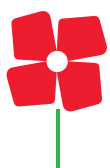


SUSTAINABILITY REPORT

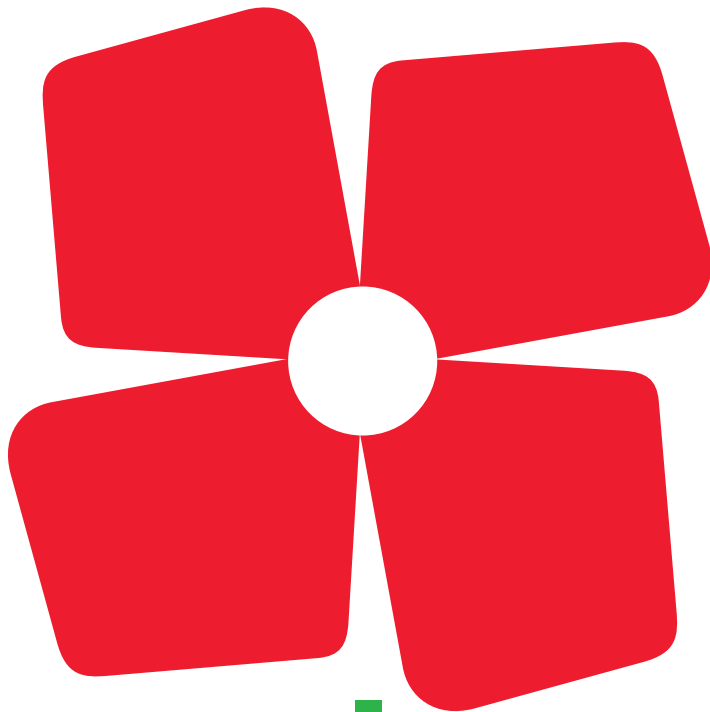
ECONOMIC, SOCIAL & ENVIRONMENTAL RESPONSIBILITY

REPORT
SUMMARY



**SOCIAL
RESPONSIBILITY**
IT'S IN OUR HANDS. BANK HAPOLIM

 **bank hapoalim**



SOCIAL RESPONSIBILITY

IT'S IN OUR HANDS. BANK HAPOLIM

The Bank Hapoalim Vision

To be a leading global financial institution, headquartered in Israel, focused on its customers and working towards their financial liberty.

To create value for our stakeholders while upholding the principles of economic, social, and environmental sustainability.

To cultivate human capital and encourage excellence and innovation.

To base our actions on the core values of compassion, integrity, openness, and accountability.



Over the last four years, the bank has worked to formulate and instill the Bank Hapoalim Vision. The purpose of the vision is to express the future we foresee for Bank Hapoalim at its best. The Bank Hapoalim Vision is a clear, powerful, meaningful description of our future as it can and should be. The vision also provides a structured framework for charting our future course; declares our commitment to our employees, our customers, and all of our stakeholders; imparts meaning and a connection with our values to the objectives and initiatives led by the bank; and empowers the bank in its leadership on the shared path to the challenges of the future. The values chosen as components of the Bank Hapoalim Vision were selected to foster a sense of pride, belonging, and long-term mutual commitment.

The fundamental motif of the Bank Hapoalim Vision is: **Leading Growth Together.**

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This is the 2010 Report Summary. The full report is available in Hebrew, in the bank's web site: WWW.BANKHAPOALIM.CO.IL

A MESSAGE FROM CHAIRMAN OF THE BOARD MR. YAIR SEROUSSI AND CEO MR. ZION KENAN



This is the fourth issue of Bank Hapoalim's annual CSR report, which has become a fixture of our organization-wide calendar. Like the previous issues, this report was prepared with the aim of informing stakeholders of the bank of all aspects of the implementation of Bank Hapoalim's commitment to the promotion of sustainability and corporate social responsibility. This deep commitment is expressed in business and operational conduct that is considerate of the environment; the cultivation of human capital based on a philosophy of partnership and dialogue; a relationship with customers based on trust, empowerment, and the promotion of financial liberty; and volunteer work and investments in the community in Israel, with an emphasis on education.

In any developed country, the banking industry is a key intersection of the various strata of economic activity: households, small and large businesses, government agencies, international trade, investments and savings, etc. As the leading bank in Israel, Bank Hapoalim is committed to protecting and securing its customers' assets, financing routine economic activity, and supporting new initiatives.

All of the bank's business is conducted while adhering to professional standards of risk management and compliance with regulatory requirements regarding shareholders' equity, and while striving for continual improvement of the professional skills of our employees and the quality of our infrastructures and services.

The global economy is still recovering from the crisis that began in 2008. Several European countries are still mired in debt crises; growth in the developed countries is far below the levels of the last few decades; unemployment rates in many countries are high; and interest rates of central banks around the world are the lowest in modern history.

It is widely agreed that one of the main causes of this crisis was a focus by leaders and by economic and financial institutions, in several key countries, on the short term and on immediate concerns, neglecting the long-term perspective. Today, the crucial need for balance between current short-term needs and long-term planning is clear. This balance can be attained and preserved only through diligent risk management and the development of long-term strategies. We are pleased to state that these principles are strong at Bank Hapoalim, and serve as the foundation enabling us to cope successfully with the risks and uncertainties currently rampant in the world's economies.

Corporate responsibility is one of the most important elements of the strategy of Bank Hapoalim, aiding us in achieving results and realizing our business objectives while taking a broad range of factors and all of our stakeholders into consideration. CSR values have gradually become part of the bank's DNA, so that aspects of corporate responsibility have been absorbed into every level of our activity - routine operations, employee management and human resources, product development, and investment in the community. These values include the drive to apply sustainability principles, the promotion of dialogue and partnership, the creation of shared value, and responsiveness to customers' needs from a long-term perspective.

In the last couple of years the bank has significantly strengthened its corporate governance processes. This was done in order to raise the effectiveness of the board of directors' work, as a top supervising body, inspecting the bank's proper management. Strengthening the board of directors' work is based on the adoption of corporate responsibility principals, addressing all the bank's stakeholders.

As part of the process to strengthen corporate governance the board of directors has redefined its committees' functions and the way the work as well as the required reporting level to the committees and the plenum, for their work, based on the legal requirements and the Bank of Israel's directives. Special attention was given to transparency in the relations between the board of directors and the bank's management, treating inherent conflict of interests and the separation between the strategic direction and supervision and the bank's operational management.

In 2010, we took another significant step in connecting these values with our organizational culture by launching an ongoing effort to instill the Bank Hapoalim Vision throughout the bank. The vision exalts the values derived from the sustainability and CSR philosophy, including the development of human capital, education aimed at financial liberty, transparency, and more. The vision clearly defines the bank's views of its future course, its ambitions, and its commitment to its employees, customers, and stakeholders.

The Bank Hapoalim Vision exhorts us to undertake the responsibility of promoting financial liberty for our customers, through better financial conduct in three main areas: education on better budget management; education on better investments, aligned with abilities and needs; and education on savings. We believe that this responsibility is part of our duty to contribute to the empowerment of our customers and of Israeli society as a whole. This commitment is being realized through organization-wide processes aimed at formulating a range of tools, products, knowledge, and guidance matched to our customers' needs at every life stage.

Another component of the Bank Hapoalim Vision is the promotion of sustainability principles through business conduct aimed at protecting and enhancing existing resources via economic, social, and environmental nurturing, for our own sake and for the sake of future generations. Our commitment to sustainability principles helps us choose responsible alternatives and consistently improve our efficiency in the consumption of environmental resources. Concurrently, we are helping our customers and the society as a whole close the gap between the mounting demand for environmental resources and the limited supply available in nature. This effort takes the form of financing solutions offered to our customers and support for projects that advance the development of alternative resources, including renewable energy, energy efficiency, prudent and frugal use of water resources, prevention and reduction of pollution, and more.

Bank Hapoalim is attentive to the public discourse and the search for a social path in the country, and works to combine social parameters in its business conduct, in line with statutory limitations. The Bank's vision requires us to contribute to and invest in the community in Israel, within which we operate and from which we draw our strength. Our community-oriented activities encompass many areas; however, we have chosen to emphasize education, which we view as the key to enlarging the economic pie, growth, equal opportunities, and social mobility. Towards that end, about 50% of our total community investment is channeled to educational projects, while managers and employees are encouraged to contribute their time, experience, and knowledge as volunteers strengthening the educational system in Israel. The bank's aggregate investment in the community between 2004-2010 is NIS 268 Million.

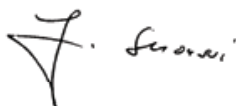
Adopting corporate social responsibility as a strategic approach and absorbing its values into the core of our business have attained significant achievements and strengthened the bank's position in the community. The most notable accomplishments of 2010 include the 150,000 Dan Haschan (Dan the Saver) accounts opened, with a volume of approximately NIS 700 million, within our drive for education on savings, as an element of the cultivation of financial liberty; and Bank Hapoalim's position as financier of over 50% of the solar-energy industry in Israel, helping to promote the production of energy from renewable, non-polluting sources. The bank's environmental activity has led, for example, to the aggregate reduction of 1,990 Tons in paper consumption, between 2007-2010, saving about 30,000 trees.

Bank Hapoalim's commitment to sustainability and CSR values has earned international recognition. This year, the bank was added to the FTSE4Good index, a leading international index of the implementation of sustainability values, with the maximum score of 100.

The sustainability and CSR report now before you presents a detailed description of our accomplishments in these areas over the last year. We are committed to ensuring that the bank continues to pursue the path of realizing its corporate responsibility in all areas of activity as we move into the future.

Yair Seroussi

Chairman of the board of directors



Zion Kenan

President and CEO



A MESSAGE FROM THE HEAD OF CORPORATE SOCIAL RESPONSIBILITY, MR. AVRAHAM BAR-ILAN

This is the fourth report to be published by Bank Hapoalim for its stakeholders. Each report in its turn surveyed a full year of activity within our overall sustainability and corporate social responsibility plan. The reports reflect varied, thorough, organized, systematic action.

The sustainability and CSR reports released by Bank Hapoalim reflect the bank's journey, from the inception of the plan to the present day, to instill corporate social responsibility. Each report focuses on different highlights, according to the key areas of activity in the preceding year:

In 2007, we described the project of initiating this activity, including in-depth diagnosis, the formulation of work plans in specialized committees, the creation of infrastructures for future action, and descriptions of many projects in this field.

In 2008, we focused on solidifying and developing working infrastructures and on planning numerous activities in the areas of sustainability and CSR.

In 2009, we reported the expansion and improvement of the specialized infrastructure for the management of the plan, and the development of a network of relationships with those involved in sustainability and CSR in Israel.

In 2010, Bank Hapoalim took another step forward in the process of instilling CSR values and promoting the creation of shared value for the bank and its stakeholders. For example:

- Introduction of the Bank Hapoalim Vision, based on values including sustainability and financial liberty, and promotion of a broad plan for the absorption of the vision;
- Optimization of environmental conduct;
- Development and expansion of the whole-person wellbeing services offered by the bank to its employees;
- Promotion of financial liberty for our customers and for the general public in Israel, through the provision of practical tools for better financial behavior;
- Continued progress in financing the solar-energy sector;
- Investments in the community through educational and other projects, employee volunteer work, and contributions to the Israeli economy as a whole;
- Development and expansion of the dialogue with our network of stakeholders on various issues.

Content and Scope of the Report

This year, we have chosen to produce two versions of the sustainability and CSR report: a full, detailed report on the bank's activities in this area, available in digital format on the Bank Hapoalim website; and this abridged version, available both in print and in digital format.

The 2010 Sustainability and CSR Report covers the period through the end of the first quarter of 2011, as well as objectives and plans for future years. We believe that this report is the best indicator of our actions and plans.

The bank continues to maintain its tradition of reports at the highest level of quality, meeting all of the requirements of the core metrics in the GRI G3 reporting framework as well as the supplementary metrics for the financial sector.

There are no limitations to the boundary pertaining to what we are legally able to report on. Bank Hapoalim's subsidiary Isracard may have significant sustainability impacts but as it is governed by its own structure, Bank Hapoalim is unable to report on this organization.

The process of determining the content of the report involved an identification of the target audiences and stakeholders likely to make use of the report: Bank Hapoalim employees, suppliers, customers, analysts, community organizations, regulators, policymakers, and more. The full version of the report therefore includes descriptions of selected issues by workers ("First-Person Narratives") and by external stakeholders of the bank ("Looking Outward").

The report extensively discusses matters deemed by the bank to be of special importance for one or more of the following reasons:

- The bank has (or may have) substantial influence in a particular area;
- The stakeholders of the bank accord high importance to the issue;
- Banks that are world leaders in the area of sustainability and CSR accord high importance to the issue.

The scope of discussions of subjects of secondary importance is therefore narrower compared to essential subjects. All areas described in the report contain full information and were given full attention.

Data in the Report: Methods of Measurement, Evaluation, and Assurance

Most of the data in the report were generated by the existing information systems of the bank, in accordance with the GRI reporting requirements and the bank's judgment of the matters relevant to our stakeholders.

Some of the data were not previously in the bank's possession and were not measured routinely and regularly. This mainly refers to data in the various areas related to the environment and resource consumption. These data were generated specifically for this report; in some cases, estimates and evaluations were used. Estimates and evaluations, where used, were diligently checked and validated, and are clearly noted in the report.

We recognize the importance of auditing and external assurance of our work and of the accuracy of the data accumulated as the plan moves forward. Accordingly, we have decided to continue to maintain external auditing of the fairness of our reporting, on four levels, as presented in the following pages: the corporate social responsibility implementation process; the fairness of the report pursuant to GRI guidelines; the completeness of the report on our carbon footprint; and compliance with GRI reporting standards. GRI examined this report and assigned it the highest grade of A+ for completeness and scope of content.

The readers of this report, our stakeholders, will use it to critique and judge our performance and the extent to which we have met their expectations. We are committed to making use of the comments and feedback we receive from our stakeholders in order to learn from them and continue to examine ourselves.

I would like to thank all of the employees and managers involved in every level of the bank's work, who contribute to these activities each day, and who helped create this report.

Avraham Bar-Ilan

Head of Corporate Social Responsibility

Direct e-mail: avraham.barilan@mailpoalim.co.il

Comments and questions can also be sent through the Bank Hapoalim website at www.bankhapoalim.co.il.

PROCESS CONTROLS FOR IMPLEMENTATION OF THE CSR PLAN AT BANK HAPOALIM

This is the fifth year in which the Corporate Social Responsibility Department of the BDO Consulting and Management Group has accompanied Bank Hapoalim in implementing its sustainability and CSR program. The department's activities focus on monitoring the process¹ and progress of the program for sustainability and social, economic, and environmental responsibility. BDO consultants' close work with the bank allows a professional opinion to be provided based on an examination of the processes performed by the bank throughout 2010 and up to the end of the first quarter of 2011.

Accordingly, we are able to state that progress has been made in the three areas under examination: infrastructure development; learning and absorption; and examination of the results of these activities. The bank has continued to implement and instill sustainability and CSR values, in accordance with the trajectory formulated following the establishment of the plan in 2008 and implemented in the subsequent two years. In addition, the results achieved by the activities reflect this progress:

- A. Development and maintenance of the information infrastructure and metrics for corporate social responsibility management** - Consultants in the department examined the CSR management system at the bank, as an area in which integrative management is essential. As part of this process, we examined the support provided by the CSR Administration at the bank to the various units, and the collection of the results of the activity. In addition, we surveyed the processes of deriving information, processing such information into metrics, and maintaining these metrics in order to examine the bank's performance on the various levels.
- B. Organizational learning and absorption by the various units** - In this area, we sought to determine whether the absorption of CSR values at the bank is generating a process of organizational change. In this context, we examined the relevance and added value of the various issues for the activity of the units. We also examined the way in which these issues were being absorbed into the activity of the units of the bank, and whether an ongoing learning process was occurring as a result.
- C. Examination of the results of implementation of the program (effectiveness of absorption)** - In this stage, we examined the ways in which the bank had improved its performance on the various metrics, led new initiatives at the various units for activity in this area, developed new banking products, and created dialogue with stakeholders, while broadening its influence. The examination we conducted at this stage enables us to complete the circle of process monitoring, in that it examined the relevance of the information and metrics generated during the program and the effectiveness of implementation of the issues relative to the goals set in advance.

¹ Consultants in the department collected the data processed for this report. This opinion therefore focuses on the work process at the bank. In order to maintain independence, the examination for the purposes of assurance of the report in compliance with GRI requirements was performed by Good Vision, an independent third party.

Findings, Conclusion, and Recommendations

This assurance process encompassed an examination of the bank's conduct in the implementation and absorption of its sustainability and CSR plan. The process controls allow the bank to receive feedback on its practices and delineate future objectives. We found that progress was made in 2010 in the three areas described above, in accordance with the established trajectory. However, we would suggest five areas to be maintained and reinforced:

- **Achieving shared value** - Our examination of the results of development of responsible banking products found a continuation of the drive initiated in 2009 to develop new responsible banking products (the solar-energy industry; the better financial conduct tool). The consolidation of all of the initiatives in the area of promoting better financial conduct under the Financial Liberty heading and the financing of major environmental projects (renewable energy, water desalination, and more) constitute a new level in the process of instilling corporate social responsibility within core activities and striving to achieve shared value for the bank and its stakeholders. This trend should be maintained and expanded into additional channels, with an emphasis on business activities;
- **Strategic guidance** - During 2010, overarching responsibility for the bank's sustainability and CSR plan was transferred from the Human Resources, Logistics, and Procurement Area to the CEO Administration for Marketing, Service, and Corporate Social Responsibility. This move was called for in order to allow a broader view of the organization's activity and identify more risks, opportunities, and working interfaces. Given this change in organizational structure, the bank's strategic management capabilities in this area can be improved by including it in the work of the board of directors, through the appointment of a guiding director or the establishment of a CSR committee;
- **Learning and absorption** - In the area of promoting organizational learning, substantial improvement of the results of learning is apparent in some units, stemming from the integration of CSR considerations with core business operations (green purchasing, diversity in employment, promotion of organizational innovation, promotion of customers' financial liberty, and more). In view of the achievements in the area of learning, progress in this direction should be encouraged, expanded to units that have carried out the initial stages, and implemented in additional units;

In addition, in the area of training and development of CSR awareness, which is related to organizational learning and precedes absorption, emphasis was placed on the connection between CSR and intra-organizational dialogue, through extensive use of the organizational portal as a central platform for communication with employees. We recommend expanding activity in this area and developing additional specialized training materials on this subject;

- **Strengthening the responsibility brand of the bank** - The bank views CSR as an integral component of risk management. In this context, the bank is developing its internal and external reputation as a responsible brand. During the period under review, the bank joined several international responsibility initiatives. On the internal level, bank employees' personal connection to these values seems to have strengthened. Externally, the bank seems to be perceived as a leader in Israel in the implementation of the various levels of CSR. We recommend continuing to strengthen and leverage this direction.

