Impact on the Community through Procurement

The growing awareness about supply chain managing and its impact on the environment and the community is embedded in the selection process of suppliers and products. Suppliers are required to state, as applicable, their compliance with requirements pertaining to issues such as air and water pollution, soil contamination, noise, odor, ionized and non-ionized radiation, waste, hazardous materials, business licensing, nuisances, causing harm to public health and the environment, liability for damage, and liability for employee safety and hygiene and that they are not involved in the giving and/or taking of bribes.

Currently, supplier CSR evaluation includes three main topics:

- **The supplier's employment practices:** Fair and lawful employment.
- **The supplier's conduct with respect to the environment, if applicable:** Air pollution, waste in production processes, and the use of green materials.

- **Proper and ethical conduct by the supplier:** When collecting information about suppliers, if relevant, warning signs are checked, including prior convictions of the supplier. In addition, as part of their contract terms and conditions with the Bank, suppliers undertake that they are not involved, and shall not be involved, in giving or receiving bribes, whether in Israel or abroad, and that no criminal proceedings have been filed against them due to violation of laws related to giving and/or receiving bribes. Supplier are required to report immediately to the Bank of any change in the above.

Suppliers are selected in cooperation with other units at the Bank. Below are the relevant procurement processes and actions applied by the Group:

- + **Employment conditions oversight:** The Leumi Group takes care that the signing of contract procedures include a declaration by companies providing services such as cleaning, security and catering (under the Law for the Enhancement of Labor Law Enforcement), that they comply with the provisions of labor laws. The Leumi Group conducts periodic sample inspections of its suppliers through an accountant on its behalf, in order to verify that their employment conditions comply with the law. If the inspections uncover deficiencies, the companies are asked to amend them. Cleaning, security, and catering service providers are required to issue collateral to ensure the terms of the contract. These collateral are saved and used, inter alia, to ensure that suppliers correct deficiencies that they were requested to correct, and to guarantee payments in accordance with the law and the protection of workers' rights. Furthermore, by law, the Bank's Public Complaints Bureau is a key factor in the handling of complaints by suppliers' employees (if such complaints are received). If a supplier is replaced for any reason, the replaced supplier's employees have the legal right to switch to the new supplier and keep their seniority. The outgoing supplier must pay the employees severance by law and the new supplier signs an agreement stipulating that it must comply with the law. In 2017, 5 inquiries and complaints were filed by cleaners and security guards. The complaints were thoroughly examined and treated accordingly.

- + **Weighted assessment of suppliers:** Bank Leumi uses various methods for assessing suppliers, which help assess their performance and uses the data as a tool to assess suppliers in procedures which are exercised from time to time.
- + **Giving construction suppliers an opportunity to participate in the procurement process:** New suppliers are invited to present their operations before the construction suppliers search committee, which convenes from time to time, with the objective of giving numerous and diverse suppliers an opportunity to provide services to Bank Leumi. The committee examines new suppliers based on their suitability to the Bank's requirements. Following the committee's approval, the supplier is entered into the Bank's automated supplier database, from which suppliers are chosen through various procurement processes.
- + **Meetings with key suppliers:** Procurement Sub-Division representatives meet with representatives of key suppliers. In the meetings, the parties discuss their satisfaction from the joint work. In addition, the supplier is asked about its corporate social responsibility practices.
- + As of 2017, suppliers participating in procurement procedures with quality criteria are asked to answer a corporate responsibility questionnaire.
- + **Controls over suppliers' compliance with environmental requirements:** The Real Estate Subdivision carries out inspections and audits for suppliers whose activities may have adverse impact on the environment, such as cleaning and construction companies. Among other things, materials used by the suppliers are tested and, if necessary, the suppliers are asked to present relevant certificates, such as: Material Safety Data Sheets (MSDSs), landfill permits, standard certification, etc.

Promoting Social Procurement

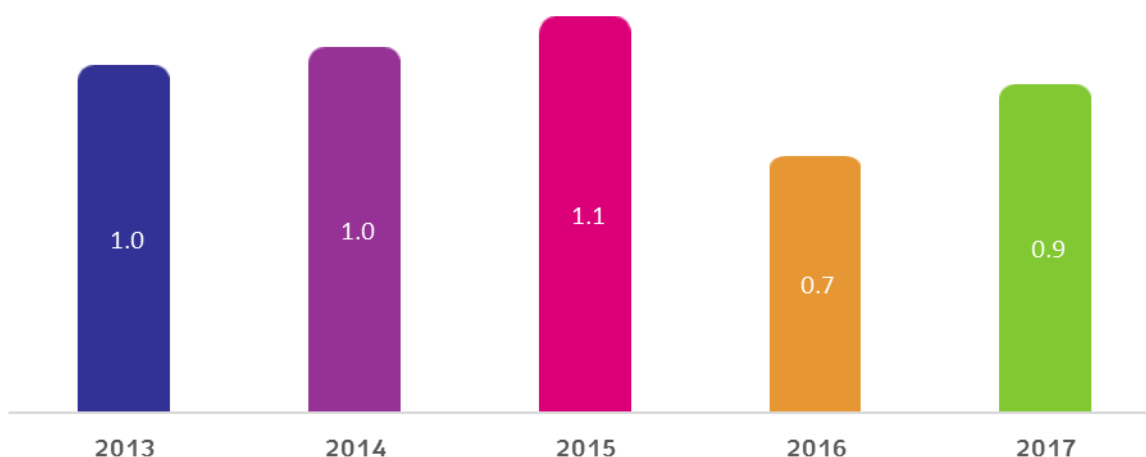
To expand the scope of Leumi's diverse and social procurement, targets were set for purchasing from social or diverse suppliers, such as NGOs and social businesses, small and mid-sized suppliers, green purchasing, etc.

In 2017, Bank Leumi's Central Procurement Subdivision purchased NIS 0.9 million in products and services from Israeli NGOs and social businesses, with the objective of supporting and developing these businesses.

In addition, Leumi procures services from companies that promote the hiring of people from underemployed sectors, primarily the ultra-orthodox. In 2017, Leumi's purchases from these companies totaled approximately NIS 4.6 million.

As a principle, Bank Leumi supports the activity of Israeli start-ups, prioritizing technological purchases from them.

Social Procurement, Bank Leumi (in NIS millions)



Initiatives to enhance positive impact on the community through procurement

- + **Establishing criteria for environmentally-friendly procurement:** To reduce the Bank's environmental impact, environmental best practices are applied to procurement procedures of construction, maintenance, and electronic products. The list mentions cleaning detergents, product packaging, biodegradation rate of the materials, use of recycled or easily recyclable materials, modularity and convenience of reuse, use of hazardous materials, energy and water resource conservation, and others.

- + In 2017, Leumi continued its collaboration with Maala, as part of which Leumi asked suppliers to fill out Maala's questionnaire for medium-sized businesses, in order to check their compliance with corporate responsibility norms and to promote this issue among the suppliers. In 2016-2017, 16 suppliers joined the Maala rating following Leumi's requirements. Leumi was even given a recognition award by Maala for its efforts to add suppliers to the rating and promote corporate social responsibility in Israel. Its collaboration with Maala allows Leumi to promote the implementation of the corporate responsibility agenda within the Israeli society and among the Bank's suppliers.
- + In 2017, Leumi continued to support the WESOURCE initiative of the NGOs Jasmine and Zionism 2000, in order to set up an online pool of diverse and social suppliers. The objective of the supplier pool is to make it easier for large organizations to increase the scope of their procurement from social businesses, small businesses, NGOs and businesses that employ people from underemployed populations.

In 2017, Leumi was given a recognition award by Maala for its efforts to add suppliers to the rating and promote the corporate social responsibility agenda in Israel

Employment conditions oversight: During 2017, monthly meetings were held between representatives of the placement firms with their workers at Leumi Card to enable them to identify and address issues in real-time, as well as to enable the placement firms to provide answers to questions by their workers.

In addition, as part of the ongoing activity, a semi-annual audit was carried out, in which contract workers' pay slips are checked, with the findings taken up with the supplier.