In conclusion, we see a systemic effort to instill corporate social responsibility in the activity of the bank. The plan is accompanied by an organizational infrastructure designed to contribute to effective absorption and practical attainment of significant results. The foregoing review contains several points which in our opinion should be maintained and reinforced in order to improve the implementation of the plan and preserve the bank's leadership in this area. Based on all of the above, we call upon the bank to continue on its current course.

Dr. Jonathan Menuhin

Director of the Corporate Social Responsibility Department

BDO Consulting Group



THIRD PARTY ASSURANCE STATEMENT

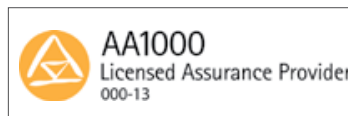
Good Vision Corporate Responsibility Consultancy Ltd. was requested by Bank Hapoalim to conduct an assurance examination of the 2010 sustainability report. The company was established in 2002, and has carried out dozens of consultancy studies in all areas of corporate responsibility. Good Vision is the Israeli representative of the UK company Good Business.

Good Vision is not involved in or dependent upon its business activity with Bank Hapoalim, apart from the fact that it is a customer of the bank. This assurance examination was carried out for payment, in a manner as objective and professional as possible, on the basis of information supplied by Bank Hapoalim. Good Vision carries out the assurance for Bank Hapoalim in the last three years, which enables a broad and ongoing view of the bank's report writing process. The company's consultants in the fields of ethics, corporate governance, community and the environment took part in the assurance process. The findings of the assurance examination are intended for publication to all of Bank Hapoalim's (internal and external) stakeholders.

Methodology

This assurance examination has employed two methodologies in order to examine the extent to which the report conforms to the mandatory reporting requirements:

GRI reporting principles and guidelines for reporting at Level A+, and assurance auditing principles on the basis of Account Ability AA1000AS (2008) standard, at Type 1 Moderate level, which is intended to examine the credibility of the reporting.



The work process

The assurance examination of the reporting employed in Bank Hapoalim's Sustainability and Corporate Responsibility Report for 2010 included reading the report's draft and its comparison to previous reports, meetings with the report's writers and the bank's CSR Officer as well as distributing and discussing questions seeking clarification these meetings. It should be noted that the work was done in full cooperation and transparency from the bank's personnel, and in addition some findings of the assurance process were taken into consideration and appear corrected in the final draft of the report.

The assurance process for Bank Hapoalim's Sustainability Report for 2010 included the verification the report's adherence, among others, of the following principles:

- 1. Inclusivity** - Examination of the reporting on all indicators required for Level A+ reporting (full reporting on managerial approaches of all material types and all core indexes contained in the GRI-G3 reporting guidelines); examination of the extent to which the report provides comprehensive information to all the stakeholders and thereby enables them to respond;
- 2. Materiality** - Examination of the extent to which the report refers to material matters for stakeholders, and determination of orders of priority to deal with them;
- 3. Report responsiveness and adherence to past targets** - Examination of the 2009 sustainability report, and its comparison with the present report, for the purpose of examining the bank's progress and responsiveness;

4. Comparability - Examination of the reader's ability to compare the report with the reports of other banks in Israel and abroad;

5. Reliability - Examination of whether the information contained in the report is supported by documents and sources that were used for preparing the report, including clarifications and discussion of findings with the bank's Corporate Social Responsibility Officer.

Findings:

On the basis of the assurance examination that was conducted, it is possible to determine that Bank Hapoalim's Sustainability Report for 2010 conforms to the GRI-G3 Level A+ reporting guidelines and requirements. In addition, the report conforms to AccountAbility reporting principles. We found that in the course of the assurance examination the reporting refers to material matters, including all the core indexes as required for the purposes of GRI-G3 Level A reporting, including the finance sector supplement.

We found that the report to be written in a credible manor and to be based on the relevant data and documents. Moreover, we are under the impression that the bank's corporate responsibility activity is managed and integrated in a professional and unique fashion, in relation to the Israeli economy.

The 2010 Sustainability Report contains improvements in the environment, community and human resources fields. We believe that the report is written lucidly and is capable of faithfully reflecting information regarding the bank's performance in the various areas of corporate responsibility during the reported period to its stakeholders. However, we believe that the information mentioned above should be accompanied by further details regarding gaps and errors that are required for the creation of a more balanced view for the report's readers.

The assurance examination has also raised some points for improvement and consideration, in relation to this report and for those which shall follow:

- A more profound presentation of the gaps and subjects for improvements in the bank's activities in the various fields, and the way they were handled;
- Expanding the scope of the report, so that it includes the bank's subsidiaries and foreign activity;
- A wider reference to corporate governance and the changes made throughout the reported year, in relation to the suspected misconduct in recent years.

Ivri Verbin - CEO

Corporate Responsibility Consultancy Ltd.
October, 2010

CARBON FOOTPRINT

The Good Energy Initiative (Registered Non-Profit Association) is a social initiative devoted to climate change. The organization works towards minimization of greenhouse-gas emissions, which accelerate climate change, while raising public awareness of this issue. The initiative plans and operates projects aimed at saving energy and integrating renewable-energy technologies, with a community orientation. In addition, it assists public and business organizations in reducing greenhouse-gas emissions by gaining an understanding of their carbon footprint, providing guidance regarding measures to reduce this footprint at source, and performing carbon offsets. The initiative was founded with the assistance of the Heschel Center for Environmental Learning and Leadership, motivated by the ongoing escalation of climate and energy crises.

Work Method

Our work is based on prevalent principles for carbon calculation and marking, developed by the technical work group of the British government. The data were adapted to Israel through the Israel Greenhouse Gas Emission Recording System - Operating Rules and Reporting Guidelines, issued by the Samuel Neaman Institute and the Ministry of Environmental Protection in 2010.

Emission coefficients used for these calculations are national figures published by professional entities such as the Public Utility Authority - Electricity, the Central Bureau of Statistics, and the Samuel Neaman Institute, which is linked to the Technion. Emission coefficients for imported products or products not specific to Israel are congruent with the directives of the World Resources Institute and the Department for the Environment in the UK, through the professional organization appointed on its behalf.

Consumption data were supplied by the bank, at its responsibility.

Calculation and Reporting of the Carbon Footprint of Bank Hapoalim

In 2010, the bank continued to improve the level of carbon monitoring and reporting, further to the transition to analysis of its carbon footprint according to the prevalent international standards, effected during 2008 and 2009. In 2010, Bank Hapoalim was one of the first to join the greenhouse-gas recording system in Israel.

The total carbon footprint of Bank Hapoalim in 2010 stood at 100,826 tons of carbon dioxide equivalent (CO₂eq). Greenhouse-gas emissions caused by the routine operations of the bank mainly result from electricity consumption at the administrative and branch buildings (64%), use of coolant gases (10.9%), and travel by the bank's vehicle fleet (8.32%).

Summary of Findings

- The bank monitors and calculates greenhouse-gas emissions caused by electricity consumption, use of the vehicle fleet, consumption of paper and ink, emission of coolant gases, purchases of electronic equipment, sewage production, new construction, and water consumption in Tel Aviv;
- The bank monitors and measures the reduction of greenhouse-gas emissions at source achieved by expanding customers' use of online banking and by recycling paper, cardboard, ink and electronics;
- The reduction of emissions at source through the use of online banking is difficult to quantify, due to the lack of thorough research on this subject and the inability to measure and assess the true savings in paper consumption, transporting of paper through the entire supply chain to the online-banking customer, emissions resulting from customers' use of the internet, and in particular the reduced number of visits to the bank using private vehicles. This report contains basic assumptions regarding online banking from the Pay-it-Green Alliance, which encompasses all of the major banks in North America, led by the Federal Reserve;
- It should be noted that extensive activities with environmental and social significance described in this report are not reflected in quantitative terms in the calculation of the reduction of the bank's carbon footprint. The collection of fluorescent light bulbs, including mercury removal and safe disposal, as well as the separate collection and disposal of batteries, contribute to the reduction of various pollutants and toxins in employees' environment, in waste-disposal facilities, and in the environment in general, but do not reduce the emission of greenhouse gases;

- The difference between the bank's carbon footprints for 2009 and 2010 is 15,000 tons, mainly stemming from a combination of the calculation method for coolant gases with more accurate monitoring, and the inclusion of the components of new branch construction and sewage production. In addition, an increase was apparent in purchases of electronic equipment and in employee flights. This increase includes a reduction of approximately 4,000 tons in emissions caused by electricity consumption, due to a change in the fuel mix at the Israel Electric Corporation and the adoption of a uniform emission coefficient by the Greenhouse Gas Emission Recording System of the Ministry of Environmental Protection;
- At this stage, the bank does not measure the emission of greenhouse gases caused by employees' travel in private vehicles, production of solid waste, renovation of buildings, advertising, vehicle maintenance, travel by suppliers and customers, consumption of disposable plastic, lighting elements, beverage containers, gardening services, and cleaning services.



GRI A+ Rating Assurance



For the full GRI statement see page 113

SOCIALLY RESPONSIBLE THEN AND NOW

Sustainability and corporate social responsibility constitute a broad social philosophy that is continually evolving over the years. From the beginning, Bank Hapoalim has devoted extensive attention and resources to the various areas of social responsibility, as part of its routine operations.

Identifying the Need: The Decision to Apply the CSR Approach

The bank's decision to create a sustainability and CSR plan did not come about suddenly; it followed many years in which a range of activities in areas related to social responsibility were conducted by various units of the bank. For example, far-reaching efforts were undertaken in the areas of community relationships, energy savings, recycling, and more. With this background, the bank made the decision to take another step forward on the path of sustainability and CSR. In late 2006, all of the initiatives and activities in this area were collected into a single structure, allowing centralized and organized management, adding momentum to the bank's CSR efforts, and creating powerful critical mass. The decision positioned the bank on a par with the leading banks globally in the area of sustainability and CSR projects and initiatives.

The Launch

In accordance with this decision, Bank Hapoalim prepared to create and implement its CSR plan. In order to realize this ambitious goal, we created a comprehensive CSR plan under the leadership of a senior-level corporate CSR officer. The first step was to build an original model for our approach, relying on international best practices and on a large number of specific performance metrics defined according to the bank's needs. In the next stage, a thorough and comprehensive diagnosis of the existing situation at the bank was carried out. Specialized committees formed as part of this process discussed and validated all metrics, addressing the metrics' significance, scope, content, whether the information necessary to examine the metrics existed at the bank, etc. In addition, the specialized committees collected the necessary information in the various areas.

Based on the diagnostic process, the situation at the bank was analyzed and compared to the desired situation according to optimal benchmarks. This gap analysis served as the point of origin for work plans designed to resolve the gaps, aimed at bringing the bank to compliance with international standards in all aspects of its activity related to CSR.

This stage concluded with the bank's first CSR report, in 2007, which was assigned the top grade of A+ by GRI.

Instilling CSR Values in All Levels of Activity

The two years following the creation of the sustainability and CSR plan were dedicated to formalization and regularization of the plan, in five primary organizational areas:

Structure and authority - The managerial structure chosen for the organization of the sustainability and CSR plan is the matrix management approach. In accordance with this method, the CSR officer is the integrator for this area. The CSR officer works collaboratively with the heads of the various units; each unit administers its authority and resources with respect to the specific aspect of CSR that falls within its duties.

The corporate CSR officer is the strategic leader in this area at the bank, coordinating with all of the bank's stakeholders. Activities of the CSR officer include integration of the totality of actions of the bank related to CSR; overseeing methodology, tools, and professional support; controls and reporting; change management and communications in this area; and building an up-to-date knowledge base.

Processes, metrics, and information - Measurement is a fundamental element of management. Measurement allows goals to be set, progress to be monitored, and performance to be compared. Improvement of the measurement infrastructure allows enhanced controls to be applied to the various activities, and is aimed at promoting efficient, effective management of the sustainability and CSR plan at Bank Hapoalim.

The sustainability and CSR plan is implemented at the bank based on a fundamental infrastructure including processes that gradually transform new initiatives in this area into routine activities at the relevant units; clear metrics for the various issues, allowing standardization of the plan and performance analysis; and extensive information collected in existing organizational systems or produced directly for the purposes of the plan.

Broad implementation - From the inception of the plan, the decision was made to proceed rapidly on all fronts. This decision was aimed at bridging the gaps between businesses in Israel and businesses in the advanced world. To meet this ambitious goal, the plan was implemented broadly, in a top-down process,

with the participation of many units and encouragement for units to develop bottom-up initiatives.

A large number of projects were developed in order to realize the objectives of the plan. Each new activity was first carried out as a pilot project. Following the pilot and the process of drawing the necessary conclusions, the many projects were absorbed into routine work processes and procedures, with the aim of administering this matter in an ongoing manner comparable to other business processes of the organization. Sample environmental projects include collecting paper for recycling, collecting batteries for safe disposal, collecting fluorescent bulbs, collecting medications, etc.

Branding, communication, and awareness - In order to support change management and differentiate the various initiatives undertaken within the plan, a logo was designed for the organizing model of the plan - the CSR Flower - accompanied by the slogan, "Social responsibility - it's in our hands." In the spirit of this logo and slogan, each initiative launched as part of the plan was branded and widely communicated to the various levels of managers and workers at the bank.

An extensive series of training sessions and talks on the topics related to the plan was developed, encompassing sustainability issues, healthy lifestyles, safe driving, CPR training, and workshops on caring for aging parents, parental authority, marital relationships, dangers to children on the internet, and additional content under the heading of whole-person wellbeing.

In addition, to leverage the impact of the sustainability and CSR plan with employees' families and the general public, the bank wrote a guide on good environmental conduct and published it on the Bank Hapoalim website. The guide contains practical, useful information on environmental subjects, and is aimed at providing the general public with tools for efficient environmental conduct.

Dialogue and collaboration with stakeholders - In order to extend the activities within its CSR plan, the bank sought dialogue and collaboration with external stakeholders. In this context, a comprehensive mapping process of community and environmental organizations that were potentially relevant stakeholders for dialogue and collaboration was performed. A wide-ranging network of collaborations and connections was formed with environmental and social experts, non-profit organizations, government agencies, entrepreneurs in areas related to the environment and society, and more. This web of connections enables the bank to exchange information and create collaborations with a range of partners, thereby expanding our circle of influence and strengthening the nationwide network of elements involved in this field.

As part of this process, the bank participated in a large number of conferences, and sponsored events related to business and community affairs and events focused on sustainability issues. The bank also granted support to various websites concerning sustainability and CSR.

The activities described above were carried out during the three years from 2007 to 2009. At the end of each annual cycle of activity, a detailed CSR report was produced, in compliance with a strict transparency standard, meeting the highest level of GRI requirements. Concurrently, prior to the current report, three CSR reports were published and presented to the stakeholders of Bank Hapoalim.

Activity in 2010

Sustainability and CSR activities in 2010 were devoted to expansion in the core business and operational areas of the bank; continued development and improvement of the infrastructures targeted to the management of the plan; initiation of new activities; and development and growth of activity involving the network of people engaged in sustainability and CSR activity in Israel.

The emphasis in all of these areas was to **promote shared value** for the bank and its stakeholders, who are its partners in these activities. Achieving shared value is a key goal of the bank's sustainability and CSR plan, aimed at genuine realization of the win-win principle, whereby all parties involved in this process benefit in their own ways from the results of the shared activity. Basing the planning of the activities on the shared-value principle has allowed us to focus on significant action that responds to essential needs arising in the changing environment.

Alongside the expansion and extension of existing activity and integration with all levels of activity at the bank, new initiatives were also developed during 2010. These initiatives were conducted on various levels, from environmental resource management, management of human resources, caring for employees, and development of new products and services promoting customers' financial liberty and contributing to economic, environmental, and social sustainability, to new community projects.

New initiatives and significant activities developed and implemented during 2010 are briefly described below:

Environment - Additional initiatives carried out in the area of paper (Paperless Branches, Mail-Net); Green Construction Seal (5281) awarded to the Yokneam branch; expansion of green planning in

construction projects of additional branches and properties, in line with the Green Construction Seal (5281), in Mazkeret Batya, Afula, and Tiberias; transition to ecological cleaning methods at the head office; transition to the use of “green” office paper; expansion of environmental operational activities; rebranding of various initiatives (collection of fluorescent bulbs, expired medications, batteries, and clothes; separation of cardboard for recycling; collection of ink cartridges; and more); completion of installation of command and control systems at all of the bank’s properties; deployment of additional virtual servers within the Green Computers process; and more.

Employees - Introduction of the Bank Hapoalim Vision and initial stages in the organization-wide absorption plan; closer relationships with non-profit organizations and societies specializing in diverse employment; making the banking portal within the organizational portal a central infrastructure supporting business operations at the branches; internal placement of employees at all units of the bank through the Human Capital Development Center; creating infrastructures for implementation of training methods targeted to continuous, effective learning and personal and professional development for employees; launch of employee wellbeing websites on coping with illness and caring for aging parents; and more.

Customers - Promoting financial liberty for customers through a range of tools and products for responsible financial planning and management, education on prudent investments for customers, and education on savings (through the Dan Haschan program); promotion and continuation of the bank’s leadership in the solar-energy industry in Israel; gradual implementation of environmental risk management methodologies in the area of financing; accessibilization of ATMs to a wide range of population groups, including visually impaired persons; development of new, innovative customer-service applications in the direct channels (Poalim Connect); and more.

Community - An immediate, systemic effort on all levels of activity to help cope with the Carmel fire tragedy, through eased terms for customers, organization of donations for victims, distribution of gifts and refresher kits for firefighters, and more; tighter controls (through an external specialist) applied to reports by manpower contractors engaged in the areas of cleaning, cafeteria, and security services, and measures taken according to findings; continued promotion of strategic community projects in the area of education, such as From Three to Five and Read & Succeed; continued management of volunteer activities at the bank; and more.

All of the new initiatives are described in detail in the relevant sections of this report. The descriptions address qualitative and quantitative aspects, to the extent possible, as well as future objectives.

Dialogue with External Stakeholders

Bank Hapoalim is part of a developing network of stakeholders in the area of sustainability and CSR, in Israel and worldwide. This network includes business organizations, non-profit organizations and associations, academic institutions, media organizations (professional journals, websites, printed press, and more), local government, government agencies, clean-tech entrepreneurs, supply chain participants, and many more. This network evolves and functions through both formal and informal channels.

In addition to the sustainability and CSR plan being applied within the organization, Bank Hapoalim is committed to taking proactive initiative in the area of CSR, and has therefore worked to promote this network in Israel. CSR promotion is accomplished through dialogue that allows knowledge sharing and learning from the experience of others for mutual strengthening and empowerment.

The dialogue emerging within the sustainability and CSR network in Israel has led to cross-sector joint ventures serving broad causes and creating shared value for all partners.



Transparency as the foundation of dialogue - our website as the reflection of Bank Hapoalim for stakeholders

The CSR section of the Bank Hapoalim website was significantly upgraded during 2010. The goal of the upgrade was to create an appropriate level of transparency for stakeholders with regard to events at the bank and deliver the maximum possible amount of information, which is essential to dialogue.

The CSR section of the website was reorganized in congruence with the organizing model of CSR activity at the bank, the CSR Flower. The reorganization provides users with quick, easy access to all internal content and immediate transition between content segments. Users can return to the section's homepage at any time, or visit different subsections to find detailed information.

The new content on the website was prepared with the aim of reflecting all of the sustainability and CSR activities at the bank. The most important activities are highlighted, and links are provided to other sections of the website that offer practical tools in business areas related to sustainability and CSR, such as solar-energy financing, tools for better financial conduct, green mortgages, and more.

The location of this section within the website, the internal division into subsections, and the content itself were designed to display a full picture of the bank's actions in the area of sustainability and CSR, including multi-year quantitative information. The website earned the bank first place on the Transparency Index, for the third consecutive time, with an almost-perfect score of 99, versus the average index score of only 35.



The CSR page in the bank's website

Adoption of Responsible Initiatives, Promotion of Partnerships, and Transparent Reporting

The bank is committed to its partnership with organizations working towards sustainability and CSR, and has adopted international standards of responsible conduct:

Global Sullivan Principles of Social Responsibility - The bank adopted these principles as early as 2004, in the belief that the implementation of the principles would help achieve greater tolerance and understanding among peoples and promote a culture of peace.

Maala - Bank Hapoalim joined Maala in 2006 as a member of the organization's business leadership. In ratings assigned by Maala for 2011, based on reported data for 2010, Bank Hapoalim was ranked at the top of the Platinum class, the highest rating category.

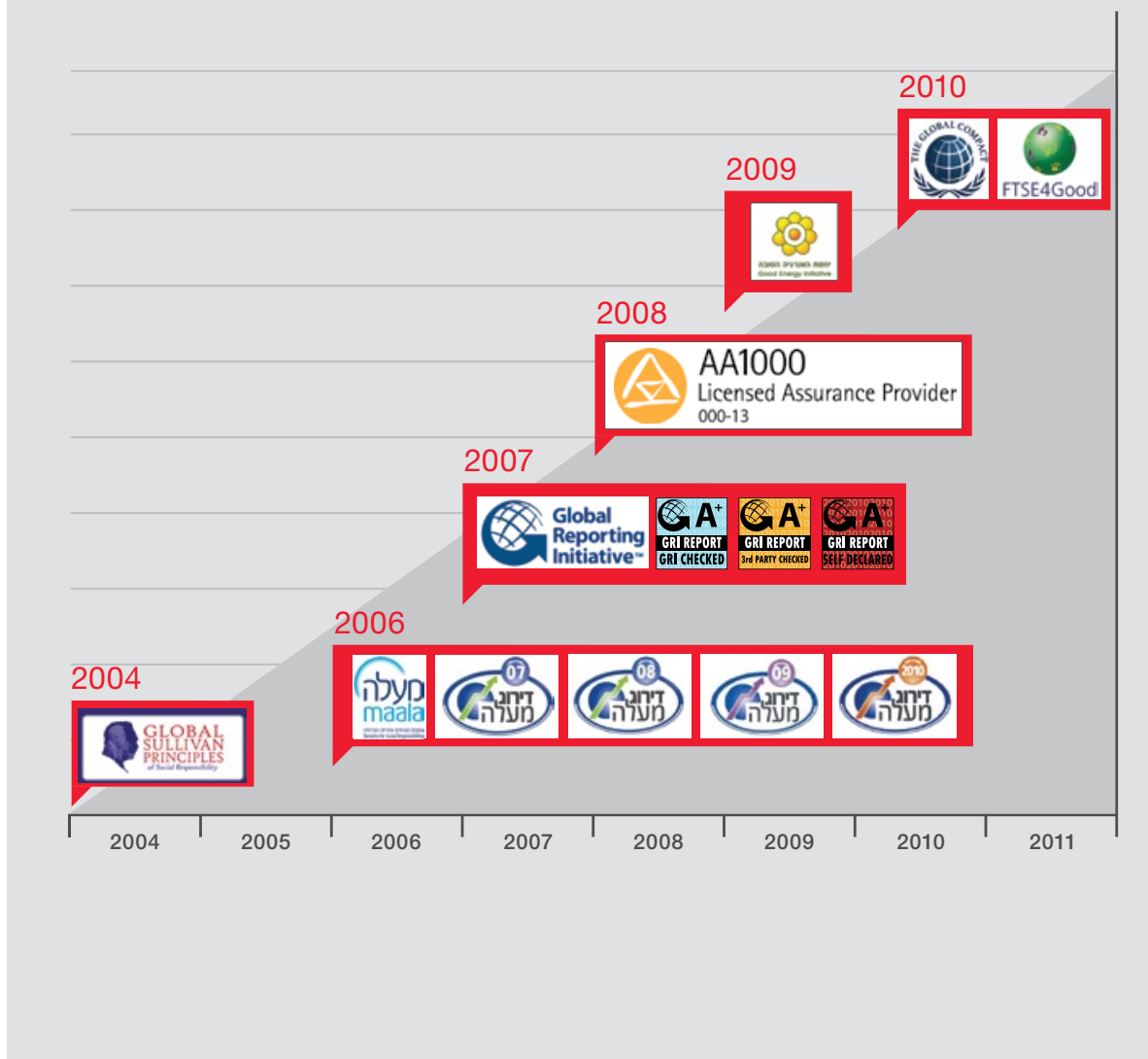
UN Global Compact - During 2010, Bank Hapoalim joined this UN initiative aimed at promoting economic development that is beneficial for the community and for future generations.

FTSE4Good - In the first quarter of 2011, based on its performance in 2010, Bank Hapoalim was added to the global FTSE4Good index and awarded the highest score. FTSE4Good is considered a leading global index of sustainability and CSR.

Voluntary reporting system on greenhouse-gas emissions in Israel - In 2010, Bank Hapoalim was one of the first organizations to join the voluntary system for recording greenhouse-gas emissions. This system is a joint initiative of the Ministry of Environmental Protection and the Manufacturers' Association.

Business Transparency Index - Bank Hapoalim won the Transparency Index for the third consecutive year, since the launch of the index, with a score of 99. The transparency index examines the degree of social and environmental transparency of the 100 largest publicly traded companies in Israel.

Throughout the years the bank has joined partnerships and initiatives as follows:





LOOKING AHEAD

The sustainability and CSR plan at Bank Hapoalim is continuing to stabilize and expand. The plan is ongoing and encompasses organizational infrastructures, information and measurement systems, milestones, and controls.

The bank plans to continue to expand the activities conducted within the sustainability and CSR plan, on all dimensions, with continual examination of the progress being achieved globally in this field. Bank Hapoalim believes that corporate responsibility begins within the organization itself; it is a philosophy that must be expressed first and foremost in the bank's internal conduct, responsibility towards its employees, and responsibility towards the environment. The bank plans to expand and implement these values as extensively as possible.

Concurrently with the continued progress in the area of resource management, the bank plans to continue to expand its business activities and identify additional opportunities to create shared business value for the community and the environment, such as through the range of activities targeted to customers' financial liberty; the formulation of work processes in the area of microfinance; the continued promotion of the solar-energy industry, green construction, energy efficiency, and water desalination; and more.

The bank intends to continue to develop and expand the positive impact of its sustainability and CSR plan, and to leverage this influence through its employees' families, customers, and other stakeholders. Knowledge imparted to thousands of people helps them while also making them agents of change in the broad circles of their social networks.

Finally, the bank plans to support the strengthening of the social responsibility network in Israel - non-profit organizations, academia, government agencies, local government, and other professionals - thereby contributing to the promotion and development of sustainability and CSR in Israel.

This report provides a detailed presentation, based on the components of the bank's organizing model, of the key past and future activities in this area.





OPERATING PROACTIVELY

LIVING WITH THE ENVIRONMENT



ENVIRONMENTAL POLICY

In recognition of the bank's social responsibility and the importance of sustainable environmental policies, Bank Hapoalim takes responsibility for the environmental impact of its internal conduct and of its banking products. This section describes the bank's approach to the management of environmental resources (such as paper, energy, and water) and to waste management and the prevention of pollution (paper, batteries, vehicle emissions, and more). In addition, environmental costs and indirect effects of banking products are discussed. The section on customers addresses the management of indirect environmental effects, with an emphasis on our offering of services and products that promote sustainable development and the management of environmental risk in the context of financing. This activity is derived from a comprehensive, formalized environmental policy. The policy was delineated by professional bodies and constitutes an integral part of the strategy of the bank.

- The bank views the protection of the environment as a social value, managed as an inseparable component of its corporate social responsibility;
- The bank recognizes that natural resources are an asset of the public, the community, and future generations, in accordance with the principle of sustainable development;
- The bank seeks to achieve the proper balance between economic development and protection of the environment in its business decisions;
- The bank complies with environmental regulations and laws and strictly adheres to the directives of entities charged with protecting the environment. The bank has never been charged with the violation of environmental laws or regulations and no substantial fines or sanctions have been imposed upon the bank in this area;
- The bank diligently endeavors to prevent environmental damage;
- The bank is committed to managing its environmental impact in a manner that ensures continual improvement, by setting measureable targets and monitoring the achievement of its objectives;
- The bank will continually measure its impact on the environment in all significant respects, and will strive to understand ecological consequences and make decisions accordingly;
- The bank will collaborate with other companies and public entities to promote environmental causes;
- The bank will work to instill environmental education among its employees, and will initiate and participate in community projects.





The bank recognizes the added value associated with the implementation of this environmental policy, on two main levels:

- The integration of environmental values with the economic values of efficient use of logistical resources generates shared value for the profit line of the bank's financial statements and for the protection of the environment;
- A policy of environmental responsibility makes it possible to improve the work environment at the bank, contributing to better quality of life for employees at work and higher workplace satisfaction.

From Consumption Management to Resource Management

The bank views consumable materials as resources to be managed from an environmental and business perspective, rather than as an inevitable but undesirable component of its current expenses. Consequently, key environmental resources consumed by the bank are managed according to the following parameters:

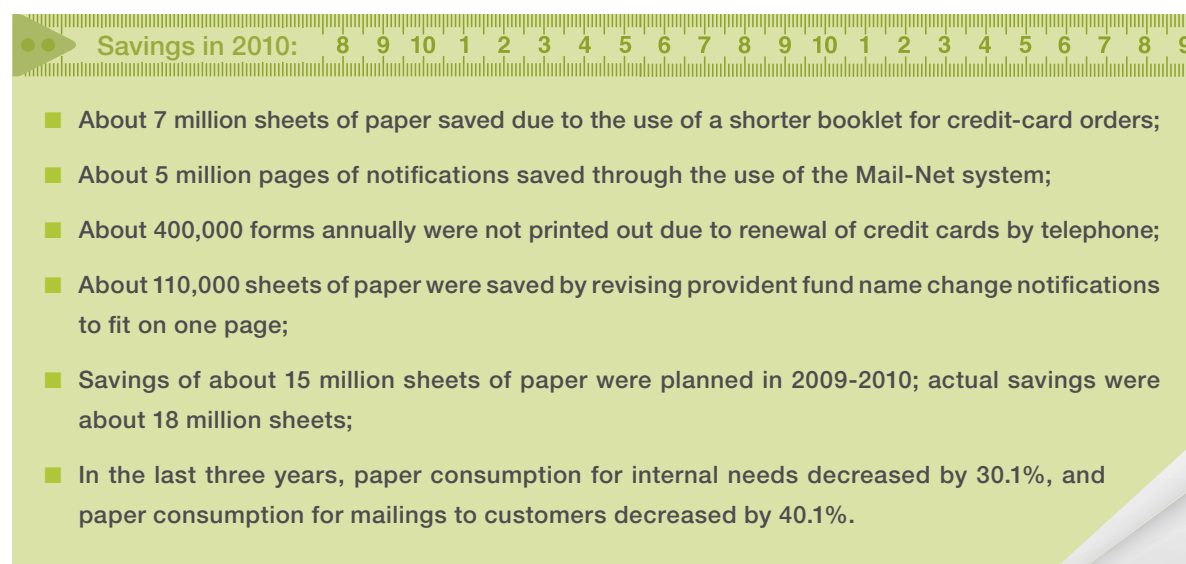
- Creation of a measurement infrastructure allowing monitoring of trends and identification of areas needing improvement;
- Establishment of a multi-year comprehensive work plan;
- Validation of forecasts from the planning stage and analyses of variance in performance for learning purposes;
- Implementation of initiatives aimed at increasing efficiency;
- Partnership with employees, professional bodies within the bank, and external stakeholders in the implementation of localized initiatives and formal work plans;
- Examination of environmental effects throughout the life cycle of the resource, taking all types of impact into consideration (pollution, global warming, resource scarcity, etc.).

The following parts of this section focus on descriptions of the management of the environmental resources of paper, energy, and water; the bank's approach to green construction; management of the various types of waste; and the ways in which the bank is expanding the circles of influence of responsible environmental thinking.



MANAGEMENT OF PAPER RESOURCES

The drive to reduce paper consumption at the bank continued during 2010. This significant accomplishment was achieved through initiatives such as the Paperless Branch and the Mail-Net service. The Paperless Branch project entails analysis of the bank's paper consumption (forms, reports, document retrieval, and mailings) in terms of efficiency of use and examination of possibilities for the reduction or cancellation of production of forms. The Mail-Net service enables registered customers to receive account notifications through the bank's website, in a mailbox linked to their online account. In addition, credit forms have been automated; credit-card ordering booklets have been shortened; and notices of name changes in provident funds have been revised to fit on one page. All of these efforts supported the trend towards paper saving.

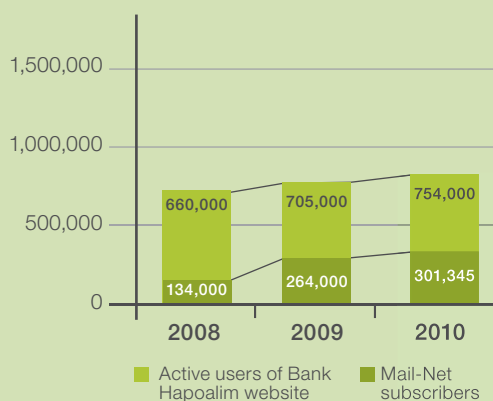




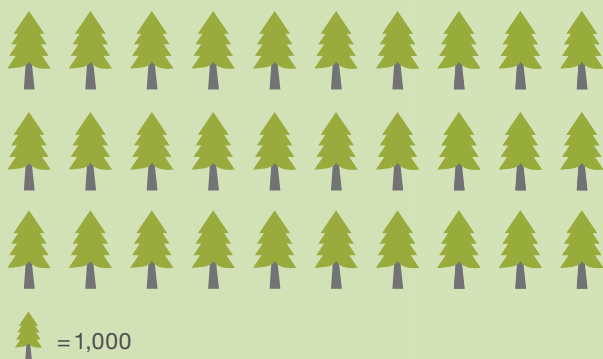
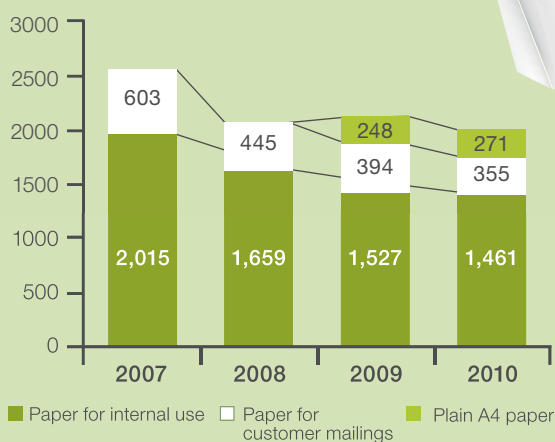
LOOKING AHEAD

- The bank will continue to examine and instill processes aimed to reduce paper usage (additional savings of 7 million sheets of paper are planned in 2011), such as green accounts, digital signatures, and deliveries of credit cards and checkbooks;
- In 2011, only recycled paper will be used in the bank's printers and fax machines.

Increase in Mail-Net users and active users of the bank's website



Paper consumption at the bank (in tons)



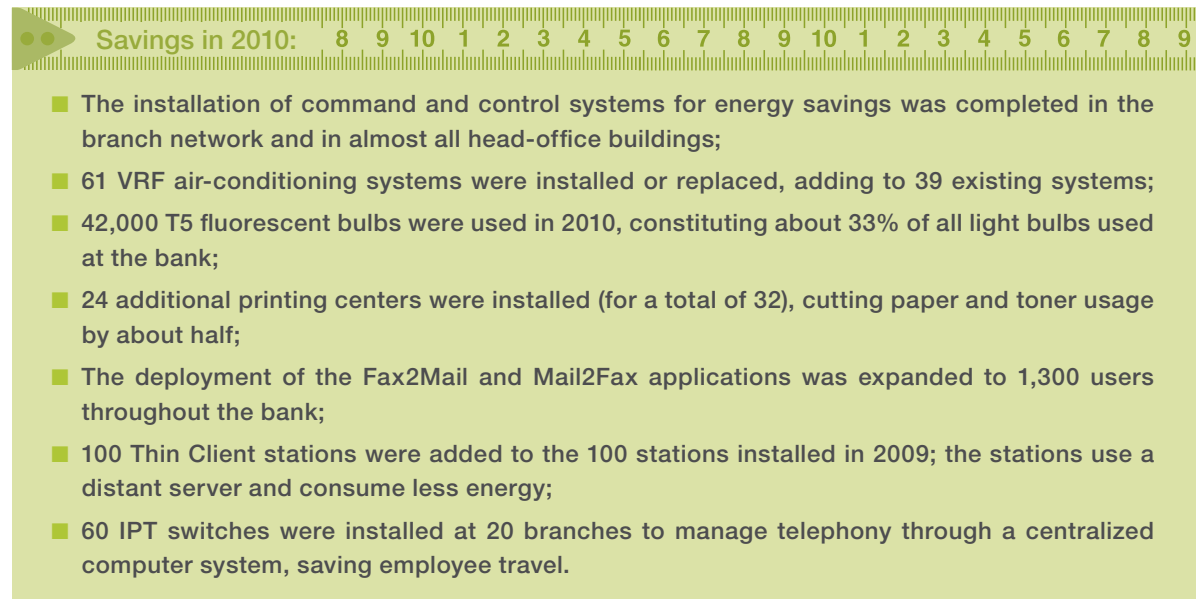
PREVENTING APPROXIMATELY 30,000 TREES FROM BEING CUT DOWN

The cumulative savings in paper consumption measured at the bank in comparison to 2007 reached 1,990 tons. This figure is equivalent to preventing approximately 30,000 trees from being cut down for the paper industry.