Meeting Objectives

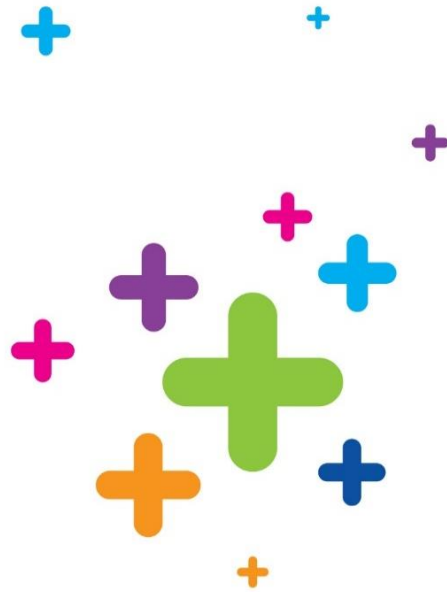
Impacting the Community through Procurement – Leumi

Objective for the end of 2017	Status	Details
Have mid-sized suppliers join Maala's rating	Done	In 2017, ten of Leumi's suppliers joined the Maala's rating
Training suppliers – Encourage small-size suppliers to enroll in Leumi's Small Business School	Not performed	Due to other priorities, it was decided to move the objective to 2018
Set objectives for socially-conscious procurement	Done	Total purchases: NIS 0.9 million

Future Objectives

Impacting the Community through Procurement – Leumi

Objective by end of 2018	Main actions planned
Continue collaboration with Maala to have Leumi's suppliers join Maala's rating of mid-sized businesses	Incorporate Leumi's suppliers in Maala's rating of mid-sized businesses
Make socially-conscious purchases according to the work plan	Map and execute relevant transactions with diverse or social suppliers
Encourage small-size suppliers to enroll in Leumi's Small Business School	Contact potential suppliers



Creating Value for the Environment

Bank Leumi attributes supreme value to the quality of performance and service provided to its customers, maintaining an integrated system for managing safety, hygiene, energy conservation and environmental protection.

The Bank takes a proactive approach to minimizing environmental risk and pollution factors and shall resolve safety, hygiene, and environmental hazards, as well as waste of resources, while developing and fostering an organizational climate that encourages sustainable activities



From: Leumi's Safety and Environmental Policy Paper



Energy savings

We reduced our energy consumption by 2% by installing power control systems, implementing “green” elements (such as natural lighting) when building new branches or renovating existing ones, and installing circulated air filtration systems



Digital services

We offer customers digital services such as green mail and digital checks to help them reduce their paper consumption



10% recycled paper

Compared with 2016, we reduced our paper consumption by 11% and increased our use of recycled paper by 38%. 10% of the paper we use is recycled



Power saving

Most of our power – 83% – was acquired from private power producers using efficient technologies and natural gas



The Leumi Group is aware that environmental issues are an inseparable part of the worldwide system of financial and business considerations, and the impact of these issues on its current and future markets.

The Group recognizes its environmental responsibility and the fact that its business activity can impact the environment, both directly and indirectly. All Group companies aim to conduct their activity in such a way as to consistently diminish adverse impacts on the environment, in compliance with legal obligations and, in the absence of legislation, with the aim of voluntarily adopting 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 purposes, and consumption of diesel fuel for transport and emergency generators.
- **Carbon footprint:** Derived from direct emissions (especially fuels) and indirect emissions (power consumption).
- **Waste and water:** Responsible removal of electronic and paper waste, and the total water consumption.

The Group's activities are characterized mainly by office work, and most of the energy consumption is derived from the consumption of electricity in the headquarters of the Group's subsidiaries, branches and units. The Leumi Group makes significant efforts to identify actions that will improve efficiency and conserve energy. These efforts are reflected in steps taken to increase energy efficiency, which not only benefit the environment but also streamline operations in terms of power consumption, air conditioning, lighting and fuel consumption. When planning new facilities, Leumi promotes energy savings and improves energy efficiency and resource savings in existing facilities.

The Building and Maintenance Subdivision of Leumi's Real Estate Division is responsible for systematic annual measurement and management of environmental issues by the

Bank (at the headquarters and branch level) and for providing guidance to the subsidiaries in this area. As part of these efforts, a large amount of data is gathered, such as on power consumption, fuel consumption, water consumption, paper consumption, recycling of paper, and electronic waste.

In addition, the Sub-Division initiates processes to install systems and solutions leading to power savings and savings in fuel consumption, in collaboration with other units:

- Installation of power consumption control systems
- Installation of energy-saving systems and devices in A/C systems
- Installation of energy-saving lighting systems
- Use of green building elements in new construction and renovation of existing branches
- Operation of an employee shuttle system between the Bank's main headquarters buildings
- Installation of automated systems for control of water consumption (including the overall management of water consumption, identifying leaks and abnormal consumption)

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

Initiatives and Actions to Promote Environmental Issues

Bank Leumi and Leumi Card are certified for Environmental Management Standard ISO 14001 (in 2012 and 2009, respectively). As part of managing this issue, quarterly discussions are held regularly by the Group on its environmental impacts, accompanied by external parties (a consultancy company and the Standards Institution of Israel). Leumi is also certified for 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 to be certified for the Green Label for Service by the Standards Institution of Israel and the Ministry of Environmental Protection. The certifications for the standards were renewed in 2017.

In addition to external standards, an internal standard for Green Conduct was introduced at Leumi. It provides for internal annual inspections on a series of environmental criteria to be carried out at the branches.

- **Environmental trustees** have been appointed for all of Leumi's branches as well as for headquarters. The environmental trustees are responsible for managing environmental issues (including energy conservation), and for monitoring power and water consumption data in their respective units.
- **Employee training:** Leumi Group attaches great importance to instilling environmental content among employees. In addition to the activities of the environmental trustees and the Green Forum, Group employees are required to undergo training and refresher courses on environmental issues from time to time.
- **Earth Day:** As part of an efforts to raise its employees' awareness of environmental protection, Leumi celebrated International Earth Day with a festive event at the main headquarters building in Tel Aviv. The event featured recycled and ecological products as well as pedaling stations for making fresh fruit shakes without the use of power. Participating employees pedaled the bicycles and prepared 900 cups of fruit shake for their colleagues. The event also featured photos that were exhibited in a themed photo competition entitled Preserving the Environment.
- **Provision of reusable bags:** As part of its efforts to raise employees' awareness to the importance of protecting the environment, in 2017, Bank Leumi gave employees reusable fabric bags.

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 are derived from the development of products of environmental value and from managing environmental risks (for more information, please see the section entitled **Economic, Social and Environmental Impacts**).

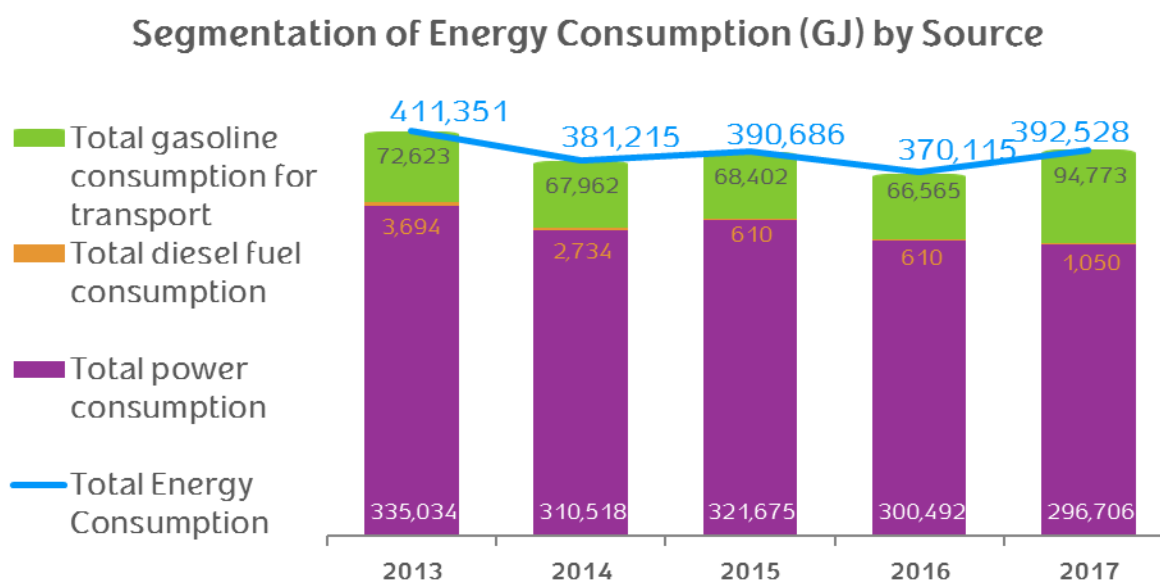
Leumi is also working to reduce indirect impacts resulting from energy consumption. In this context, the Bank offers digital solutions that allow customers to receive service

without having to visit the branch. This helps to reduce the distance driven by customers in order to receive service at the branches and to reduce air pollution and fuel consumption by the customers.

Note: The data in the Creating Value for the Environment chapter refer to the environmental performance of Bank Leumi and Leumi Card. References in this chapter to "Leumi Group" include these companies only, unless otherwise stated.

Energy Consumption

The total energy consumption of the Leumi Group in 2017 was 392,073 gigajoules, which represents a 6% increase. This increase is attributed to the improvement in measurement and data collection; as of 2017, the report also includes data on gasoline consumption for all company-leased vehicles (until 2016, only data on executives' leased cars were reported). In addition, as of 2017, the data include diesel fuel consumption for Bank Leumi's vehicles. According to data adjusted to last year's consumption figures, there was a 2% decrease in energy consumption.

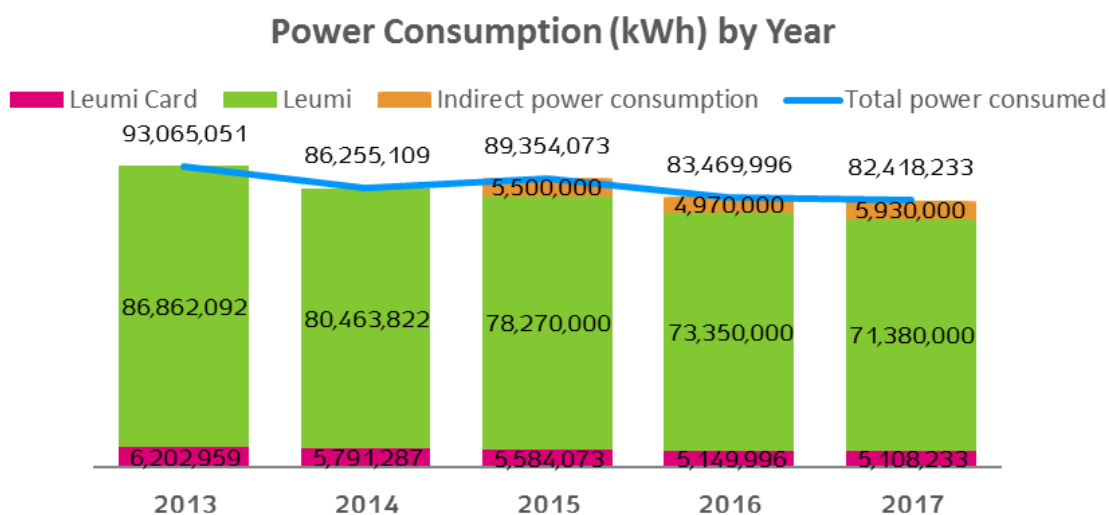


* The indirect power consumption figure for 2016 was revised.

Power Consumption

Due to the nature of banking activity, most of the Group's energy consumption (76%) arises from power consumption by Leumi and Leumi Card. Accordingly, the companies implement projects and processes aimed at reducing their power consumption alongside processes to reduce their use of fuel.

As of 2015, the Group improved its measuring and reporting of power consumption data that now include power consumption in the branches and in properties in which power is paid for directly to the property management companies.³⁷ Comparing the 2017 data to those in 2016, there is a 1.3% decrease in the Group's power consumption³⁸



The total power consumption includes 85,000 kWh that were produced by photovoltaic cells and sold back to the Israel Electric Corporation.

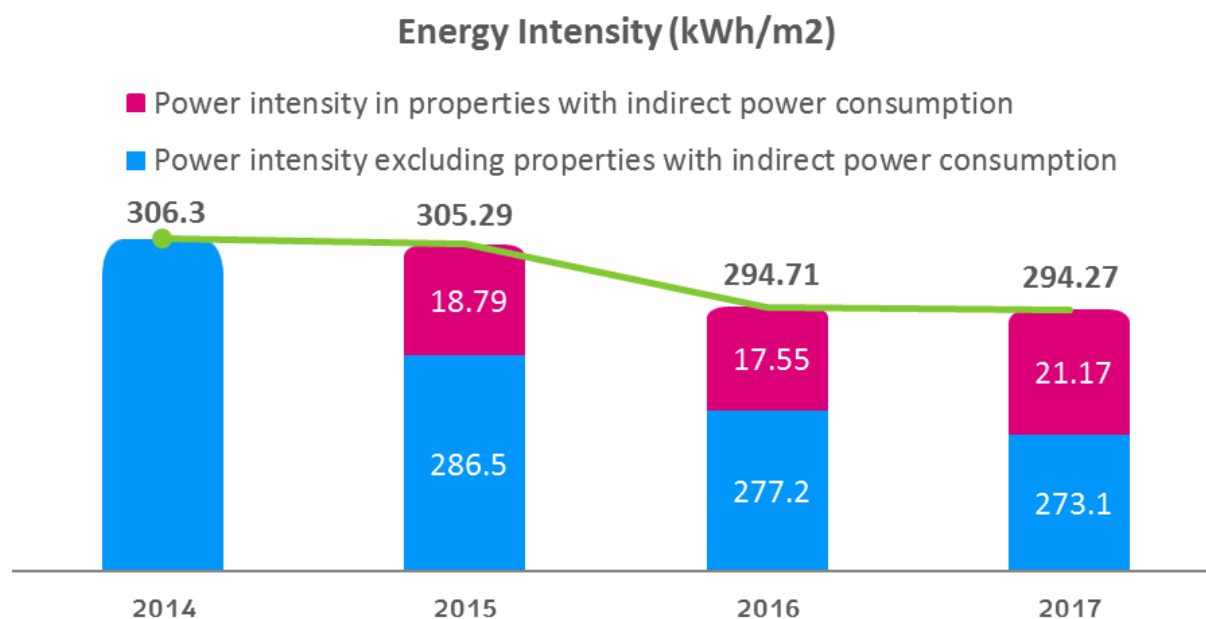
* The indirect power consumption figure for 2016 was revised.

³⁷ The Bank makes every effort to gather regular power consumption data from all its properties and branches in which the electricity charge is paid directly to the property management companies. The total consumption in these properties may vary from time to time, depending on the availability of the information. These changes should not be viewed as an increase or decrease in the Bank's total power consumption.

³⁸ When comparing data on direct consumption only (excluding properties in which electricity is consumed indirectly), there was a 2.6% decrease in the Group's consumption in 2016 vs. 2015.

Energy Intensity

The Leumi Group measures its energy intensity to test the effectiveness of measures taken to reduce power consumption. The intensity is measured by area (m²).³⁹ Between 2012 and 2017, there was a decrease in energy intensity, on the back of the measures taken to increase energy efficiency.



* The indirect power consumption figure for 2016 was revised.

Initiatives to Reduce Energy Consumption

- + **Transitioning to consuming power generated from natural gas:** As of 2014, Leumi consumes most of its electricity from a company generating power using natural gas. This move greatly reduced Leumi's carbon footprint and negative environmental impact.
- + **Replacement of lighting fixtures by cost-effective ones:** In 2017, steps were also taken in this area in branches and headquarters buildings. Obsolete and inefficient lighting fixtures were replaced with new, more efficient fixtures.

³⁹ A total of 280,080 m² in 2017.

Furthermore, several LED lighting fixtures were installed, which are characterized by high-energy efficiency and a very long life.