POWER CONSUMPTION MANAGEMENT AND ENERGY EFFICIENCY

Electrical power is a key resource used at the bank. The central principle in efficient management of electricity consumption by offices is coordinated timing of air conditioning, lighting, and computer operation according to employee presence, to the extent possible. Virtually all of the energy consumption at Bank Hapoalim is in the form of grid electricity consumption generated by the Israeli Electricity Company which is using 100% non-renewable resources (with the exception of fuel consumed by the vehicle fleet). Energy efficiency at the bank is achieved through a series of measures such as the installation of command and control systems, transition to energy-efficient lighting, installation of variable refrigerant flow (VRF) air-conditioning systems, a range of measures in the area of green computing, including centralized management of printing, and more.



Bank Hapoalim indirect energy consumption

	2007	2008	2009	2010	Change vs. 2009
Total (KwH)	90,208,821	87,876,992	86,013,680	88,811,558	3.25%
Total (GJ)	324,752	316,357	309,649	319,722	3.25%
Consumption per employee (KwH)	8,037	7,959	7,800	8,043.07	3.11%
Bank area in sq. m.	272,284	282,059	293,496	304,365	3.70%
Consumption per sq. m. (KwH)	331.3	311.6	293.1	291.8	-0.43%

Installation of command and control systems



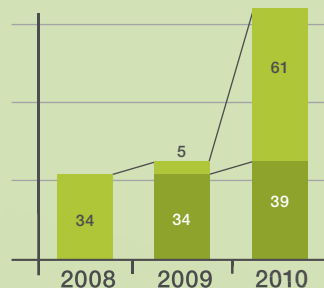
■ Existing systems ■ New installations

Installation of virtual servers

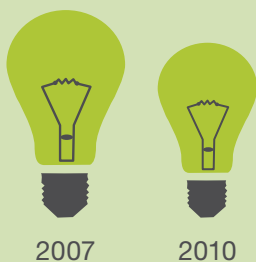


■ Existing systems ■ New installations

Installation of VRF air-conditioning systems



■ Existing systems ■ New installations



11.9% DECREASE

From 2007 to 2010, aggregate annual power consumption per square meter decreased by 11.9%.



BUILDING ACCORDING TO GREEN CONSTRUCTION PRINCIPLES

Green construction entails the adoption of an environmental approach to construction processes, from planning to execution. The goal of this approach is to avoid damage to nonrenewable resources, reduce waste production, and save energy. The key principles of green construction are efficient, energy-saving planning of the building, in integration with the environment; efficient thermal insulation for heating and cooling; channels for natural light and air to enter the building; efficient water management; waste recycling; and contribution to employee health. Beyond the benefits to the environment, the transition to green construction also confers economic rewards.

The bank has adjusted all of its purchasing specifications to align with green construction principles. The bank intends to work according to these specifications when constructing office buildings and branches. It is important to note that a significant number of branches of the bank are located in shopping malls and commercial centers not owned by the bank, where the bank cannot alter the infrastructures of the buildings. However, the bank intends to bring as many as possible of the elements of green construction to these sites, although the properties involved may not meet accepted green construction standards.

Savings in 2010: 8 9 10 1 2 3 4 5 6 7 8 9 10 1 2 3 4 5 6 7 8 9

- **The first branch of the bank to earn the 5281 Green Construction Seal from the Israel Standards Institute was built in Yokneam in 2009.**
- **Planning of three green buildings began in 2010:**
 1. A retail branch in Tiberias;
 2. A green building in Mazkeret Batya, to house the local council;
 3. A green building in Afula, to house the regional administration, a retail branch, and a business branch.



The green branch simulation in Afula



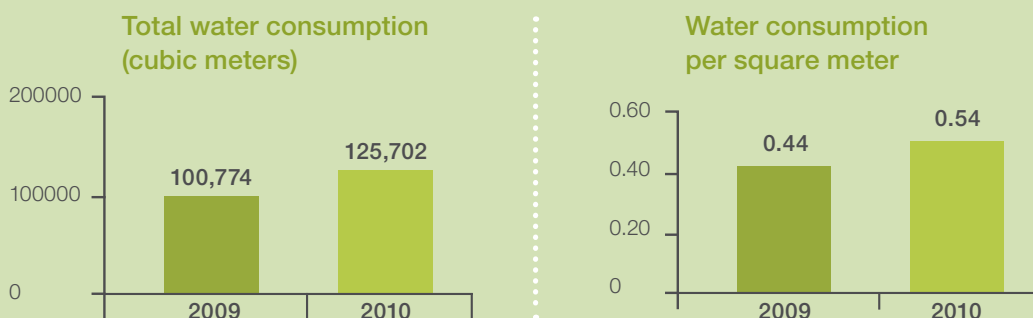
LOOKING AHEAD

The bank is planning to build the Bank Hapoalim Center to house all of its management units. The center will be built in compliance with the most stringent green standards. This project is currently in its initial planning stage.

MANAGEMENT OF WATER RESOURCES

Water consumption efficiency and savings are a national goal of the utmost importance. The bank has therefore decided to address this issue comprehensively. In recent years, the bank has applied a series of measures for efficient management and savings of water, including the installation of water-saving faucet fixtures at all of the bank's facilities, the installation of dual-flush toilet tanks in the bank's restrooms, installation of signs explaining the efficient use of the dual-flush toilets in all restrooms, locating potential water sources for reuse for various purposes at the bank, and creating a comprehensive measurement system encompassing all properties of the bank (branches and head office) in all municipalities.

In 2010, the process of measuring the bank's water consumption continued and expanded. Comparative data were collected at 228 properties of the bank, versus 236 properties in 2009. The information collected in 2010 covers 84% of the total area of the bank's properties.



* Methodology note: There are still many difficulties involved in creating the database and in the reliability of the data, due to the lack of water meters at many of the properties, problems assigning consumption data to the correct properties, delays in receiving information from water corporations, and more. While updating the data, it became necessary to revise the data on water consumption for 2009 retroactively. Overall, despite the progress made in creating a measurable information infrastructure, we do not feel sufficient confidence in the reliability of the data at this point.

Preserving Biological Diversity and Contributing to Environmental Consciousness in Expanding Circles

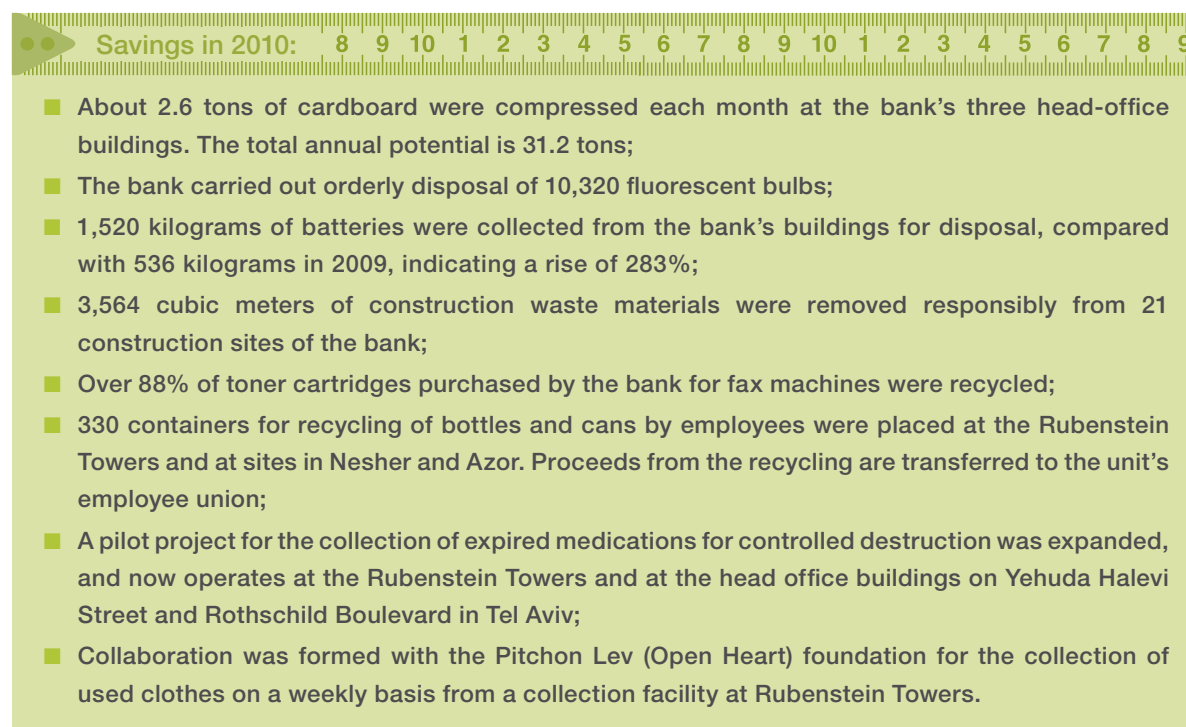
The bank is committed to being a contributor to the sustainability of the state of Israel. As such, within the bank's environmental responsibility philosophy, some of its activities are aimed at raising general awareness and finding practical solutions to a variety of environmental issues.

The numerous activities conducted by the bank in this context in 2010 include the following:

- **Participation in the Rowing to a Clean Sea project, aimed at raising awareness of conservation of marine and coastal environments;**
- **Opening of museums and national parks to the general public free of charge during the Passover holiday week.**

TURNING WASTE INTO A RESOURCE AND PREVENTING POLLUTION

The environmental trends of recent years have highlighted the fact that one person's waste is another's resource. Bank Hapoalim mapped the types of waste generated by its operations, and subsequently examined three environmentally beneficial methods of treating such waste: reuse of the resource or its components (as is, or after improvements); recycling of the resource by external parties who convert the waste into raw materials, thereby reinserting it into the production process; and responsible disposal through collection and transport to a licensed site (preventing pollution). As part of this approach, the bank encourages its employees to use fuel-efficient, low-polluting vehicles and hybrid vehicles.



Data on Bank Hapoalim vehicles

	2007	2008	2009	2010
Number of vehicles in leasing fleet	1,362	1,407	1,364	1,324
Annual fuel consumption (in liters)	3,615,406	3,979,223	3,719,817	3,586,759
Kilometers per liter	9.8	9.8	10.8	10.1
Number of hybrid vehicles in the fleet	-	97	115	110

Responsible disposal of electronic waste

	2007	2008	2009	2010
Computers	514	473	698	258
Screens	720	959	414	354
Printers	403	757	405	324
Servers	55	24	26	77
Total	1,692	2,213	1,543	1,013

Consumption of toner and ink cartridges



Collection of paper for recycling (tons)



* The large amount of paper collected in 2008, is mainly based on the clearing out of archive documents. mass-volume clearing happens once in every few years.

COPING WITH GLOBAL WARMING

Israel is no longer exonerated due to developing-nation status. With its accession to the OECD this year, Israel has become accountable for compliance with the environmental standards that are binding for other OECD member nations, including the reduction of greenhouse-gas emissions. The first step towards minimization of the impact of the organization's operations on the environment is measurement. The metric used globally to quantify and assess climate impact is the carbon footprint. In 2010, Bank Hapoalim joined the voluntary greenhouse-gas reporting system of the Ministry of Environmental Protection.

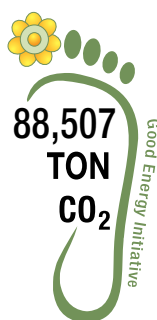
Measuring Our Carbon Footprint

The carbon footprint of Bank Hapoalim consists of greenhouse-gas emissions on three levels: **first tier** - direct emissions caused by fuel burning or other factors; **second tier** - indirect emissions due to the production of electrical power for use by the bank; **third tier** - indirect emissions related to the activity of the bank but not performed by the bank (production of resources, waste treatment, use of banking services, etc.).

The differences noted from year to year stem from improved monitoring processes (such as of coolant gases and of depreciation of computer equipment) and the introduction of new parameters (such as construction projects, employee hotel stays, and sewage production) into the measurement on each tier.

Working to Reduce Global Warming in 2010

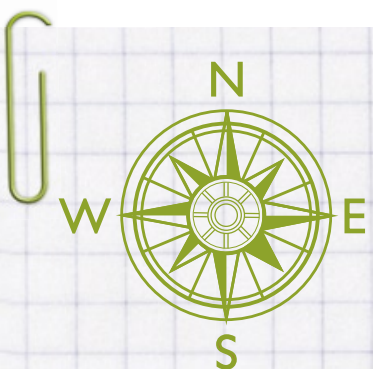
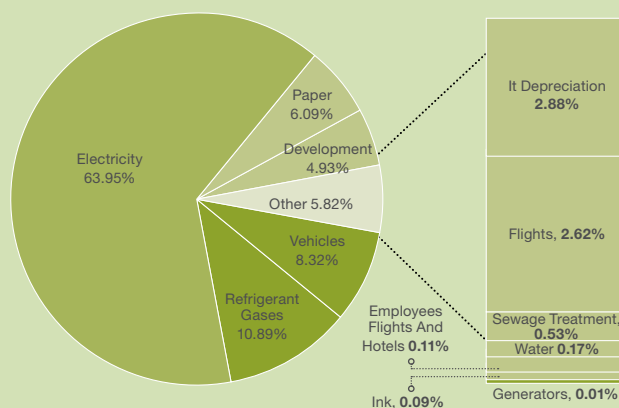
- Total carbon footprint of Bank Hapoalim in 2010: $100,826 - 10,817 - 1,500 = 88,507$ tons of carbon dioxide equivalent (CO₂eq);
- Online account management and waste recycling led to savings of 10,817 tons of CO₂;
- 50,000 trees were planted by the bank in 2007, providing an annual offset of 1,500 tons of CO₂.



Consistent Action



Following is the bank's carbon footprint for 2010, broken to elements and their relative contribution to the total value:



LOOKING AHEAD

The bank plans to carry out a nationwide offsetting project, and to use its carbon-footprint data as a basis for the examination of more environmentally beneficial alternatives for the management of its logistical resources.



OPERATING PROACTIVELY

EMPLOYEE LIFE AND WELLBEING



HUMAN RESOURCES POLICY

Adhering to Five Basic Principles

Following its time-honored tradition, the bank strictly maintains a unique work environment, characterized by five fundamental principles:

- **Constant dialogue, cooperation, and transparency** between employees and management;
- Opportunities for personal and professional development, to cultivate growth, learning, and empowerment. Employees benefit from this approach, while the bank gains the best people, at the best place and time;
- **Solidarity and collegiality**, imparting special meaning to the relationship among colleagues, achieved through means including social events and team-spirit evenings held by branches and management teams;
- Continual caring for the **wellbeing of employees and their families**; support for employees during times of crisis;
- Rigorously maintained **equal opportunities and non-discrimination**.

Defining a Human Resources Credo

The bank applies long-term considerations of sustainability and social responsibility to the management of its human resources. The bank does not view employees merely as a productive means of generating output to meet its business objectives. For the bank, its employees are key stakeholders; its relationship with them is conducted on a firm foundation of true growth and partnership. Each employee is a member of the community of the bank, and all interactions with the employee are rooted in this basic stance.

The bank recognizes that as an employer, it has a duty to consider employees' wellbeing and wellness, understand the importance of balancing work with family and leisure time, and devote attention to employees' enrichment, growth, and empowerment. The bank therefore promotes the adaptation of its employees' work environment and career path to milestones in their own lives. Responsiveness, flexibility, assistance, and support when necessary are vital elements in fostering the desired relationship between the bank and its employees. This approach helps the bank achieve the goal of satisfied employees who are able to function to their full potential and who view the bank as a desirable, preferred workplace where they seek to remain.

It is important to note that caring for employees also encompasses orderly and attentive preparation of employees for retirement, as well as continued contact with retirees, who remain part of the Bank Hapoalim family.

According to the philosophy of Bank Hapoalim, the most effective way to manage human resources in the best interests of both the bank and its employees is to create a genuine partnership.

Rating on List of Best Workplaces

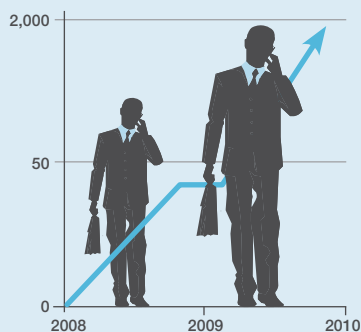
Bank Hapoalim was ranked fifth on the BDI index of best companies to work for, at the top of the financial and banking sectors. This accomplishment reflects the bank's commitment to its employees and its achievements in the area of social responsibility.



INFORMATION ON EMPLOYEES



- 92.2% of the employees of the bank are employed full time; 7.8% are employed part time;
- The bank employed 1,238 external workers and 8,745 internal employees;
- 515 employees took maternity leave, while 443 employees returned to work following maternity leave;
- Over the last year, the percentage of employees holding academic degrees rose from 50.7% to 54.4%;
- The large majority of employees of the bank are members of the Employee Union, headed by Mr. Charlie Amzaleg.



1,877 EXTERNAL WORKERS IN 2008-2010

In 2010, the bank hired 474 external workers as regular employees. Overall, the bank hired intake 1,877 external workers in 2008-2010.



Segmentation of employees, 2007-2010

	2007	2008	2009	2010	% change vs. 2009
Board of management	14	13	14	15	7.1%
Area heads and chief supervisors	69	83	87	85	-2.3%
Branch managers and department heads	584	586	602	605	0.5%
First tier management	1,723	1,780	1,799	1,792	-0.4%
Total management	2,390	2,462	2,502	2,497	-0.2%
Other employees	7,486	7,477	7,535	6,984	0.1%
Total employees	9,374	9,979	9,979	9,983	0.0%

Distribution of employees by type of employment contract

		Permanent employees	Temporary employees	Senior employees	Total
2010	Collective contract	77.5%	17.9%	-	95.4%
	Personal contract	0.2%	3.2%	1.3%	4.6%
2009	Collective contract	77.9%	18.3%	-	96.3%
	Personal contract	0.1%	2.4%	1.2%	3.7%
2008	Collective contract	77.0%	19.2%	-	96.2%
	Personal contract	0.2%	2.5%	1.1%	3.8%
2007	Collective contract	83.4%	13.6%	-	97.0%
	Personal contract	0.1%	1.9%	1.0%	3.0%

Proportions of internal and external employees



Employee turnover, 2007-2010

Year	Age	Female	Male	Total
2010	Up to 30	164	70	234
	31-50	68	60	128
	50+	48	47	95
	Total	280	177	457
2009	Up to 30	76	132	208
	31-50	37	61	98
	50+	23	16	39
	Total	136	209	345
2008	Up to 30	33	128	161
	31-50	65	75	140
	50+	136	207	343
	Total	234	410	644
2007	Up to 30	107	79	186
	31-50	62	60	122
	50+	47	53	100
	Total	216	192	408

Insurance Policies, Funds, and Benefits for Employees

Bank Hapoalim pays wages to its employees in accordance with employment contracts signed with each employee. In addition to wages, Bank Hapoalim employees enjoy a wide range of benefits, under agreements with the Employee Union and pursuant to their personal contracts, as relevant. Employees receive comprehensive insurance coverage, including pension insurance (starting on the first day of employment at the bank), disability insurance, life insurance, personal accident insurance, health insurance, and dental insurance. Employees are entitled to discounts on bank-account fees, subsidized loans, spreading of debts into installments, and loans tailored to personal milestones: moving to a new home, buying a vehicle, children's weddings, and more. In addition, the bank distributes an annual bonus, based on its rate of net return on equity, and allocates options to permanent employees and to employees under personal contracts.