- + **Remote energy monitoring:** Installing of remote monitoring and control systems for power consumption at the branches and expanding existing systems for building control in Bank Leumi's headquarters buildings.
- + **Analysis of energy consumption patterns at the branches:** In the framework of renovation and energy efficiency projects, the Bank frequently installs energy monitoring systems and smart building systems at the branches and headquarters buildings, to enable analysis of energy consumption patterns.
- + **Circulated air filtration system:** Following a successful pilot at a branch in Beer Sheva, two additional circulated air filtration systems were installed in Bank Leumi's Lod Service Campus, in order to reduce the entry of warm and moist air from the outside. This system results in energy savings.
- + **Green Building:** When opening a new branch and in a massive renovation of an existing branch, environmental aspects are integrated, such as thermal window coating on warm facades, remote control systems, etc.
- + **Carbon offset:** As part of setting goals to reduce energy consumption, and taking into account that it leases space in shared buildings, Leumi Card decided to invest in carbon offsetting. Such offsetting can be made by financing a project to reduce greenhouse gas emissions outside the organization. Leumi Card chose to support one of the entities the Company has adopted as part of its investment in the community. The selected initiative is funding of an installation of a solar roof in Kfar Ofarim, a home for autistic adults in Ramat Hasharon. The solar roof generates approx. 25,000 kWh annually, resulting in reduced consumption of electricity from the Israel Electric Corporation and reduction of the facility's power consumption. The meter has been defined by the Israel Electric Corporation as a "net meter", enabling the facility to save power consumption in the next 20 years.
- + **Improving energy efficiency:** In every renovation or construction of a new building undertaken by Leumi Card, light bulbs are replaced with energy saving LEDs; a Virtualization Desktop Infrastructure (VDI) system – that virtualizes

desktops across all computers in the organization – has been installed; air conditioning and lighting are turned off at a certain time at the end of each workday; and controllers have been purchased to reduce energy consumption by lighting circuits.

Fuel Consumption

Most of Leumi Group's fuel consumption is made by its fleet of vehicles. In 2017, 2,896,553 liters of gasoline and 29,155 liters of diesel fuel were consumed. This figure represents a 43% year-on-year increase. This increase is attributed to the improvement in measurement and more extensive reporting; as of 2017, the report also includes data on gasoline consumption for all company-leased vehicles. Previously, only data on executives' cars were reported. According to data adjusted to last year's consumption figures, there was a 3% decrease in energy consumption.

Initiatives to Reduce Fuel Consumption

- + **Shuttle service for employees:** To save fuel and optimize employees' transit between the headquarters and service centers – located in Tel Aviv, Lod, and Bnei Brak – Leumi contracted a transportation company to provide a regular shuttle service between the two sites.
- + **Transportation service for employees:** Leumi offers employees roundtrip transportation to and from work.
- + **Bicycle parking and showers for cyclists:** As part of the promotion of sustainable transport at Leumi, bicycle parking spaces were created at Bank Leumi headquarters in Tel Aviv and in the Leumi Service Campus in Lod (where Administration and Operations are located). Showers were also installed for employees who choose to come to work by bicycle and wish to freshen up after a morning's ride. Some of Leumi's employees indeed prefer to come to work by bicycle and give up fuel-consuming car travel.
- + **Use of energy efficient vehicles:** As part of the Leumi Card's efforts to reduce its fuel consumption, during 2015–2017, fuel-efficient car models replaced some

of the Company's vehicles. This move led to an 8.6% savings in the Company's fuel consumption.

- + **Reducing the distance driven by employees:** As part of its efforts to reduce the distance driven by employees, Leumi Card has set a limit on mileage covered during leisure time for employees using company vehicles. Under this procedure, the Company allows its employees a maximum of 2,000 km per month for driving during leisure time. If an employee exceeds this average, they are charged for the extra mileage. In addition, Leumi Card encourages employees to come to work by bicycle as well, and has installed dedicated parking spaces for this purpose.

Carbon footprint

As part of its environmental policy, and in addition to monitoring its resource consumption, the Group regularly calculates greenhouse gas emissions resulting from its activities (energy consumption, fuel combustion, distance traveled, etc.). Data is reported by Bank Leumi under several reporting platforms: the international reporting initiative Carbon Disclosure Project (CDP), the Israel Ministry of Environmental Protection's voluntary Greenhouse Gas Emissions Registry in Israel, the annual Social Corporate Responsibility Report and the Maala rating.

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

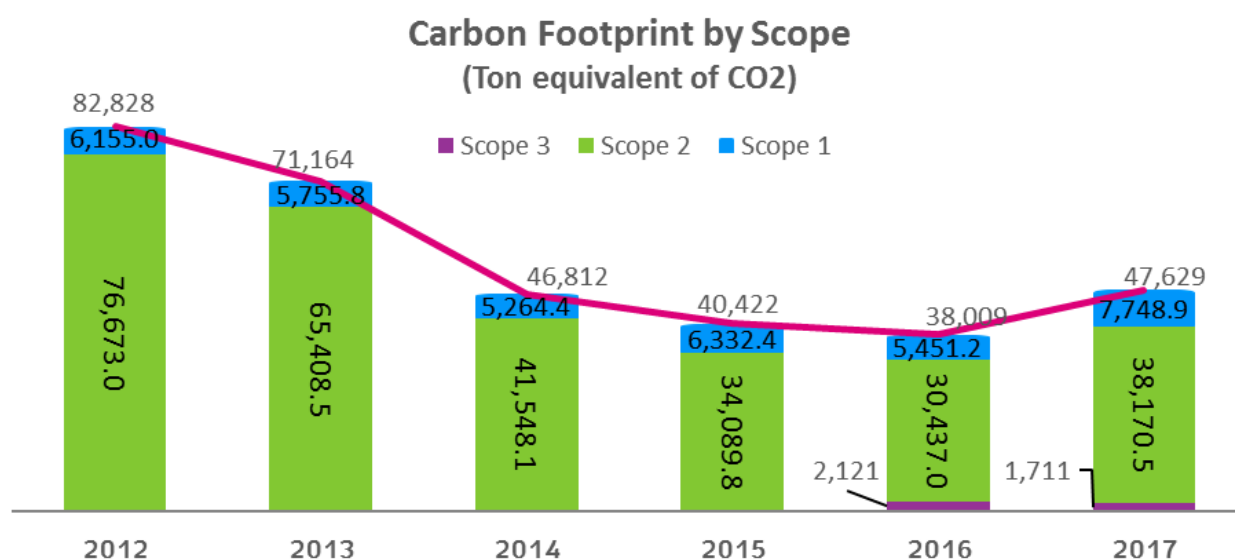
- **Direct emissions:** In accordance with the reporting standard for greenhouse gas emissions, the Leumi Group's direct impact (Scope 1) of greenhouse gases stem mainly from the combustion of gasoline by the organization's vehicle fleet, from the combustion of fuel by emergency generators, and from emissions of fire extinguishing gases.⁴⁰
- **Indirect emissions:** The indirect emissions (Scope 2) stem from power consumption and depend on the composition of fuels and the technologies with which the electricity is produced.

⁴⁰ GHG Protocol for quantifying and managing emissions: <http://www.ghgprotocol.org/about-ghgp>.

- **Other indirect emissions:** Indirect emissions (Scope 3) that are related to the organization's activity, but do not result from it. These emissions include, inter alia, the consumption of various products and services.

The carbon footprint of the Leumi Group in 2017 was 47,629 tons of CO₂eq.⁴¹ This figure includes emissions for all three scopes for Bank Leumi and Scopes 1 and 2 for Leumi Card. In 2017, there was a 25% year-on-year increase in the carbon footprint. The reason for the increase is the report's greater scope (see the report on fuel consumption) and a revision of the emissions coefficient by the reporting companies' primary power supplier. Compared with last year's adjusted reported consumption data, there was a 19.6% increase in the carbon footprint.

About 83% of the electricity consumed by Leumi in 2017 was produced by independent power producers using efficient technologies and natural gas.

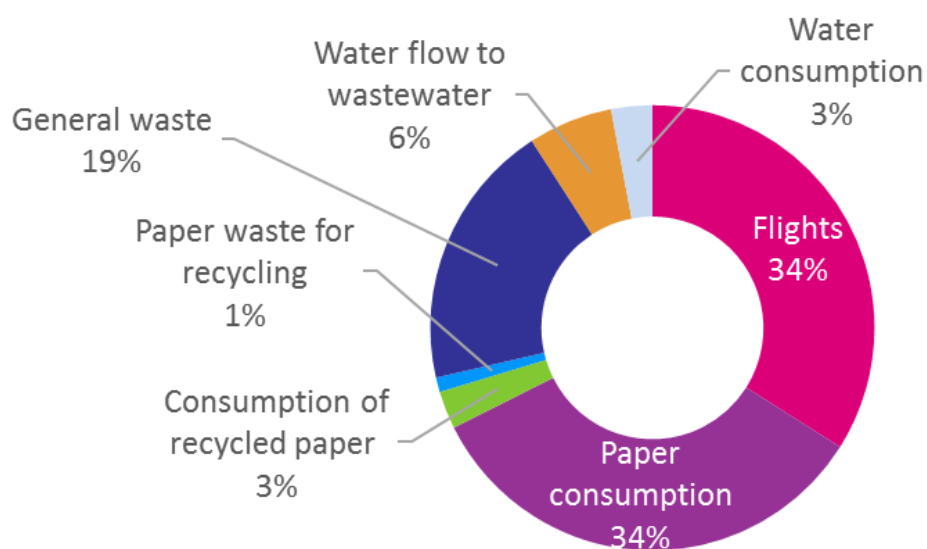


⁴¹ The carbon footprint components were calculated using the Greenhouse Gas Emissions Calculator of the Ministry of Environmental Protection in Israel, published in June 2017.

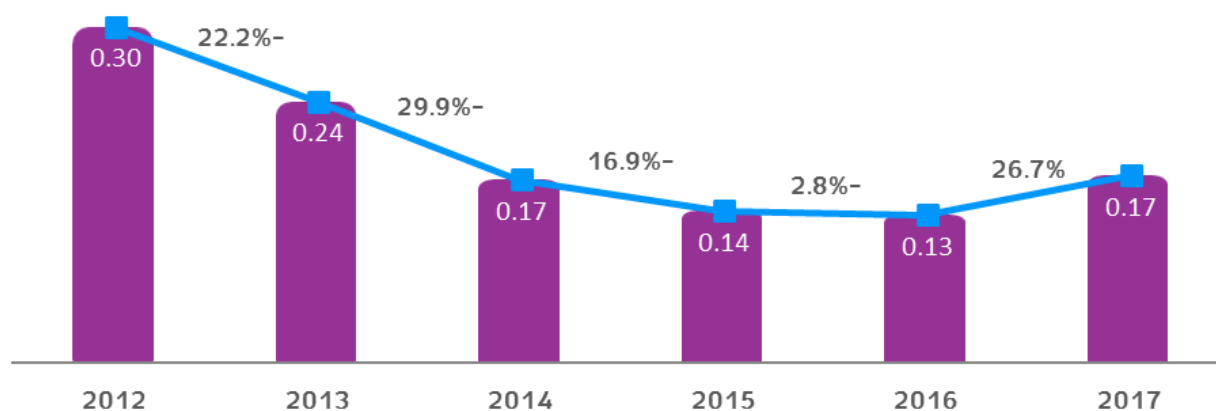
Carbon Footprint Reduction

As mentioned above, the Leumi Group invests significant efforts in identifying measures that would result in greater efficiency and energy savings that would have direct impact on the Group's carbon footprint and on climate change. These efforts are mainly reflected in steps such as the transition to using electricity produced by natural gas. Compared with 2016, there was an increase in Leumi and Leumi Card's carbon footprint. As aforesaid, the increase is mainly due to the change in the primary power supplier's emission coefficient. Compared with last year's adjusted reported consumption data, there was a 21% increase in the carbon footprint intensity.

Segmentation of Indirect Emissions (Scope 3)



Carbon Footprint Intensity (kWh/m²)



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 evacuated by licensed contractors.

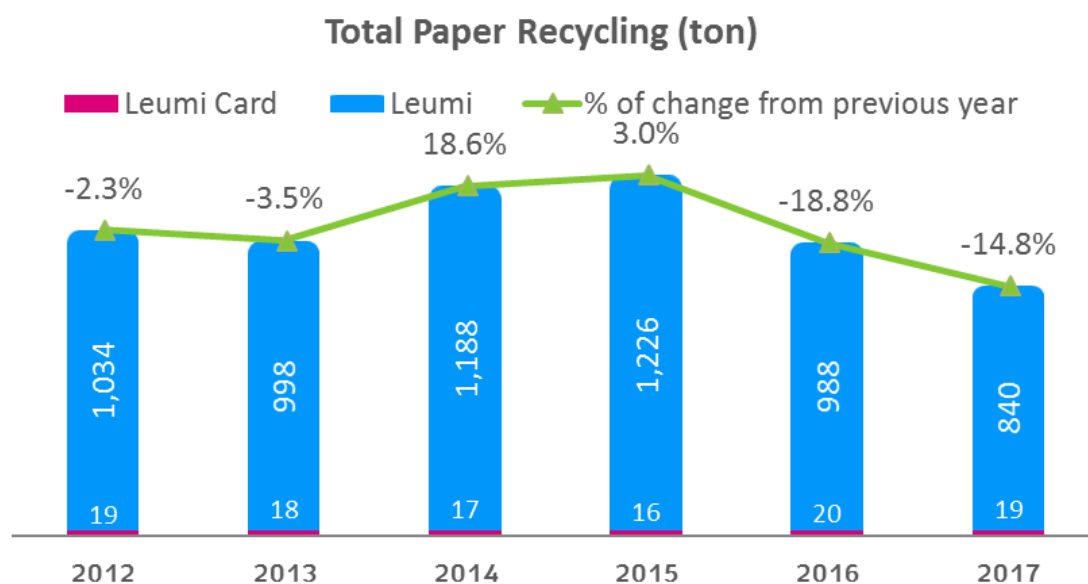
In 2017, paper consumption by Bank Leumi⁴² and Leumi Card totaled 769 tons and 11 tons, respectively – a 11% overall decrease over 2016. Paper recycling exceeded paper consumption because of archive reduction and the closing of branches.

In 2017, there was an 11% decrease in the overall paper consumption and a 38% increase in recycled paper consumption.

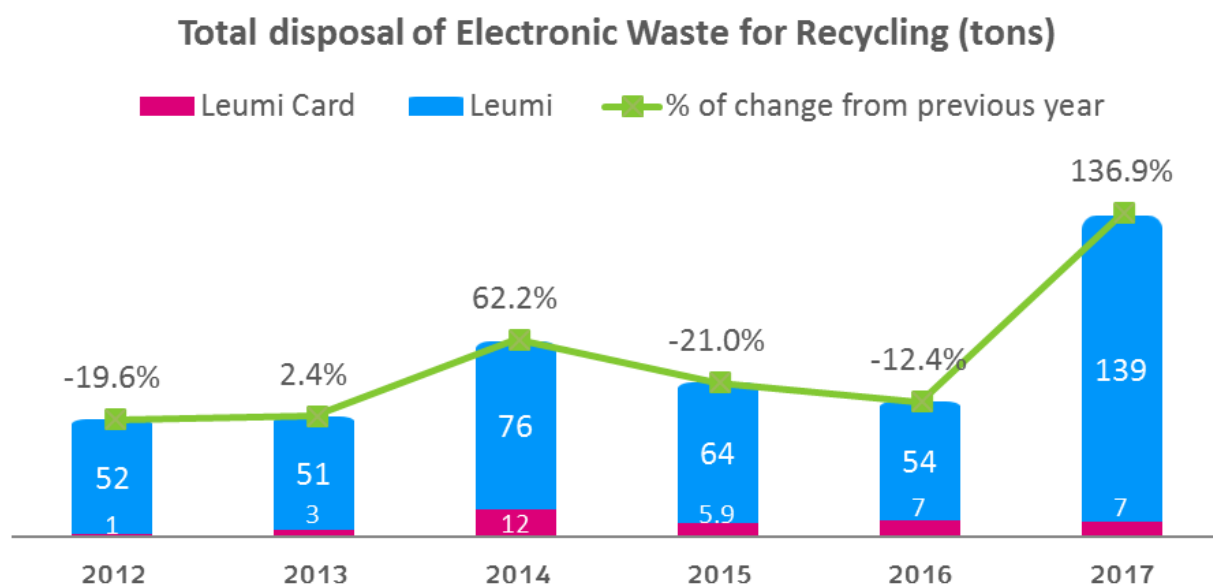
As of the end of 2017, recycled paper accounts for about 10% of Leumi's total paper consumption.

⁴² Printing paper and envelopes.

- + **Use of recycled paper:** In 2017, Leumi continued its efforts to increase the use of recycled paper for printing in lieu new paper. Measures included adapting printer settings, procurement processes, and integration processes in collaboration with the relevant parties. Thanks to these measures, most of the headquarters units transitioned to using recycled paper. In 2017, there was a 11% decrease in the overall paper consumption and a 38% increase in recycled paper consumption. As of the end of 2017, recycled paper accounts for about 10% of Leumi's total paper consumption.
- + Leumi Card has treated waste in accordance with the working procedures defined in the ISO 14001 Standard since 2009. The company's waste is sent for recycling and disposal in licensed landfills. The organization has placed special containers for the collection of paper, batteries, beverage containers, toners, feminine hygiene products, electronic equipment, light bulbs, medications, and cooking oil from the cafeteria. In addition, there are clear working procedures regarding the removal of construction waste (in licensed landfill sites).