Employee Union

The Employee Union is first and foremost a strategic partner and a key stakeholder of the bank. The roles fulfilled by the Employee Union include protecting each employee's rights and obligations; developing cultural, instructional, and social activities; and organizing mutual assistance among employees. The national union heads the pyramid of local unions, which are organized into regional unions. The national union operates on the basis of articles of association, accessible to all employees in a dedicated section of the organization's web portal. The numerous activities of the union for the wellbeing of employees include summer day camps for employees' children throughout Israel, reduced-price or subsidized tickets to cultural and entertainment events, discounts on hotels and vacations, holiday gifts and gifts for personal occasions, various types of insurance for employees and their families, medical examinations, aid funds, assistance for families in mourning, assistance during crises, and more.



Education and Age

The following table presents a breakdown of the 9,983 employees of the bank in 2010, by age and level of education.

Education Age	No academic degree	Academic degrees			Total	Age group distribution
		B.A	M.A	Ph.D		
18-21	54	-	-	-	54	0.5%
22-30	865	721	101	-	1,687	16.9%
31-40	683	1,349	746	2	2,780	27.8%
41-50	1,060	864	599	2	2,525	25.3%
51-60	1,714	601	272	4	2,591	26%
+60	177	105	60	4	346	3.5%
Total	4,553	3,640	1,778	12	9,983	100%
Education level distribution	45.6%	36.5%	17.8%	0.1%	100%	

From 1997 to the end of 2010, the overall percentage of academic degree holders at Bank Hapoalim rose from 26% to 54.4%.

Ensuring Diversity, Equal Opportunities, and Transparency

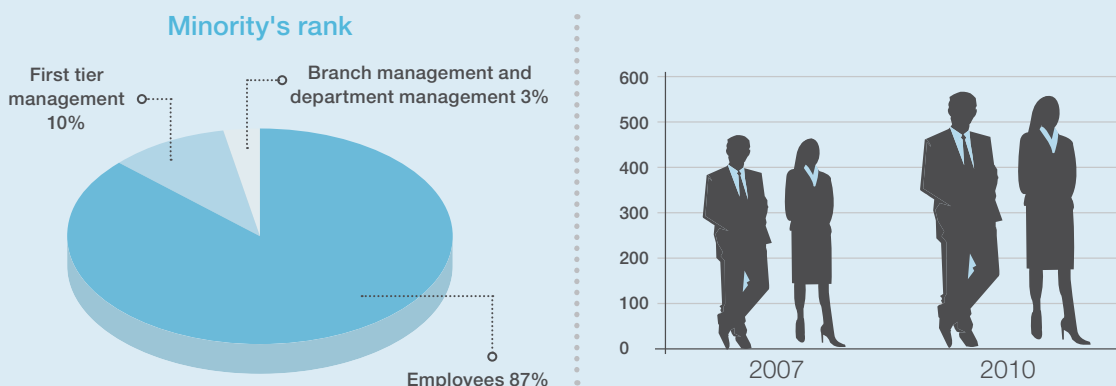
The bank treats its employees fairly and without discrimination. The policy of the bank is to employ, promote, and make decisions regarding employees based on pertinent considerations, such as qualifications and performance, with no discrimination due to religion, race, sex, age, political views, sexual orientation, disabilities, etc. The bank does everything in its power to implement this policy. Any claims of discrimination brought before management are addressed by the bank immediately, in order to eradicate such occurrences. Salaries and terms of employment for bank employees are determined according to a role book listing the terms of employments and entitlements granted to each rank of employees at the bank. Male and female employees of Bank Hapoalim receive equal salaries and conditions for equal positions and ranks. The bank strives to achieve diversity in the workplace and hires minority employees as part of its hiring policy.

● ● Data for 2010: 7 8 9 10 1 2 3 4 5 6 7 8 9 10 1 2 3 4 5 6 7 8 9

- 64.8% of the employees of the bank were women, versus 46.6% in the workforce;
- 48.3% of the managers at the bank are women, versus 33.6% in the workforce;
- Minority employees constitute 5.7% of the bank's workers, up by 1.2 percentage points from 2009;
- Directors by category of age: 4 directors' age ranges from 30 to 50 years old and the other 10 directors are 50 years old and over;
- The bank focuses on collaborations with non-profit organizations engaged in promoting and integrating excluded population groups, such as Olim Beyahad - Leadership and Employment Excellence for Ethiopian-Israeli University Graduates, Tech Careers - Computer Training for Ethiopian Israelis, Kav Mashve - Employers' Coalition for Equality for Arab University Graduates, Manpower Bereshit - an employee placement firm for the ultra-orthodox sector, the IDF Disabled Veterans Association, IT Works - Empowering People through advanced technology studies, Tevet - Fighting Poverty Through Employment, and Be-Atzmi - promoting employment for people going through prolonged unemployment periods.

MORE MINORITY EMPLOYEES AT THE BANK

The number of minority employees at the bank rose from 445 in 2007 to 573 in 2010.

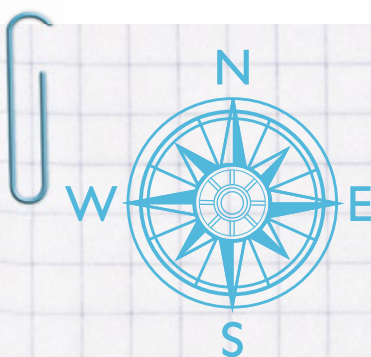
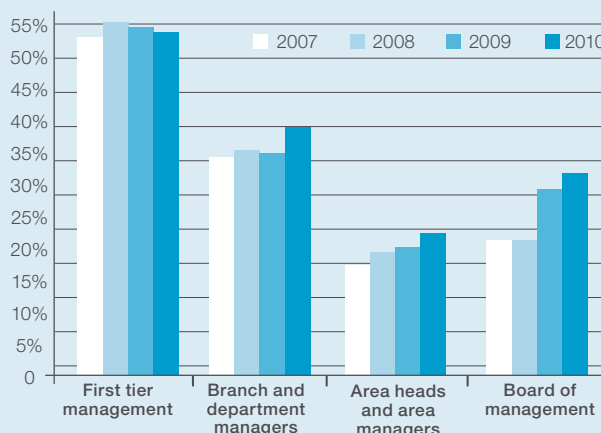


Comparison of men and women at each rank

	Women	Men	Total
Board of directors*	6	8	14
Board of management	5	10	15
Area heads and chief supervisors	20	65	85
Branch managers and department heads at the head office	225	380	605
First tier management	956	836	1,792
Total managers	1,206	1,291	2,497
Other employees	5,258	2,228	7,486
Total employees	6,464	3,519	9,983

*Not included in total workforce

Proportion of women in management positions, 2007-2010



LOOKING AHEAD

- During 2011, the bank plans to expand the services offered. The bank has defined 3 main goals for 2011:
- Recruitment - Defining recruitment goal, improving the work process with the different non-profits, and establishing a measurement and assessment process;
- absorption - Focusing on best-practice absorption processes according to the needs and characteristics of the different populations;
- Awareness - Increasing the awareness in the bank of the importance of diversity, especially with managers and human resources personnel.

In order to promote the diversity in the bank, a strategic diversity implementation plan would be formulated. The program would include a reference to most of the relevant aspects, based on existing models from the world and on the bank's knowledge and experience.

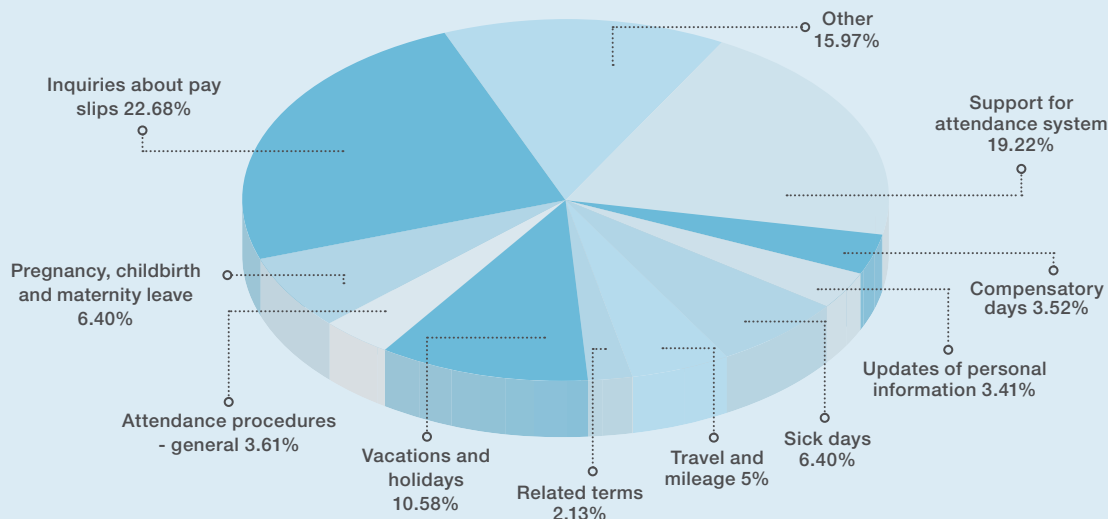
PROMOTING A CULTURE OF DIALOGUE AND OPENNESS

Bank Hapoalim considers its employees to be full partners who contribute to all business and organizational processes. Employees become partners in the promotion of all endeavors of the bank through organization-wide communication on every level: dialogue between managers and employees, and direct communication between different units. Direct dialogue between managers and employees enables employees to feel connected with organizational objectives. Lateral dialogue between units helps organization-wide processes move forward with flexibility and efficiency. The range of methods applied at the bank to achieve these aims includes face-to-face meetings, use of the organizational portal, promotion of a culture of sharing and innovation, and processes of feedback, assessment, and drawing conclusions.

●● Data for 2010: 7 8 9 10 1 2 3 4 5 6 7 8 9 10 1 2 3 4 5 6 7 8 9

- Over 500 employees were invited to breakfast meetings with CEO Zion Kenan;
- 70 “Executive Chat” meetings were held, in which members of the board of management of the bank met with over 600 employees;
- 99% of the employees of the bank received feedback on their performance;
- 21,000 requests were recorded at the Personal Service Center, submitted by 5,600 employees;
- The Personal Service Center met all of the objectives set with regard to next-day response to requests (86%), the percentage of calls answered within 60 seconds (91%), and user satisfaction (87%);
- The banking portal, which serves as an essential resource for employees, processed 40,000 requests from employees and met 95% of its response targets;
- 110 new content experts were trained for the portal, joining 400 content experts already active in 2009;
- The number of page views on the organizational portal was 48 million;
- The banking portal satisfaction survey revealed that 91% of employees were satisfied with the portal;
- 2,000 employees from all parts of the bank participated in a four-day Innovation Festival, which included over 80 workshops held at several locations throughout Israel;
- The first class of Innovation Coaches at the bank completed its training;
- The Poalim Call Center, which supervises control systems and helps employees and their families with logistical issues, processed 29,316 service requests and answered 841,340 calls.

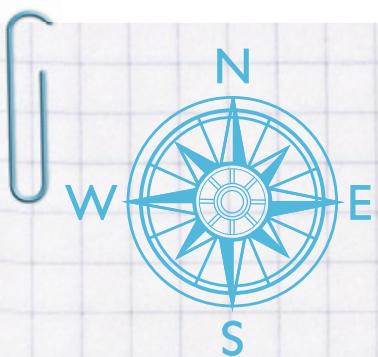
Breakdown of requests to the Personal Service Center for bank employees during 2010



THE "I CARE" INITIATIVE



Any employee in any position who identifies an activity that can be improved, streamlined, or renewed is invited to formulate a proposal and submit it to the relevant parties at the bank. In 2010, a total of 4,466 proposals were submitted by 1,596 employees.



LOOKING AHEAD

During 2011, the bank plans to expand the services offered by the organizational portal in the areas of management and knowledge sharing, launch an innovation community within the bank, and extend the activity of the Personal Service Center to encompass retirees and proactive outreach to employees.

CARING FOR PERSONAL DEVELOPMENT, TRAINING, AND REALIZATION OF POTENTIAL

Approximately 1,800 employees experience mobility each year at Bank Hapoalim. Employee moves stem from routine needs, organizational changes, and planned specialized needs. The bank is committed to providing a setting conducive to its employees' personal and professional development; to realize this approach and foster employee growth, development, and empowerment, the bank established the Human Capital Development Center in 2009, as a point of contact between the organization's needs and employees' professional ambitions. The center provides a comprehensive, current operational status snapshot of capabilities and skills, while advancing employees through individual instruction and occupation changes. In addition, the bank cultivates a culture of learning and invests in professional and managerial instruction in order to empower its employees and managers. The Poalim Campus serves as the central arena for change-generating learning, leading to personal, organizational, and business growth.

Data for 2010:

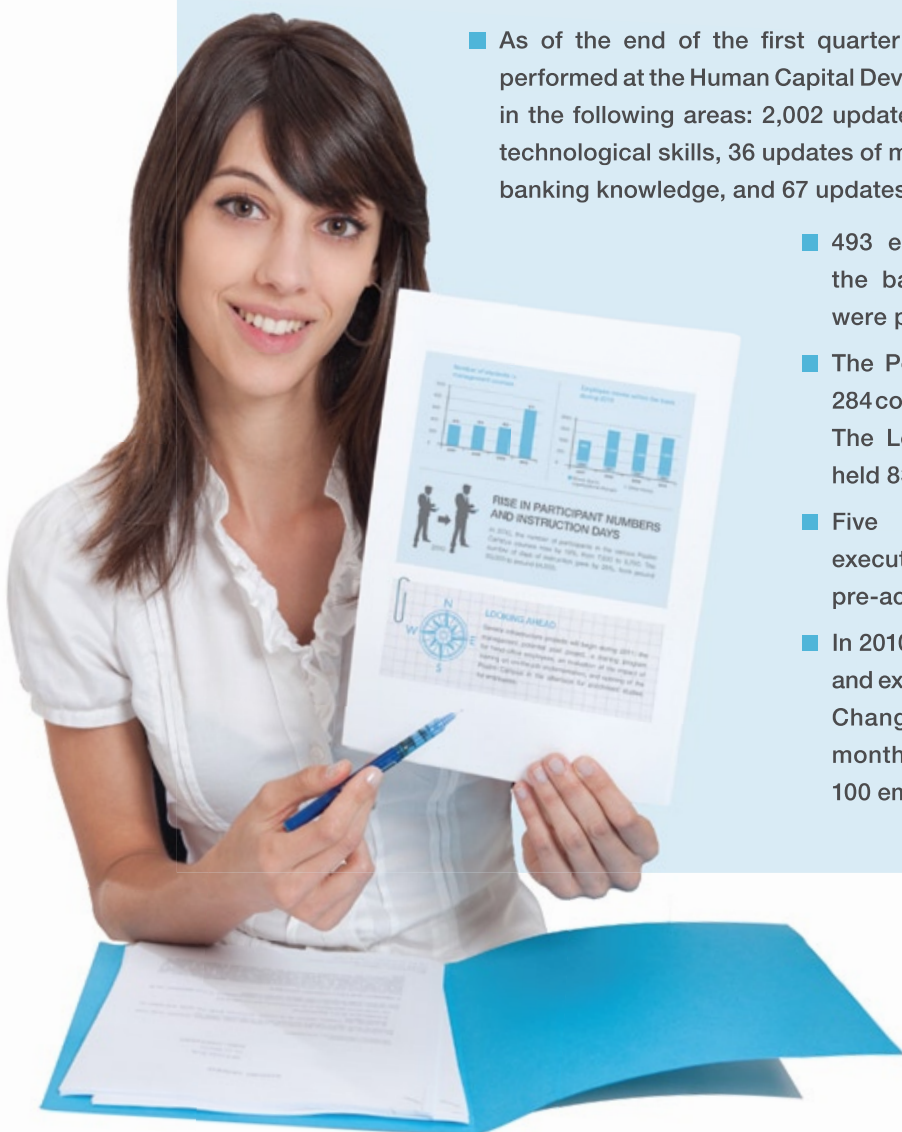
■ As of the end of the first quarter of 2011, 2,228 skills updates were performed at the Human Capital Development Center by 1,056 employees, in the following areas: 2,002 updates of language skills, 116 updates of technological skills, 36 updates of management knowledge, 7 updates of banking knowledge, and 67 updates of professional knowledge;

■ 493 employee moves between areas of the bank and 1,356 moves within areas were performed;

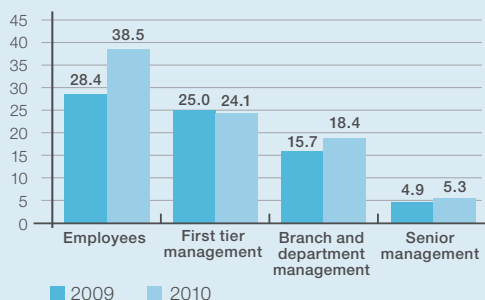
■ The Poalim Campus Banking School held 284 course sessions, with 5,949 participants. The Leadership and Management School held 83 sessions with 1,418 participants;

■ Five sessions of courses for senior executives were opened, and three financial pre-academic courses were held;

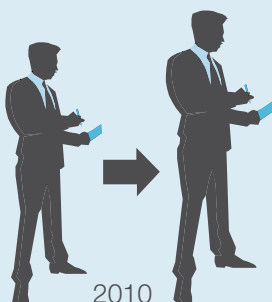
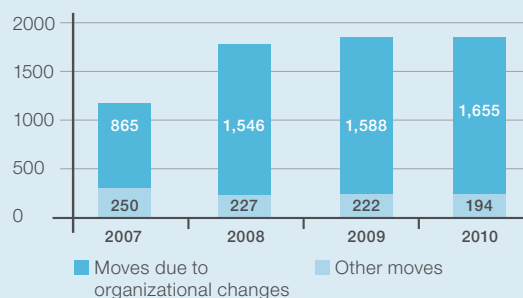
■ In 2010, the Campus invested in formulating and experimentally operating the Occupation Change Center. This year, in its first five months, the center served approximately 100 employees.



Average hours of training per year per employee

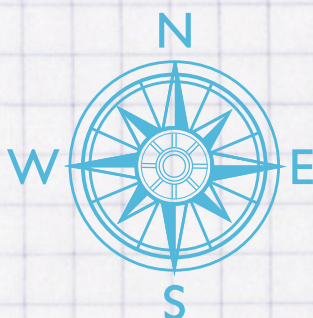


Employee moves within the bank during 2010



RISE IN PARTICIPANT NUMBERS AND INSTRUCTION DAYS

In 2010, the number of participants in the various Poalim Campus courses rose by 18%, from 7,500 to 8,700. The number of days of instruction grew by 28%, from around 50,000 to around 64,000.