Under the Bank's guidelines, all office paper is collected for shredding and recycling.



Under the Bank's guidelines, all electronic waste is collected for recycling by suppliers licensed by the Recycling Corporation.

Meeting Objectives

Leumi

Objective for the end of 2017	Status	Explanation
Total reduction of 2% in power consumption compared to 2016	Done	There was a 2.1% decrease in Bank Leumi's power consumption
Conduct an energy survey	Done	An energy survey was held and forwarded to the Israeli Ministry of Environmental Protection

Objective for the end of 2017	Status	Explanation
Certify 90% of the environmental trustees in the branches	Partially implemented	Certification will be completed in 2018
Reduce paper consumption by 4% compared to 2016	Done	There was an 11.5% decrease in Bank Leumi's power consumption
Increase the use of recycled paper three-fold compared with 2016	Partially implemented	There was a 38% increase in the use of recycled paper

Leumi Card

Objective for the end of 2017	Status	Explanation
Pass the annual inspection conducted by the Standards Institution of Israel	Done	The company passed the annual audit held by the Israel Standards Institute and found to be in compliance with the standard
Conduct an "awareness week" on reducing environmental impacts by employees in the workplace and private homes	Done	From time to time, the company issues employees reminders in the daily e-mail to reduce their environmental impact both at work and at home by proper use of resources and recycling their household waste
Create dedicated content on environmental activities for the organizational portal	Partially implemented	A specific area in the company portal was allocated to environmental issues; it is expected to air during the year
Hold employee training on environmental protection	Done	Each year, employees are required to take an environmental tutorial
Continue to oversee and monitor the 2,000 km procedure to reduce fuel consumption in leisure time.	Done	Leumi Card's vehicle fleet is monitored on a regular basis; if an employee exceeds the usage prescribed by the

Objective for the end of 2017	Status	Explanation
		procedure, the excess amount is deducted from his/her wages.

Future Objectives

Leumi

Objective by end of 2018	Main actions planned
2% reduction in the total power consumption compared to 2017	Replace dated systems ; make current systems more efficient; raise awareness among employees
New certification for ISO 14001:2015	Full compliance
Increase awareness among environmental trustees at the branches	<ul style="list-style-type: none"> Conducted an environmental survey among environmental trustees in 20 branches in an effort to identify environmental aspects requiring further attention Activities to increase awareness were conducted in the branches

Leumi Card

Objective by end of 2018	Main actions planned
Pass the annual inspection conducted by the Standards Institution of Israel	An external audit on regulatory compliance by the Israel Standards Institution
Train employee on environmental protection	As part of the annual employee training, using a dedicated tutorial

Continue to oversee and monitor the 2,000 km procedure to reduce fuel consumption in leisure time

Continued monitoring of the company's vehicles to ensure compliance with the procedure



Corporate Governance

As a complex financial organization, the Leumi Group requires robust corporate governance and management mechanisms that allow the optimal coordination, control, and risk management. The Group has high standards for managing corporate governance beyond compliance, with the view that this area is essential for its business success.



Leumi is a limited liability company under the Companies Law, 1999 (hereinafter: the “Companies Law”), 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, 1968, banking laws, Directives of the Banking Supervision Department, 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 should be noted that the Board of Directors’ work procedure reflects these provisions.

It is hereby clarified that the Board of Directors referred to in this chapter is Leumi’s Board of Directors, rather than of its subsidiaries and foreign offices, unless stated otherwise.

Leumi’s Board of Directors

Leumi’s business and financial stability is the responsibility of Leumi’s Board of Directors, pursuant to Directive 301. The Board of Directors outlines Leumi’s strategy, including the Group’s risk appetite, and approves the policies that guides its ongoing operations; the Board of Directors oversees management’s actions and ensures that they are consistent with the policies it established; the Board of Directors verifies the existence of clearly defined areas of responsibility and clear reporting; the Board of Directors defines the roles, powers, and duties of the President and Chief Executive Officer and her reporting to the Board of Directors; the President and Chief Executive Officer is responsible for guiding and coordinating the activities of the members of management. In addition, the Board of Directors outlines the 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. The Board of Directors has approved the Code of Ethics and the Bank's vision, and in 2016, discussed the Code of Ethics under the directives of the Bank of Israel. In 2017, the Board approved the Bank's donations policy for 2018, which includes the Leumi Group's community outreach budget.

Board Members – Appointment and Qualifications

The Bank is defined as a banking corporation without a controlling core, and no shareholder is defined as the Bank's controlling shareholder. Appointment of Board members: In a banking corporation without a controlling core, only the following may propose to the general meeting candidates to be voted as directors: (1) a committee for appointing directors in banking corporations, established under the Banking Law (Licensing), 1981 (hereinafter: the "Committee"); (2) anyone holding more than 2.5% of the means of control (hereinafter: "Holder"); (3) a group of holders comprising two or three holders, each of whom holds more than 1% but no more than 2.5%, and together – no more than 5%, of a certain means of control in the Bank, as aforementioned (hereinafter: a "Group of Holders") and has complied with the reporting requirements regarding its holdings in accordance with the Banking Law and Ordinance. The Bank has no influence over the identity of the candidates and their selection.

As of February 2018, Leumi's Board of Directors includes 13 members: It should be noted that, pursuant to the Bank of Israel's directive, in 2017 the number of directors was reduced to 13 and in 2018 – their number will be reduced to 12. As part of the amendment to Directive No. 301, by July 1, 2020, the maximum number of directors in a banking corporation will be 10. The legal quorum for the Board of Directors' discussions and decisions is a majority of the Board members.

Pursuant to Directive No. 301, at least one third of the directors should meet the eligibility requirements for an external director as defined by the Directive (hereinafter: "External Director"). As a result, as of December 31, 2017, the Bank's Board of Directors includes 7 directors who are classified as external directors, including 4 EDs in

accordance with the Companies Law. In addition, following the definition of an “independent director” in the Companies Law, the Board’s Audit Committee has confirmed that the External Directors and EDs are independent members of the Board.

All directors are subject to the provisions of the law, including the Companies Law, the Banking Law (Licensing), 1981, the Banking Ordinance, 1941 and Directive No. 301, including in the matter of their appointment, qualifications, the majority required for their election, their term of office, and more. A candidate for the Board of Directors is required to comply with a due diligence process of their suitability, and their appointment is subject to approval by the Bank of Israel.

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 substantive activity 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 professional qualifications. In addition, the Bank complies with Section 239(d) of the Companies Law, which establishes the right for representation of both genders in the Board of Directors. In 2017, one of the directors was of Arab extraction. The directors do not report to the Chief Executive Officer.

In accordance with the Bank’s articles of incorporation, the Board of Directors elects one of its members to serve as chairman of the Board of Directors. In accordance with the Companies Law, the Chairman of the Board or their relatives may not serve as CEO, unless approved by a special majority in a general meeting. According to Directive 301, members of the Board shall abstain from participating in the ongoing management of the Bank and may not attend meeting of management or its committees, excluding discussions regarding the Bank’s overall strategy.

In 2017, the Bank held a training program for the members of the Board on topics such as corporate social responsibility, risk management, accounting, technology and IT, as well as regulatory updates.

Pursuant to the revised Directive No. 301, published on July 5, 2017, changes were made to the eligibility requirements of members of the Board of Directors, that will

become effective July 1, 2020, as follows: 1) The mandatory portion of directors with banking experience will increase from one fifth to one third; 2) At least half of the Board members will be required to have "professional qualifications" as defined in the Companies (Conditions and Tests for a Director with Accounting and Financial Expertise) Regulations, 2005; 3) At least one Board member should have adequate knowledge and proven experience in information technology.

The Audit Committee: Seven directors currently serve on the Audit Committee, including four External Directors in accordance with the Companies Law, one of whom serves as the Committee's chairperson. Three members of the Committee Are External Directors.

The Board's Strategy Committee also serves as the Corporate Social Responsibility Committee. The committee discusses the Corporate Social Responsibility Report, the corporate social responsibility objectives of the Bank and Group for the coming years, planning versus performance and the management of the corporate social responsibility field of the Bank and the Group. It should be noted that during 2017, the responsibility for this domain was transferred from the Resources Committee to the Strategy Committee. In addition, in 2017, the Corporate Social Responsibility Report was presented and approved by the Board of Directors' plenum in lieu of being presented and approved by the Committee.