LOOKING AHEAD

Several infrastructure projects will begin during 2011: the management potential pool project, a training program for head-office employees, an evaluation of the impact of training on on-the-job implementation, and opening of the Poalim Campus in the afternoon for enrichment studies for employees.

CARING FOR EMPLOYEES' WHOLE-PERSON WELLBEING

Employees of the bank benefit from an extensive array of wellbeing services in many different areas. These services provide appropriate solutions for a broad range of employee needs. One of the numerous areas covered is the creation of a healthy and beneficial work environment through ergonomics - the science of adjusting work environments to workers. The bank devotes resources to ensuring that employees are able to maintain a healthy lifestyle, including physical activity, good nutrition, and mental health, through initiatives including activities, workshops, physical examinations, and talks on various subjects. The bank is committed to being a family-friendly employer, and therefore offers employees support in their family roles and duties as parents of children, children of aging parents, spouses, and more. In this context, the bank offers life-cycle workshops, such as a parental authority workshop and language courses.

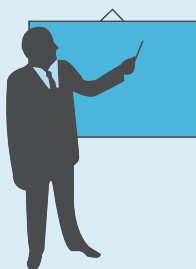
Organizational changes are carried out by the bank with optimal care for its employees, integrating the needs of the bank with employee needs. Caring for employees involves ensuring that the conditions of their employment are not impaired as a result of the change. Under the labor constitution, in all cases of transfers of employees to a different position, the employee must be given at least one month's advance notice. The bank's obligations in respect of retirement plans, compensation, and pensions are fully covered by pension plan assets.



- As part of the collaboration between the Corporate Social Responsibility Division, the Employee Union, and the Organizational Portal Unit of the bank, a website has been created within the bank's portal to help employees cope with situations related to illness and health - adding to the websites set up in previous years concerning the environment, healthy lifestyles, air quality and radiation, ergonomics, parenting special-needs children, and caring for aging parents;
- 588 employees were introduced to ergonomics at the branches of the bank;
- 56 courses on first aid and CPR at branches were conducted throughout Israel;
- As part of the philosophy of caring for our employees' wellbeing throughout their whole life-cycle, talks were given for employees on the following subjects: caring for aging parents, relationships between spouses, lifesaving driving, risks to children on the internet, parental authority, CPR, and more;
- According to annual tradition, an appreciation event was held to celebrate employees who have been with the bank for 25 or 40 years;
- 95 artists who are employees of the bank participated in the In-House Art Exhibition, displaying 380 pieces based on a variety of techniques and materials and on limitless sources of inspiration.

Absorbing and Communicating Sustainability and Social Responsibility Values

As part of the absorption of social responsibility values into its operations, the bank communicates the social responsibility philosophy to its employees, calling upon them to take part in these efforts and receiving advice and opinions for expansion of the activities. The drive to promote the absorption and communication of social responsibility values takes various forms, such as the social responsibility section of the organizational portal, dialogue with bank employees within the social responsibility section of the bank's website, distribution of the CSR Report to stakeholders, and talks during meetings with employees.



71 TALKS ON SOCIAL RESPONSIBILITY

In 2010, 71 talks on social responsibility were given for bank employees in the various units.



SAFETY AND HYGIENE

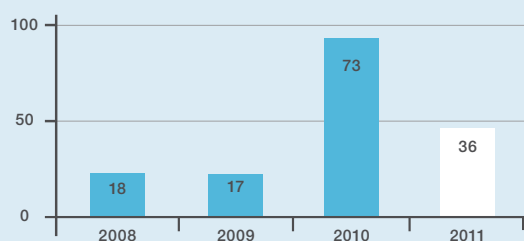
Bank Hapoalim, as an employer, is committed to creating a safe work environment for its employees and for workers on its premises. The bank also ensures a safe service environment for all customers and visitors to its branches and properties. The bank operates its facilities based on an awareness of potential safety and hygiene risks, and complies with all legal requirements in these areas. The bank works to identify and locate risks and maintains a risk-management plan in this area. Safety considerations are an integral part of decision-making processes at all levels at the bank. The bank works to minimize negative effects on health and to continually improve its work environment. Processes and activities are regularly improved in order to prevent safety and hygiene risks. The bank conducts training and instruction activities, as part of its structured work processes, designed to promote awareness and responsibility, with the aim of providing safe environments to all of its employees, customers, and visitors. The management ensures that this policy is made public and is clear to each employee and to anyone whose services are engaged by the bank.

In 2010, a safety and hygiene section was established within the organizational portal, with the aim of creating a culture and climate of safety and compliance with legal requirements for the protection of employees' and customers' safety. The safety and hygiene section of the portal introduces the bank's safety and hygiene policy, provides information regarding safety and hygiene risks in the workplace, describes prevention and response methods, and offers extensive information on safety at home and at work, occupational hygiene and health, and more.

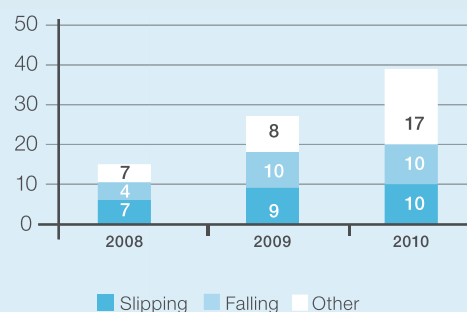
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- During the year, safety systems and equipment were installed at 73 branches, under a perennial plan scheduled to conclude in 2011 with a total of 144 branches participating;
- In 2010, 331 training sessions and drills were held at branches and 500 refresher courses were held for employees.

Number of branches included in multi-year plan for Installation of safety systems and equipment

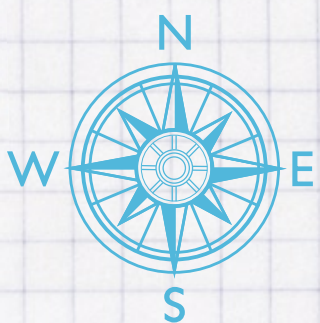


Breakdown of accidents at the bank, 2008-2010



LOOKING AHEAD

During 2011, a safety tutorial designed for all employees of the bank will be introduced; safety and security trustees will be trained as Civilian Defense leaders, in collaboration with the IDF Home Front Command; a safety procedure absorption process will be implemented, including area and division seminars; and training sessions for employees will be conducted in accordance with the approved work plan.





OPERATING PROACTIVELY

THE CLIENT'S WELLBEING



MEETING CUSTOMER NEEDS

This section describes the bank's relationships with its customers, the services and products offered to customers by the bank, and the ways in which the bank identifies opportunities and manages risks in the area of social responsibility in a changing business environment. The bank strives to develop banking services and products based on a philosophy of creating shared value for the bank's customers and its other stakeholders, such as the community, various participants in the economy, the environment, and others, while simultaneously generating economic value for the bank.

Bank Hapoalim recognizes that customers' needs and aspirations change during different life stages. The bank therefore endeavors to provide customers with all of the financial information and services that can help them understand, plan, and carry out both long-term and immediate financial decisions. The bank's view of its customers is derived from a philosophy of sustainability, giving rise to a relationship designed to encompass a comprehensive understanding of the needs of customers and their families over time.

Furthermore, the changes underway in the business environment - the transition to a low-carbon economy, resource scarcity, water and land conservation efforts, and global warming - harbor potential business opportunities for the bank. As a result of sustainability strategies, the values and needs of the bank's customers are evolving as well. The bank's role is to provide solutions on the financial level, and to encourage the emerging demand in the area of sustainability, by offering financing options, deposits, and various investment products that promote sustainable consumption and environmentally conscious investment.

The bank works to create value for its customers, in the following ways:

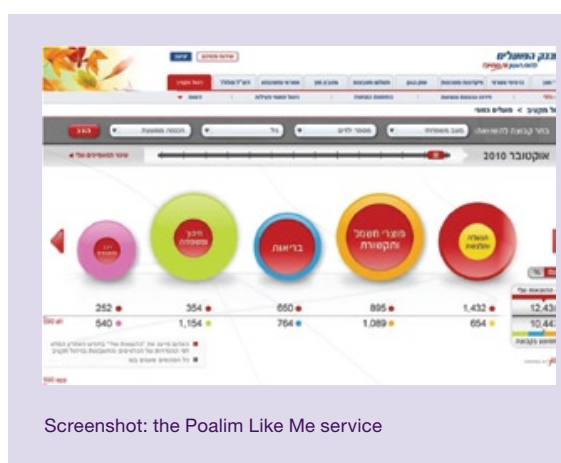
- Development of responsible products to foster economic and environmental sustainability, for our customers and for the economy as a whole;
- Maintaining a multichannel network for communication with customers at any time and place, with appropriate accessibility;
- Providing optimal service to achieve customer satisfaction; responding to and learning from customer communications;
- Responsiveness to customers' needs through all life stages;
- Solutions tailored to the unique characteristics of different customer groups.



WORKING TO PROMOTE FINANCIAL LIBERTY FOR ALL STAKEHOLDERS

As a business leader, Bank Hapoalim has the responsibility to promote equal economic opportunities in the Israeli society and economic sustainability among its customers. The bank welcomes this duty, and believes in its mission to contribute to the empowerment of the society from which it draws its strength. Lifetime Financial Planning is an organization-wide initiative stressing the formulation of a range of tools, products, knowledge, and guidance provided by the bank, matched to customer needs at the various life stages. As part of this process, the bank is working to promote education on better financial conduct in Israel, in three main areas: education on budget management; education on investments; and education on savings.

In the area of education on budget management, the bank has developed an extensive series of unique tools designed to provide ongoing assistance with financial behavior. These include the budget management application available through the Hapoalim Online website as well as tools such as Poalim Like Me; Living Right Financially; exclusive workshops on budget planning, goal setting, and family financial planning; and Offsetting Current Accounts. In the area of education on investments, the bank holds training conferences for investors.



Education on savings is part of the bank's approach to responsible financial education of current customers and of the future generation. Based on the goal of enabling children to have a better financial future and on the understanding that early habits become lifelong habits, the bank is leading a financial education initiative targeted to children and parents. This process includes the launch of "Dan Haschan" (Hebrew for: Dan the Saver) savings plans, installation of cash and coin deposit machines for children, the Dan Haschan World online children's club, Dan Haschan ATM cards and checkbooks, Dan Haschan summer camps, and Dan Haschan workshops at community centers for elementary school students.

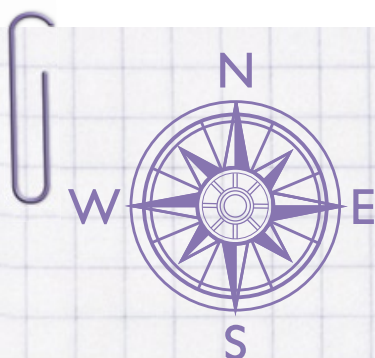


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- Over 200,000 customers registered for the budget management application.
- Eight conferences on the capital market were held throughout Israel in 2010, attended by 574 customers and investment advisors.
- From launch to the end of 2010, the Dan Haschan World website drew approximately 64,000 registered users and 1.3 million visits.
- From launch to the end of 2010, over 150,000 Dan Haschan savings accounts were opened, at a total volume of more than NIS 700 million.



The CEO Zion Kenan, the Head of Retail Banking Lilach Asher-Topilsky and a young presenter next to the "Dan Haschan" coin and bills ATM



LOOKING AHEAD

The bank plans to expand its activity in the area of better financial conduct to 41 community centers throughout Israel.

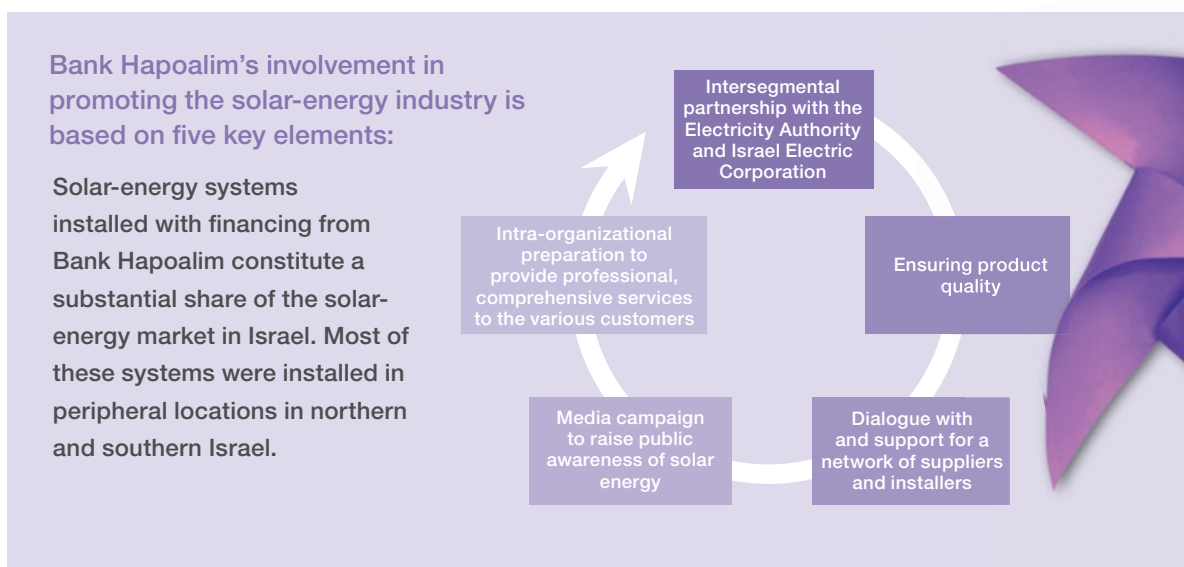
DEVELOPING PRODUCTS AND SERVICES TO PROMOTE ENVIRONMENTAL SUSTAINABILITY

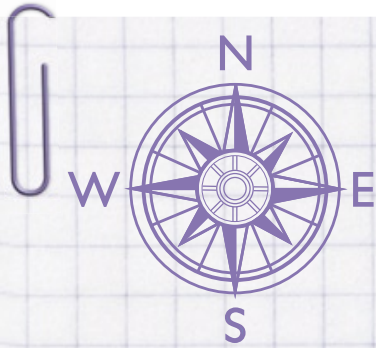
Bank Hapoalim recognizes the growing disparity between the demand for resources from an expanding world population and the limited supplies available on our planet, as well as the threat of climate crisis. The bank therefore views the promotion and growth of alternative resources as a strategic objective, advanced by offering financing solutions to customers and initiating projects advancing environmental causes, such as renewable energy (solar thermal power, photovoltaic power, geothermal power, wind turbines, etc.), energy efficiency, water, and more.

Data for 2010: 7 8 9 10 1 2 3 4 5 6 7 8 9 10 1 2 3 4 5 6 7 8 9

This new policy direction included the following activities during 2010:

- In early 2011, Poalim Capital Markets, a member of the Bank Hapoalim Group, and a group of institutional investors launched the Noy Fund for investments in infrastructures and energy. The fund raised USD 150 million for investment in various infrastructure and energy ventures;
- The bank is the leading financier of the solar-energy industry in Israel, with a market share of over 50%;
- The bank has participated in several water desalination projects (generating 322 million cubic meters of desalinated water annually, in aggregate), and is currently considering financing an additional project with an annual volume of 100 cubic meters of desalinated water, as well as the expansion of existing facilities.





LOOKING AHEAD

The bank intends to continue to promote financing solutions in the areas of renewable energy (solar thermal and photovoltaic power), pumped storage, cogeneration stations, wind turbines, green construction, energy efficiency, water desalination, recycling, and more.



The Arava Power Solar Field, in Kibbutz Ktura, financed by the bank.

EXAMINING ENVIRONMENTAL RISKS IN FINANCING

Pursuant to the directives of the Supervisor of Banks regarding exposure to and management of environmental risks, the bank established a working committee to formulate recommendations regarding environmental risk management policies and methodologies. The committee enlisted the assistance of external specialists and examined existing methodologies at banks elsewhere in the world.

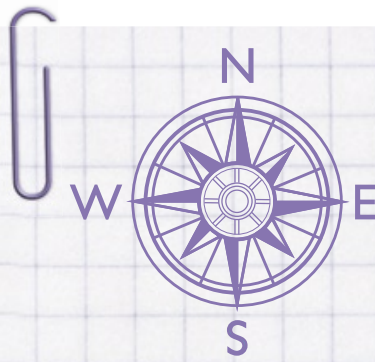
The objective of the bank's environmental risk management system is to identify, specify, and manage environmental risks in its key areas of activity, based on a uniform, approved methodology, in accordance with the following principles:

- Management of environmental risks from the perspective of the overall exposure of the bank to each specific risk;
- Management of credit risks through assessment and management of the exposure to environmental risk in the corporate credit portfolio; assessment of environmental risk and its effect on credit risk in new credit applications that meet predefined criteria; management and monitoring of exposure to environmental risk at the level of the overall credit portfolio and at the individual level;
- Management of market risks - managing exposure to environmental risks in direct investments by the bank (in the proprietary portfolio and in general);
- Management of operational risks - adapting operational systems to regulatory changes on environmental matters.



Risk management is performed based on a global view of the bank's activity in Israel and of activity at the bank's branches abroad, with due attention to the activity of banking subsidiaries. Risks are managed separately by each banking subsidiary in the bank group, according to policy formulated by each company's board of directors and presented to the board of directors of the bank.

The bank already applies environmental risk management processes when financing major infrastructure projects. A prerequisite for specific financing of such projects is an examination of the project's impact on the environment. Clients are required to prepare an environmental survey, which is examined for the bank by an external consultant. In the first half of 2010, the committee submitted criteria and timelines for the establishment of an environmental risk management system for approval by the board of directors and board of management. In practice, prior to the approval of the policy, the bank took environmental considerations into account when financing major projects, and authorizations from the relevant government agencies were already a prerequisite for specific financing of major infrastructure projects. In the last quarter of 2010, employees of the bank attended external courses on this subject, and a toolbox was formulated for the various functions involved in environmental risk management.



LOOKING AHEAD

The formulation of tools, in three tiers, for routine management of environmental risks in the area of credit is planned for completion during 2011.

1. Analysis of the credit portfolio; monitoring clients with high, medium, or low environmental risk, according to criteria based on their activity;
2. Analysis of the effects of environmental risks in credit applications for exceptional amounts;
3. Preparation of land surveys for construction and real-estate projects meeting predefined criteria, prior to approval of the project.

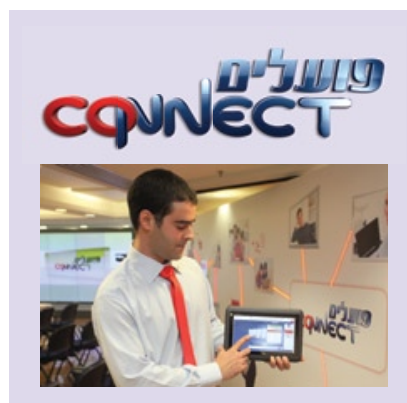
In addition, the process of writing policies and working procedures will be completed, and training sessions will be conducted for the relevant business functions.

LEADING BANKING INTO A MULTICHANNEL WORLD

Bank Hapoalim is dedicated to assisting its customers with the full range of financial aspects of their lives. In view of this commitment, the bank offers its customers full availability and accessibility of banking information and financial services, through various channels, at any place and time. Beyond the advantages of convenience and time savings, these services also save travel and fuel, thereby preventing pollution.

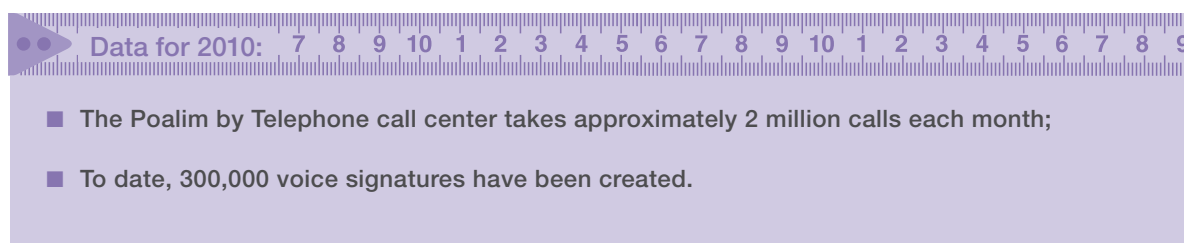
Poalim Connect

In early 2011, Bank Hapoalim launched a groundbreaking initiative designed to enhance customer connectedness, enabling customers to be connected to everything that happens in their account, connected to their banker and branch, and connected to other customers. Bank Hapoalim is the first bank in Israel to offer its customers a comprehensive solution combining the experience of personal service through direct channels with continued service by a branch. Following the launch of Poalim Connect, the service won two prestigious awards: a first-place ranking from The Banker magazine as the best technological innovation of the year, and a Best in Class designation in the bank category of the Interactive Media Awards (IMA) competition. The Poalim Like Me service was ranked second in the social media applications category by the European Financial Management Association (EFMA).



Poalim by Telephone

The bank offers a telephone service through which customers can receive information and carry out various transactions, including securities trading. The service is available 24 hours a day on weekdays, and allows all customers of the bank - including disabled persons - to receive professional service without coming to a branch. Services offered through this system include **Poalim Speech**, an automated speech recognition system for voice instructions; **Callbacks**, a system designed to hold customers' place in line for service; an **Arabic-language voice response system**; and **Voice Signatures**, a system that recognizes customers' voices.



Hapoalim Online

Bank Hapoalim's internet activity is based on the principle of customer advocacy. Customer advocacy is part of an advanced customer-centered philosophy with the following foundations: full transparency regarding the terms, prices, and properties of products and services; thinking from the customer's perspective and offering solutions tailored to unique customer needs; and granting customers complete, easy control in managing their financial activity on the bank's website.

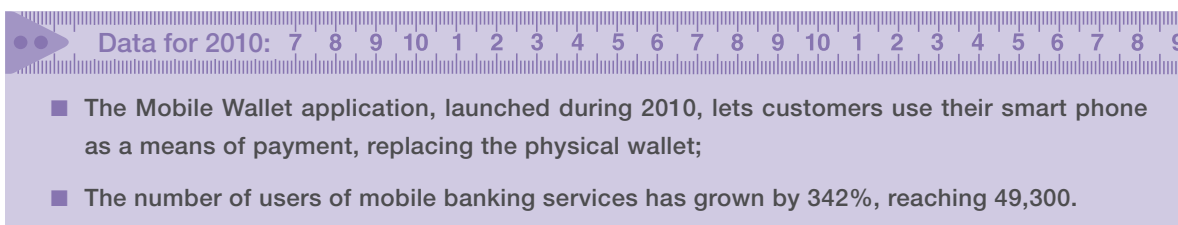
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- The bank's marketing site is the first banking website in Israel to be accessible to users with disabilities. The website meets the Level II accessibility standard, complying with all requirements (approximately 99% of the pages within the website are Level II accessible);
- The website won the Best Online Banking Site award for the sixth consecutive time at the prestigious WebiAwards 2010 competition;
- Bank Hapoalim launched its exclusive, unique Dan Haschan online interface, designed to teach children about savings and smart financial behavior through content and games;
- The bank launched the Multi-Channel Loan service, which integrates the website, telephone call center, and branch, offering loans of NIS 3,000-250,000 for periods of two months to five years without co-signatures or collateral;
- Two new business websites were launched, for retail business clients and corporate clients; in addition, a new capital-market area was added to the website.

Poalim by Cell Phone

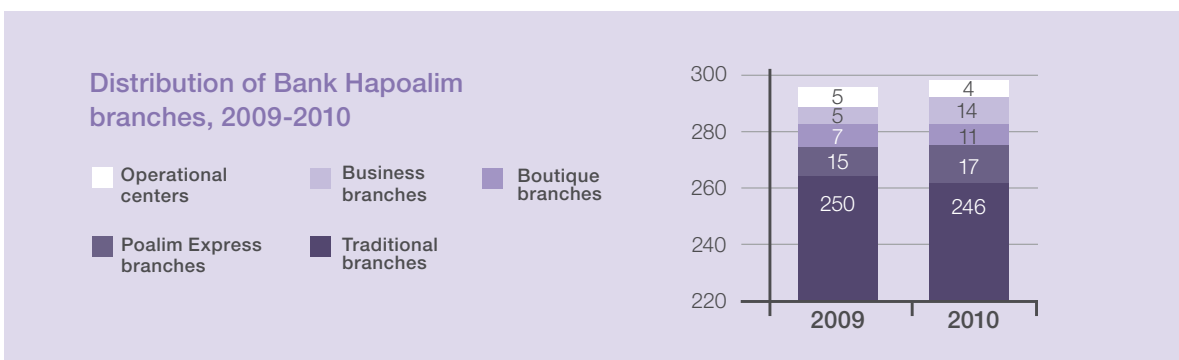
Poalim by Cell Phone, a part of the multi-channel services provided by the bank, is an innovative, dynamic, continually developing channel enabling bank customers to receive information and execute many types of transactions via cell phone. The service places an emphasis on user-friendliness, availability, ease of use, real-time operation, adaptability to a broad variety of phones and to all service providers and advanced technology security. Poalim by Cell Phone includes the following services: card-free ATM cash withdrawals, the On Time messaging service, a WAP site, and Poalim smart phone applications including account management, a mobile wallet, capital market features, and integration with the navigation application Waze.





Poalim Branches

Bank branches serve as an anchor and point of origin for all of the services offered by the bank, and for all customers interested in face-to-face service. Although most of the services provided by the branches are also available through other means of communication with the bank, the physical encounter between the customer and the bank has a meaningful contribution. The bank has continued to expand its branch network, based on the following principles: more meeting points between the bank and its customers, a transition to specialized branches, extensive automation, and offsite operations. The specialized branch approach has given rise to several types of differentiated branches: Poalim Express branches, Boutique branches, and Business branches. Bank Hapoalim has branches throughout Israel, from city centers to remote regions. Bank Hapoalim is the leader of the Israeli banking industry and has the broadest network of branches in the country.



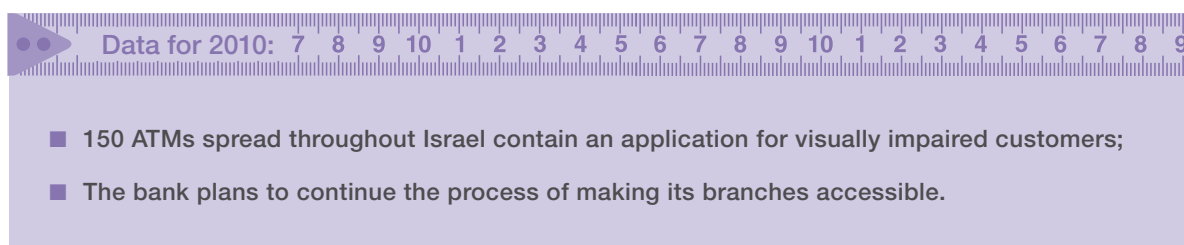
PHYSICAL ACCESSIBILITY OF BRANCHES

Bank Hapoalim is making its branches accessible with the active assistance of the Access Israel foundation. The foundation awards the Accessibility Seal to each branch when the required adaptations have been completed, including ramps, handicapped parking spaces, specialized structural adjustments, and more.



The Access Israel logo

Branch accessibilization				
	2007	2008	2009	2010
Branches granted Accessibility Seal	52	87	100	112
Branches in process of obtaining Accessibility Seal	1	10	16	20
Branches in accessibilization process	29	14	27	23
Total accessible branches or branches in accessibilization process	82	111	143	155



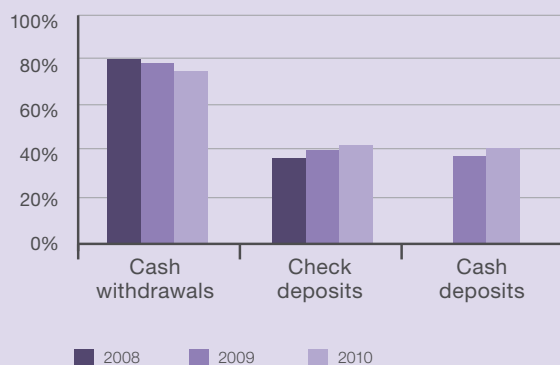
Poalim Self-Service

Customers are increasingly using the self-service channels offered by the bank to perform transactions previously conducted through bankers. The use of self-service channels saves time, hassle, and resources and enables the bank to provide better, more advanced service.

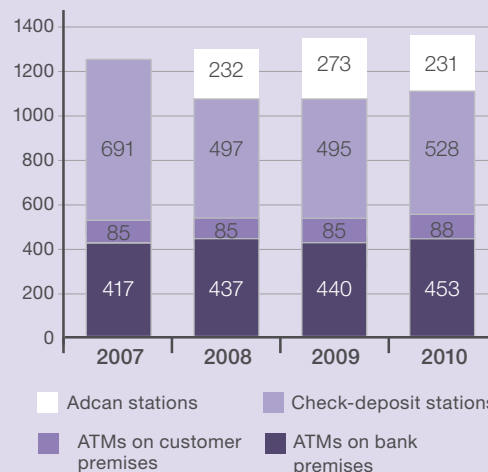
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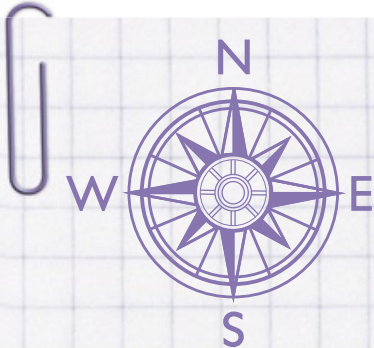
- Starting in 2010, funds can be deposited for third parties and into savings plans through self-service stations;
- The process of adding user interfaces in Hebrew, Arabic, English, and Russian to the self-service stations continued during 2010;
- 220 ATMs and 759 combined machines and ABM (Adcan) stations support the Arabic language, including stations at all of the Express branches opened in Arab speaking communities;
- The bank has the widest distribution of ATMs in the Israeli banking industry, with 453 ATMs at branches of the bank and 88 AMTs on customers' premises.

Self-Service Transactions as a Percentage of Total Transactions



Distribution of self-service stations





LOOKING AHEAD

The bank plans to accessibilize 26 additional branches. This process will include the installation of voice-operated information systems to provide information to customers with visual, cognitive, or physical disabilities. In addition, the bank plans to continue to adapt ATMs throughout Israel for use by visually impaired customers.

COMMITTED TO CUSTOMER SATISFACTION

Customer service awareness at Bank Hapoalim is an expression of our organizational commitment to customer satisfaction. The guiding approach takes into account internal customers as well as end users. The approach is broad-based and integrative, and covers the breadth of the bank's operations. The organizational commitment to service and to increasing customer satisfaction is reflected in all levels of the bank's activity, from upper management to the lowest-level employees. Service processes pertaining to the organization as a whole can be classified into three levels: overall organizational culture, partnering divisions, and client divisions. Service activities at Bank Hapoalim are centered on the following three elements: service philosophy, performance measurement, and absorption. The customer contact center oversees processing of incoming contact from customers through all channels: internet, fax, telephone, etc.



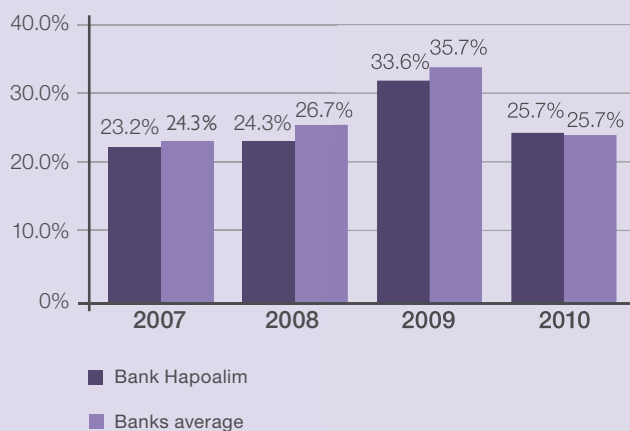
- Thousands of customers are contacted each week for the This Week in Service survey. 600 customers receive calls from their branch managers each week, and 1,600 mortgage clients are polled each quarter;
- Over 1,000 internal clients are surveyed regarding the quality of internal service, twice annually;
- Management and branch employees participated in 100 training days on service held at the Poalim Campus and at branches. 720 mentoring and observation days were conducted, and 270 branches participated in learning processes in this area;
- 180 learning meetings were held at branches, utilizing both implicit and explicit feedback;
- Approximately 100 meetings on the subject of service were held at the regional administrations, focusing on areas such as promotion of work plans, observation, mentoring of staff members, round tables, etc;
- Head office managers visited 130 branches to participate in learning and feedback on service;
- The customer contact center processed 15,000 customer calls during the year.



The following charts display data from the Bank of Israel regarding the percentage of justified requests concerning Bank Hapoalim, compared to the average of the five major banks in Israel (Hapoalim, Leumi, Discount, FIBI, and Mizrahi-Tefahot).

Requests concerning privacy and confidentiality				
	2007	2008	2009	2010
Number of requests	75	122	78	92
Number of justified requests	6	7	15	14
Percentage of justified requests	8%	6%	19%	15%

Percentage of justified requests - Bank of Israel data





LOOKING AHEAD

In 2011, the bank plans to conduct a survey on intra-organizational service. The survey was formulated during 2010, with the collaboration of the Human Resources Area, the Poalim the Right Way Unit, the Service Quality Department, and an external consultant.




SERVING A DIVERSE CLIENTELE

The activity of the Bank Group is conducted via six principal operating segments. The division into operating segments is based on the types of products and services or on the types of customers included in each of the segments. The board of management of the bank uses this division to make decisions and to analyze the group's business results. The operating segments are presented according to characteristics stipulated by the Supervisor of Banks: the Households Segment, the Private Banking Segment, the Small Business Segment, the Commercial Segment, the Corporate Segment, and the Financial Management Segment. In addition to its activity with customers in each of these segments, the bank is working to address the needs of the ultra-orthodox community and to expand its network of banking services in the Arabic-speaking community.

▶
Data for 2010:
7 8 9 10 1 2 3 4 5 6 7 8 9 10 1 2 3 4 5 6 7 8 9

- The bank expanded the Read & Succeed project into the ultra-orthodox sector.
- The bank's self-service stations are gradually being adapted for use in the Arabic language; as of 2010, 173 ATMs and 759 integrated stations have been adapted;
- The bank has branches in 11 ultra-orthodox towns and towns with a significant ultra-orthodox population;
- The bank has branches in 35 of 58 towns with a significant Arabic-speaking population;
- In January 2011, a Poalim Express branch opened in Araba, in the Galilee region, serving residents of Arraba, Deir Khanna, and Sakhnin.



In the Sakhnin branch opening, Naama Ziegler Konfino, the bank's northern district manager, Talal Amasheh, the branch manager, Omar Nasser, the head of the Arabeh Local Council Mazen Ghanaim, Sakhnin's Mayor, Ronen Stein, the bank's CFO and Lilach Asher-Topilsky the Head of Retail Banking

בנק הפועלים
להחזקת ראשון זה מחייב!

שירות ותמיכה

ניהול תקציב

דוא"ל וטלגר

אשראי ומשכנתא

מסביב חוץ

תשלום חשבונות **חדש**

שוק ההון

פיקדונות וחיסכון

כרטיסי אשראי

עבר ושב

Information Regarding Banking Products and Services

The bank is subject to laws that impose due-disclosure regulations concerning information to be delivered to customers regarding banking products and services. These directives apply to all products and services of the bank. Bank Hapoalim strictly adheres to the directives, through designated mechanisms subject to controls and audits.

Adherence to laws standards and codes related to marketing communications - No significant fines or nonmonetary sanctions for failure to comply with rules or regulations were imposed upon the bank during 2010.

For specification of the legal procedures and remunerations, see the Note 19D in the financial statements pp.386-389.

Protecting Customer Safety, Health, and Security

Bank Hapoalim takes all necessary measures to ensure the safety and health of its customers during their presence in its branches and facilities. The Safety and Security Department has the objective of preventing safety incidents or reducing such events to the extent possible, and when incidents do occur, minimizing injuries and property damage.

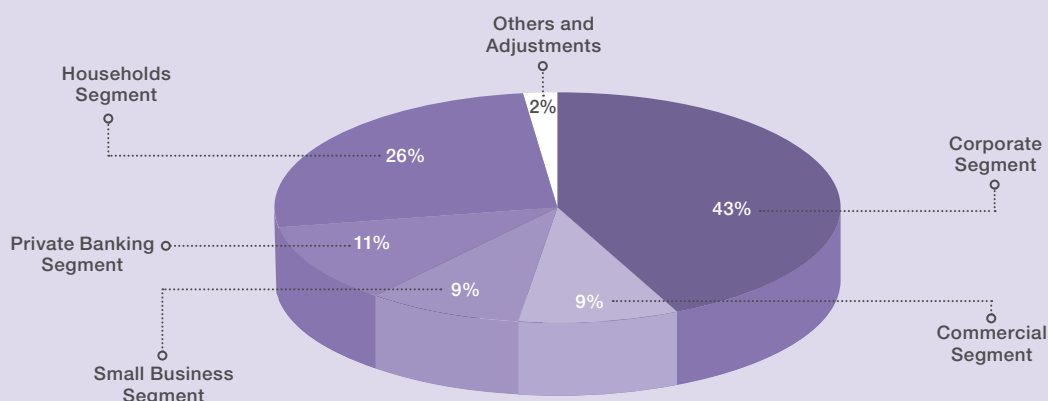
These efforts are formalized in procedures and in a multi-year work plan, including involvement in the planning process of new buildings and renovations, continual availability to respond to emergencies, and follow-up of accidents and damage in order to draw conclusions.