The Head of the Human Resources Division is responsible for presenting the annual Corporate Social Responsibility report to the members of the Strategy Committee. The report reviews the implementation of the corporate social responsibility plan, the organization's performance, and whether it has met its goals and 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 at 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 about the committees of the Board of Directors, their composition and their functions, can be found on the Leumi website at www.leumi.co.il.

Composition of the Boards of Directors^{LA}

Company	No. of directors	No. of external directors	No. of directors with accounting and financial expertise	No. of women on the board	Up to age 30	Aged 31-50	Aged 51+	Main committees
Leumi	13	7	13	4	0	1	12	Audit, Risk Management, Credit, Remuneration*
Leumi Card	8	3	6	2	0	2	6	Audit, Risk Management, Investment, IT and Remuneration

* On December 31 2017, the Board of Directors decided to merge the Audit Committee and Remuneration Committee so that the Audit Committee will also serve as the Remuneration Committee. Full details on the members of the Board of Directors can be found in Leumi's 2017 Financial Statements on the Israel Securities Authority's website, the Magna System: www.magna.isa.gov.il.

The Board of Directors' Activity^{LA}

During 2017, Leumi's Board of Directors continued to carry out its duties, including – but not limited to – formulating strategy, approving financial statements, approving of policy in various areas, and more. Leumi's Board of Directors held 30 plenum meetings and its committees held 74 meetings.

Raising Issues for the Board of Directors' Agenda and General Meeting

The agenda for Leumi's Board of Directors is determined by the Chairman of the Board, in coordination with the President and Chief Executive Officer of the Bank, taking into account the relevant regulatory requirements. 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. As a rule, the Chief Executive Officer, with the assistance of the Head of the Human Resources Division, manages all 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 on unusual activity by employees, inter alia, to the Chairman of the Audit Committee, as well as mechanisms to protect the identity of whistleblowers. It also receives periodic reports from the compliance officer regarding various issues, inter alia, on significant compliance and money laundering violations. In 2017, no complaints were made to the Board of Directors on critical corporate responsibility issues.

Shareholders' meeting: The agenda of the general meeting is set by the Board of Directors. Certain shareholders may request that the board of directors include additional issues in the general meeting's agenda. By law, the Bank must publish a prior notice regarding the convening of a general meeting if its agenda includes the election of directors, and may also include in the notice other topics on the agenda, at least 21 days prior to publication of the notice regarding the convening of the general meeting. The Bank publishes timely invitations to general meetings, according to law. The notice includes the proposed agenda and the majority required for the various decisions. In accordance with the law, all General meeting resolutions are published through the Magna System by way of an immediate report. Resolutions made by the shareholders are published in the general meeting's resolutions when a special majority is required. In other cases, details of the shareholders' resolutions are attached as an appendix to the minutes of the general meeting, which are open to the shareholders' review at the Bank, however not publicly published.

Preventing Conflicts of Interest

Leumi operates in accordance with the legal regulatory provisions regarding conflicts of interest, 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 has 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 in a bank, if their business or current occupations creates a permanent conflict of interest between them and the corporation. The Bank's procedures determine mechanisms for avoiding conflicts of interest situations (even when they are not conflicts of interest of a permanent nature), such as the prohibition on releasing background material and the prohibition on participating 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 information about positions held by them or their relatives and/or their holdings, or their relatives' holdings, in corporations, that may be considered as being in conflict with the Bank's interests. In addition, Leumi's Chairman of the Board does not serve as a member of the Bank's management, and the chairpersons of the subsidiaries' boards of directors in Israel do not serve, as a rule, as managers in those companies.

Monitoring Performance and Risk Management

The Board of Directors oversees management's actions and monitors them by means of several mechanisms, including:

- Every six 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.
- Following the Audit Committee's recommendation, the Board discusses the Bank's annual and quarterly financial statements and approves them.
- Each quarter, the Board of Directors discusses a quarterly risk document that outlines the Bank's and Group's risk profile. In addition, each new significant product requires approval by the Board of Directors.
- Every six months, the Board of Directors discusses the report of implementation of the Board Plenum and Board's committees; decisions; the Board has at its disposal various tools for exercising proper supervision, including deliverables of the internal audit and control functions (such as the Internal Auditor, Risk

Manager, Compliance Officer), and external functions (such as the independent auditor).

- The Board of Directors has defined a list of unusual events about which it wishes to receive reports. In accordance with the work plan approved by the board of directors, the Internal Audit Division carries out at a predetermined frequency, also examines implementation of the Board's resolutions on the matters being examined and the process for monitoring the Board of Directors' decisions.
- Any material deviation from limits approved by the Board of Directors is brought before the Board of Directors for approval.
- The Board of Directors exercises supervision and control mechanisms over the Leumi Group's subsidiaries.
- The Risk Management Committee of the Board of Directors receives regular periodic reports on relevant issues, including 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 to the Committee effective immediately, and if necessary – to the board of directors as well – on any issue, finding, or deficiency under her purview that could materially affect Leumi's risk management and/or business. The Chief Risk Officer may decide on other issues that are to be brought for further discussion and examination by the Risk Management Committee.
- The Audit Committee holds semi-annual meetings with the following: Chairman of the Board, Chief Legal Counsel, external accountancy firm, Chief Compliance Officer, Chief Accountant, Chief Risk Manager, Head of the Finance Division and Head of Human Resources.

Assessing the Board of Directors' Performance

Every two years, Leumi conducts a process of self-assessment of its Board of Directors, that evaluates the effectiveness of the Board's work through questionnaires relating to various management aspects of its work and committees, including responsibility for

the Bank's and Group's strategy, the delegating of tasks to the committees, issues relating to management, the 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. According to the revised version of Directive No. 301, the Board of Directors is responsible for making changes pursuant to findings of the self-assessment process.

In addition, the board of directors periodically updates its working procedure, which is based, inter alia, on the applicable provisions of the law. The procedure stipulates, inter alia, the duties of the applicable and its powers, and the Board's committees, the work methods of the Board of Directors and of its committees, including the reports brought before them, as well as matters and transactions that are to be brought for the approval of the Board of Directors.

Remuneration of Officeholders

All directors serving on Leumi's Board of Directors, excluding the Chairman of the Board, receive remuneration and reimbursement of expenses in accordance with the law regarding External Directors' remuneration. The Chairman of the Board's terms of employment were approved by the Audit Committee, the Remuneration Committee, the Board of Directors, and the general meeting.

In February 2014, Bank Leumi's general meeting approved a remuneration policy for Bank's officeholders for the years 2013–2016 (hereinafter – the “Previous Remuneration Policy”), and in November 2016, the general meeting (following the Board of Directors' approval and subject to the approval and recommendations of the Remuneration Committee) approved a remuneration policy for the Bank's officeholders for part of 2016 (the last quarter, from October 12, 2016 to the end of the year) and for 2017–2019 (hereinafter – the “New Remuneration Policy”) (the Previous Remuneration Policy and the New Remuneration Policy shall be jointly called hereinafter the “Remuneration Policy”). The remuneration policy is based on the provisions of Amendment 20 to the Companies Law regarding terms of service and employment of officeholders at a Bank and that stipulated in the Proper Conduct of Banking Business

Directive No. 301A (hereinafter, Directive 301A) concerning remuneration policy in a banking corporation. In addition, the New Remuneration Policy is based on the Law of Officeholder Remuneration in Financial Corporations (Special Permit and Non Tax-Deductible Expenses Due to Exceptional Remuneration), 2016 (hereinafter: the “Remuneration Limitation Law”). The remuneration policy is designed to reward officeholders in the Bank in accordance with the Bank’s performance and profitability over time, including according to the Bank’s and Group’s long-term targets, and according to the actual contribution of the officeholders to achieving these performance targets. The remuneration policy includes, among other things, a reference to the salary component, additional benefits, retirement terms and annual bonus component. The new remuneration policy is also intended, first and foremost, to retain officeholders at the Bank and recruit senior employees with the experience and capabilities to manage a large-scale, complex financial corporation, despite the limitations imposed by the Remuneration Limitation Law.

The Remuneration Committee gives its recommendation to the Board of Directors on the Bank’s Remuneration Policy and the remuneration of officeholders 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 external independent consultants. It should be noted that on December 31, 2017, the Board of Directors decided to merge the Audit Committee and Remuneration Committee so that the Audit Committee will also serve as the Remuneration Committee.

Further information on the New Remuneration Policy of officeholders can be found in Appendix C of the Bank’s immediate report dated October 21, 2016, regarding the convening of a special meeting that approved the remuneration policy (reference: 2016-01-066408).




External Assurance and Indices





Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 61006, Israel
+972 3 684 8000

Independent Limited Assurance Report to the users/readers of Bank Leumi le-Israel B.M. 2017 Corporate Responsibility Report

We were engaged by the management of Bank Leumi le-Israel B.M. (further referred to as “The Bank”) to provide limited assurance on the specified parts as mentioned in the table below (further referred to as “Specified parts”), marked with  in the report, regarding the information presented on The Bank’s 2017 Corporate Responsibility Report for the year ended 31.12.2017 (further referred to as “The Report”).

Management is responsible for A. the preparation and the presentation of the report in accordance with the Sustainability Reporting Guidelines of the Global Reporting Initiative (“GRI-SRS”) as described in pages 210-222 of the Report, and the information and assertions contained within it B. for determining The Bank’s objectives in respect of sustainable development performance and reporting C. for establishing and maintaining appropriate performance management and internal control systems from which the information is derived, to be free from omissions and material misstatements whether due to fraud or error D. the identification of stakeholders and material issues for reporting.

Our responsibility is to provide a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). That Standard requires that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement.

A limited assurance engagement, regarding data and information included in the corporate responsibility report, consists of making interviews and inquiries, primarily of persons responsible for the preparation of information presented in the report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Examination of the material aspects in the report, for the purpose of performing a limited assurance, based on public information sources, knowledge of The Bank business and other comparative information of similar organizations.
- Inquiries of management to gain an understanding regarding the material aspects to the stakeholders of Bank Leumi le-Israel B.M.
- Interviews with senior management and relevant staff at The Bank group level and selected business unit level concerning corporate responsibility strategy and policies for specified parts, and the implementation of these across The Bank business.

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- Interviews with relevant staff at The Bank corporate and business unit level responsible for providing the information in the Report.
- Visits to The Bank's sites in Tel-Aviv (Beit Leumi, Beit Meni, Beit Lin) and Bnei Brak, on the basis of a risk analysis including the consideration of both quantitative and qualitative criteria regarding the report.
- Comparing the information regarding the material aspects presented in the Report to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the report.
- Where relevant, conducting interviews regarding the calculation, aggregation and methods used to collect and report the information in the report.
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the corporate responsibility performance of Bank Leumi le-Israel B.M.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to the evidence-gathering and review of supporting information procedures performed. As a result, the level of assurance obtained regarding the bank's corporate responsibility report is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

We believe that the procedures we have performed and the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on the limited assurance procedures performed and the evidence we have obtained, described in this report, nothing has come to our attention to indicate that Bank Leumi le-Israel B.M. 2017 Corporate Responsibility Report is not presented, in all material respects, in accordance with the GRI-SRS and The Bank's reporting criteria.

Our limited assurance report is made solely to Bank Leumi le-Israel B.M. in accordance with the terms of our engagement. Our work has been undertaken so that we might state to The Bank those specified parts we have been engaged to state in this limited assurance report and for no other purpose or in any other context. We do not accept or assume responsibility to anyone other than Bank Leumi le-Israel B.M. and its subsidiaries for our work, for this limited assurance report, or for the conclusions we have reached.

Somekh Chaikin
 Certified Public Accountants
 Tel Aviv, Israel
 19/07/2018

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Limited assurance was performed regarding specific data and information detailed in the table below only:

Main subject	Sub-theme	Pages
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Social and Environmental Loans	Total credit granted to advance social issues in 2017	63
Social and Environmental Loans	Graph- segmentation of credit granted to promote social issues in 2017	64
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The ^{LA} mark included as part of a given paragraph, refers to the information and/or data included in the relevant sentence only.

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This report successfully completed the GRI Materiality Disclosures Service.



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Product profile (Sector supplement)

Indicator serial no.	Indicator	Page	UNGC
FS6	Percentage of the portfolio for business lines by specific region, size and by sector	53	–
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	98	–
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	60	8

Audit (sector supplement)

GRI 103: Management Approach Disclosures 2016

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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

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Make sure that they are not complicit in human rights abuses.

Labor

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. The elimination of all forms of forced and compulsory labor.
5. The effective abolition of child labor.
6. The elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges.
8. Undertake initiatives to promote greater environmental responsibility.
9. Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

Bank Leumi and the UN's Sustainable Development Goals

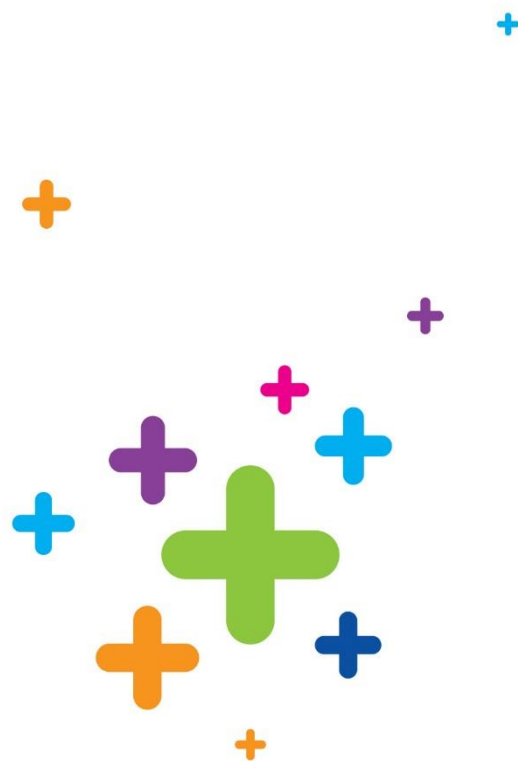
The Sustainable Development Goals (SDGs) were adopted following Rio+20 – the United Nations Conference on Sustainable Development, as the new agenda of the UN member states towards 2030. They include 17 goals and 169 targets, covering a wide range of sustainability topics.

Active member across all platforms relevant to meeting the goals, Israel is represented by the Ministry of Environmental Protection and Ministry of Foreign Affairs. To realize the goals, all the sectors in Israel should cooperate long-term – public, business and social. According to the UN, the implementation of the goals relies heavily on the business sector, with the financial sector's expertise and broad influence having a crucial impact on the process. As one of Israel's leading banks, the Leumi Group attaches great importance to joining the effort to achieve the SDGs.

While the Leumi Group has impact on all 17 sustainable development goals, we have mapped the targets for each goal in order to identify the goals most relevant to Leumi's activity. Following is a breakdown of the main activities performed by the Leumi Group to advance the following goals and targets:

Goal	Measures taken by Leumi to advance goal:
Goal 10: Reduced Inequalities	<ul style="list-style-type: none">+ Fair conduct, from p. 67+ Various measures to include and promote underprivileged population sectors, from p. 83+ Adhering to a non-discrimination, pro-diversion policy in employment, from p. 111
Goal 8: Decent Work and Economic Growth	<ul style="list-style-type: none">+ Fair remuneration, from p. 115+ Activities to prevent computer-science students from dropping out, through participation in the "Leap to Education" program, p. 98

Goal	Measures taken by Leumi to advance goal:
	<ul style="list-style-type: none"> + Activities for the Advancement of higher education among teenagers and youth in the periphery, from p. 146 + Making financial knowledge available, from p. 77 + Promoting digital literacy: p. 91
Goal 5: Gender Equality	<ul style="list-style-type: none"> + Adhering to a non-discrimination, pro-diversion policy in employment, from p. 111 + Prevention of Sexual Harassment, from p. 117
Goal 9: Industry, Innovation, and Infrastructure	<ul style="list-style-type: none"> + Empowering the Israeli high-tech industry, from p. 58 + Social and environmental loans, from p. 62 + Innovation strategy, from p. 77
Goal 16: Peace, Justice, and Strong Institutions	<ul style="list-style-type: none"> + Policy and plan for preventing bribery and corruption, from p. 40
Goal 4: Quality Education	<ul style="list-style-type: none"> + Investing in the community, in projects that promote quality education, such as the "Pre-Atidim" program, from p. 154 + Employee learning and development, from p. 128



The full report is available online at
english.leumi.co.il