Number of reported accidents involving customers of the bank, 2004-2010	
Year	Number of reported accidents
2010	18
2009	13
2008	31
2007	13
2006	34
2005	28
2004	22

Every year a small no. of accidents are reported, relative to the huge amount of client traffic in the bank's 288 branches and management buildings everyday.

Segmentation of Borrowers

The development of balance-sheet balances of credit to the public is described below.



Summarized Development of Balance-Sheet Balances of Credit to the Public by Operating Segment

Balance-sheet balances of credit to the public as of December 31 (in NIS millions)				
	2010	*2009	Change	change %
Households Segment	57,666	52,754	4,912	9.30
Private Banking Segment	23,932	20,077	3,855	19.20
Small Business Segment	21,384	19,043	2,341	12.30
Commercial Segment	21,575	20,894	681	3.30
Corporate Segment	96,760	99,173	(2,413)	(2.40)
Others and Adjustments	3,971	3,847	124	3.20
Total	225,288	215,788	9,500	4.40
Of which, consumer credit in Israel excluding housing loans				
Households Segment	25,301	22,791	2,510	11
Private Banking Segment	10,166	9,090	1,076	11.80
Small Business Segment	18,592	17,232	1,360	7.90
Total	54,059	49,113	4,946	10.10
Housing loans in Israel	42,929	36,449	6,480	17.80

* Reclassified; for further information, see the section "General - The Segments and Customer Assignment Criteria" in the Annual Report for 2010.



OPERATING PROACTIVELY

EMPOWERING COMMUNITY AND SOCIETY



ECONOMIC IMPACT ON THE STATE AND SOCIETY OF ISRAEL

The positive economic impact of the bank is reflected both in its annual earnings and in its contribution to the Israeli economy, through taxes, local purchasing, and employment.

As Israel's largest bank, Bank Hapoalim is an economic entity of considerable power in the Israeli economy. Its economic impact is not confined to its annual or quarterly earnings as reported in its financial statements, which are addressed primarily to its shareholders and investors. This section of the report reviews the broad economic impact of Bank Hapoalim and describes its added value, including its contributions to the national economy through tax payments, local purchasing, and employment of workers. Bank Hapoalim pays state and municipal taxes, and receives no financial aid or support from the state.

The following table presents key data regarding the economic performance and value added generated by the bank (based on the consolidated financial statements of the bank, in NIS millions):

	2007	2008	2009	2010
Profit from financing activities*	6,933	3,256	6,718	7,775
Total income (financing profit + operating income)	12,183	7,911	11,969	12,884
Operating costs	7,940	8,147	7,647	8,310
Wages and related expenses	4,769	4,762	4,062	4,650
Donations and investments in the community	45	42.7	39.6	44
Shareholders' equity	18,778	18,795	20,598	23,089
Dividends paid to shareholders of the bank	1,600	-	-	-
Interest to debt or bond holders	1,396	1,189	2,665	1,529
Provision for taxes (tax benefit) on operating profit	1,458	397-	996	1,353
Provision for doubtful debts	513	1,520	2,017	1,030

*before provision for doubtful debts

The following table presents the economic added value of the bank, which includes gross wages (including wage-related items), taxes, profits, and more (in NIS millions). This value reflects the contribution of the bank to the Israeli economy, as a result of its position as a large organization in economic interaction with numerous stakeholders (employees, suppliers, the community, government agencies, etc.).

Economic value of the Bank Hapoalim Group, in NIS millions					
	Breakdown	2007	2008	2009	2010
Economic value created by the group	Total income (including extraordinary income)	12,852	8,799	12,011	12,900
Economic value distributed to stakeholders by the group (operating and other expenses plus provisions for taxes and dividends)	Operating and other expenses (including municipal tax; excluding depreciation)	7,376	7,519	6,968	7,595
	Wages and related expenses (within operating and other expenses)	4,769	4,762	4,062	4,650
	Donations and sponsorships (within operating and other expenses)	45	42.7	39.6	44
	Provision for taxes (tax benefit)	1,776	(83)	1,010	1,353
	Dividends declared	1,222	0	0	0
	Total	10,374	7,436	7,978	8,948
Economic value retained	Difference between the group's income and its operating and other expenses, provisions for taxes, and dividends	2,478	1,363	4,033	3,952

A Nationwide Employer

Bank Hapoalim maintains a network of 288 branches (as of the end of 2010), broadly distributed throughout Israel. Bank Hapoalim also operates two call centers that provide hundreds of jobs, one of which is located in central Israel (in the Azor industrial zone) and the other, for reasons including social responsibility considerations, in the northern town of Nesher. As noted in the section on employees, the bank built its central back office outside Tel Aviv, in the Beit Dagan area, which also operates regional offices throughout Israel.



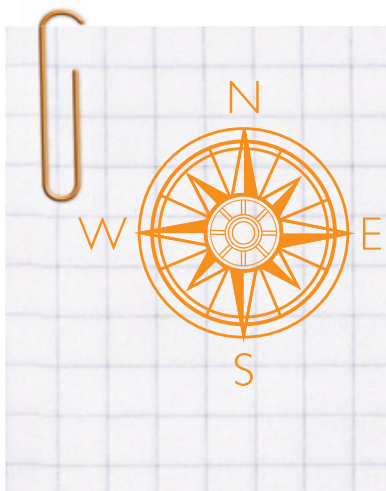
A sewing workshop worker at "Hameshakem" factory, which employs people with disabilities, manufacturing the national flags distributed by Bank Hapoalim every Independence Day

Buying Locally Made Products

Bank Hapoalim performs almost all of its purchases in Israel from local manufacturers or importers. The bank does not import products or services directly from abroad (except purchases of a negligible volume, mainly of professional literature). Bank Hapoalim strives to obtain the largest possible proportion of its purchasing from Israeli manufacturers and endeavors to find local supplies whenever possible. Within its policy of purchasing Israeli products, the bank sometimes gives priority in its purchasing considerations to peripheral regions and border areas.

Additional Indirect Economic Impact

Bank Hapoalim works to benefit the public as a whole. Some of the services for the public benefit include opening nature reserves and museums free of charge during holidays, running exhibitions to sell handicrafts created by people with disabilities, and more.



LOOKING AHEAD

1. The bank intends to implement an online tender system for use in its transactions with suppliers in various areas, such as printing, real estate, and more. This move will save paper and travel, leading to added benefits in the area of social responsibility;
2. The bank will continue to pursue activities already being conducted today, such as channeling purchasing power to the peripheral regions, giving preference to small and mid-sized businesses, and purchasing from protected enterprises or companies that employ people with disabilities.

EXAMINING THE SUPPLY CHAIN - MANAGING SUPPLIER RELATIONSHIPS

As part of its sustainability and corporate social responsibility plan, Bank Hapoalim examined its social responsibility in terms of the inclusion of social and environmental considerations in the choice of suppliers and ensuring protection of the rights of workers employed at the bank through contractors. The bank performs a mutual process with its suppliers to define its needs and coordinate expectations, and maintains routinely used channels to address issues that arise in the course of the relationship with the supplier.

Bank Hapoalim applies various social and environmental considerations when selecting and contracting with suppliers. For example, the bank requires contractors who employ workers on the premises of the bank to meet legal requirements regarding employees' wages and benefits, to avoid employing illegal workers, and in some cases to comply with various ISO standards (such as IS 9001 - Quality Management Systems or IS 14001 - Environmental Management Systems).



This requirement also includes considerations such as appropriate physical conditions for workers as well as workplace safety and hygiene on the supplier's premises; avoidance of discrimination, on any grounds, and other forms of harmful employment practices (harmful employee turnover and improper treatment of employees); compliance with environmental standards; meeting the terms of current licenses and permits; a clean record in the area of environmental compliance; and more. As part of the social considerations applied by the bank in selecting its suppliers, the bank chooses suppliers that employ workers with disabilities.

Protecting the Rights of Workers Employed by Contractors on the Bank's Premises

To supply its needs, the bank enters into agreements with various contractors for the provision of security, cleaning, and cafeteria services, through employees of the contractor who are assigned to the bank. In order to ensure the protection of these workers' rights, the agreements between the bank and the contractors stipulate the obligation of the contractors to provide the following to their employees, among other matters: minimum wage, and other rights granted to workers in Israel under the labor laws; social benefits; prevention of harmful employee turnover; and due disclosure to employees of their rights. To ensure that the contractors meet these obligations, the bank requires the contractors to submit detailed quarterly reports covering these areas. In 2010, as in previous years, all of the contractors' reports submitted to the bank were audited.

Human Rights Training for Security Guards

The bank conducts courses, over five full days, to train its security guards in the various areas related to their routine duties. Guidance for these courses is provided by the Israeli Police, and the content covered includes human rights. The topic of human rights is discussed in a series of talks given by an attorney specializing in this field. All security guards working at the bank's branches and head office have undergone instruction on human rights as part of their training and periodic refresher courses.



CREATING DIALOGUE WITH STAKEHOLDERS IN OUR SOCIETY AND COMMUNITY

One of the key elements in the implementation of corporate social responsibility is to foster dialogue with stakeholders on issues relevant to them, with the aim of creating shared value for the bank and the various stakeholders.

Mechanisms for Collaboration and Dialogue

The bank's dialogue with stakeholders in its society and community is based on three building blocks:

- **Transparency and reliable information** - By making information accessible in a transparent, reliable, and clear fashion the bank informs its stakeholders of its activities, its focus, and its future plans;
- **Obtaining feedback** - Dialogue with stakeholders makes it possible for the bank to assess the quality of the shared value created during the course of its activities and to enhance it in ways that increase the mutual benefit;
- **Involvement in decision-making and mutual empowerment** - Through the study of mutual needs, the bank creates partnerships with its various stakeholders. These partnerships are dedicated to advancing shared goals and to the creation of value for all parties concerned. In this manner, the bank is not only a contributor to the partners involved in these processes, but also derives benefit.



Dialogue with Stakeholders

The bank conducts regular, continuous dialogue with its stakeholders. Within this effort, during 2010 the bank held meetings and discussions including the following:

Academia	Active dialogue is in progress with academic and management personnel at universities and colleges with regard to academic programs and projects in the area of social responsibility. In addition, the Corporate Social Responsibility Manager holds meetings with university students to present the bank's approach and professional experience in this field, and advises student teams working on various academic projects;
Entrepreneurs and businesses in the field of sustainability	The bank has an open-door policy for businesses operating in various "green" sectors: green construction, energy efficiency, solar energy, water, etc. Within this activity, the bank exchanges knowledge, examines options for assistance and connection with additional parties, considers possibilities for pilot projects in this area, and more. The bank also provides support for professional conferences in this field, professional websites, and more;
Non-profit organizations	The bank maintains ongoing relationships with various non-profit organizations in the areas of social responsibility, in order to receive feedback, exchange knowledge, and offer mutual assistance;
Connections with colleagues	As part of the implementation of corporate social responsibility, the bank maintains close contact with business organizations and with the "Maala" CSR organization, for shared discussions and mutual assistance in coping with professional issues and challenges;
Government agencies and local authorities	In another element of this dialogue, representatives of the bank conduct meetings and give talks in order to exchange knowledge and insights with representatives of government agencies and local authorities. In this context, joint projects are promoted, aimed at addressing environmental issues.

Examples of community events in which the bank took part in 2010:

- **Israel Youth Conference** - Bank Hapoalim was one of the main sponsors of the Israel Youth Conference, held for the third time in December 2010 in Acco. The goal of the conference is to raise awareness of problems and obstacles facing young people aged 18 to 25;
- **Cooperation with the city of Rishon Lezion on renovation of facades of old buildings** - In early 2010, the city of Rishon Lezion launched a project of renovating and renewing old buildings and building facades. The city set up a fund to finance the renovations, with the participation of Bank Hapoalim, in the amount of NIS 200 million. The fund enables residents to receive interest-free, non-linked loans for building facade renovations. 61 loans were granted within this program during 2010;
- **Participation in the Arab Business Convention** - At the convention, the chairman of the board of directors of Bank Hapoalim announced that the bank would continue to grant scholarships to Arab-Israeli university students through the Nazareth Foundation this year, and would expand the activities of non-profit organizations operating in the Arab-Israeli community;
- **Closer cooperation with the Druze community** - The bank participated in a conference for Druze academics, aimed at providing exposure to the high-tech and financial sectors, held at the Intel development center in Haifa. Also, in October 2010, the board of directors and management of the bank met with the heads and representatives of the Druze community in northern Israel and with the soldiers of the Druze IDF regiment, Herev, operating in that region;
- **Celebration of 100 years of the kibbutz movement** - The bank sponsored the central event celebrating the hundredth anniversary of the kibbutz movement, held at Kibbutz Degania Aleph in October 2010.

"The world is changing. If in previous years the age parameter was a rigid parameter for executive possessions, today we see a reality where projects and companies are led by more and more young people. The most impressive successes in the current business world, like "Google" and "Facebook" are credited to "children" that a few years ago no one would have referred to, due to their young age.

Bank Hapoalim, that i have the privilege to head, see's these social changes and the rise in power of young people as both an opportunity and a commitments, and this is how i personally act, assigning talented young professionals to key positions".

Bank Hapoalim CEO Zion Kenan, at the Israeli Youth Conference.



The convention participants: Italy's foreign minister, Franco Frattini, the minister for the development of the Negev and the Galilee, MK Sylvan Shalom, the minister of housing and construction, MK Ariel Atias, the bank's CEO Zion Kenan and Acco's mayor, Shimon Lankri

FINANCIAL AND EQUIVALENT CONTRIBUTIONS

Assistance to the numerous organizations supported by the bank is delivered through the Poalim for the Community Forum. Aid is given to organizations that meet the criteria established within the foundation's aid policy.

As in previous years, the foundation made contributions in many different areas in 2010, including assistance to children and youth, reinforcement of disadvantaged population groups, and support for institutions in the areas of education, culture, welfare, health care, and science. The bank provides aid through the foundation for higher-learning institutions, scholarships for disadvantaged university students and schoolchildren, realization of educational enrichment and advancement initiatives for children and youth, and assistance for children who are hospitalized and need special support to make progress academically. The bank does not donate money or equivalents to political parties, politicians, or political institutions.

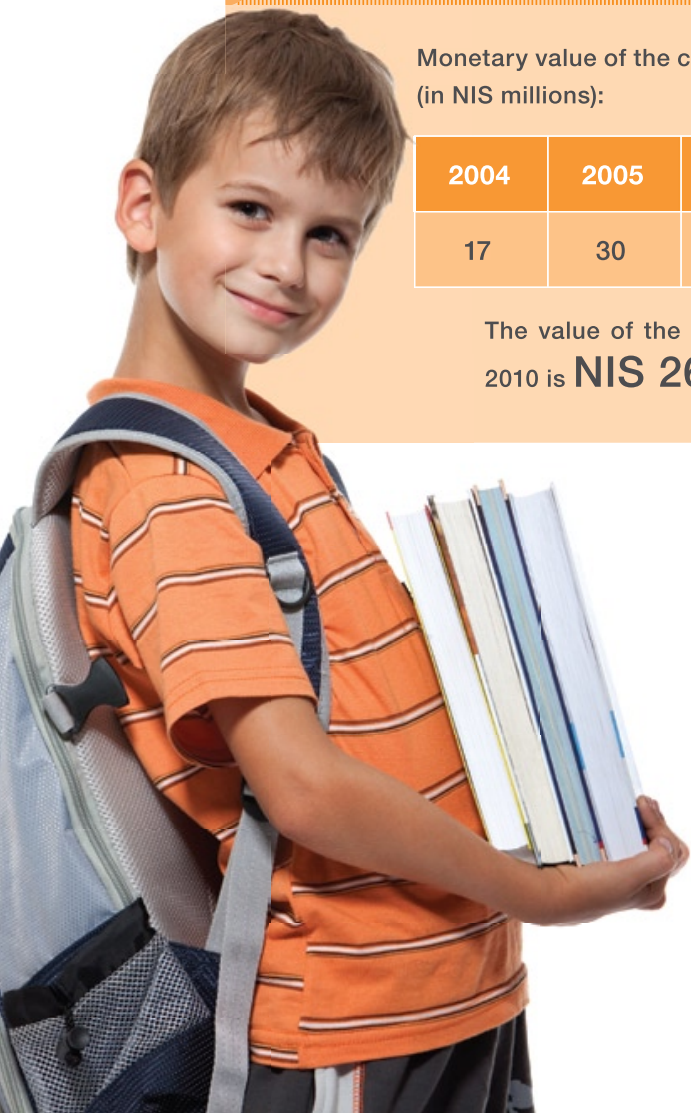


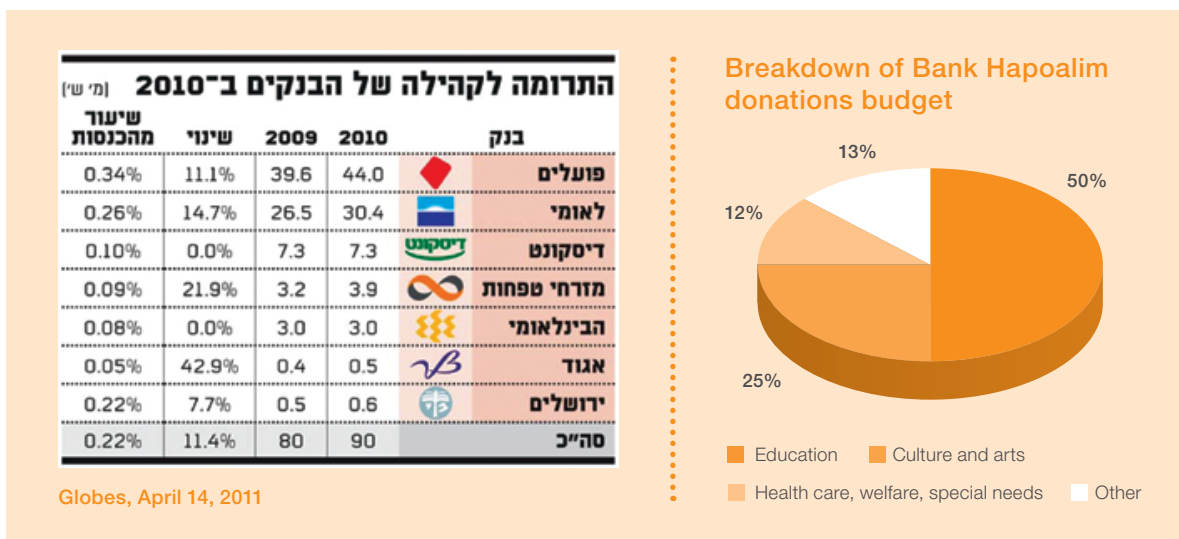
Monetary value of the community involvement of Bank Hapoalim in recent years
(in NIS millions):

2004	2005	2006	2007	2008	2009	2010
17	30	50	45	42.7	39.6	44

The value of the total community involvement of the bank from 2004 to 2010 is **NIS 268.3 million.**

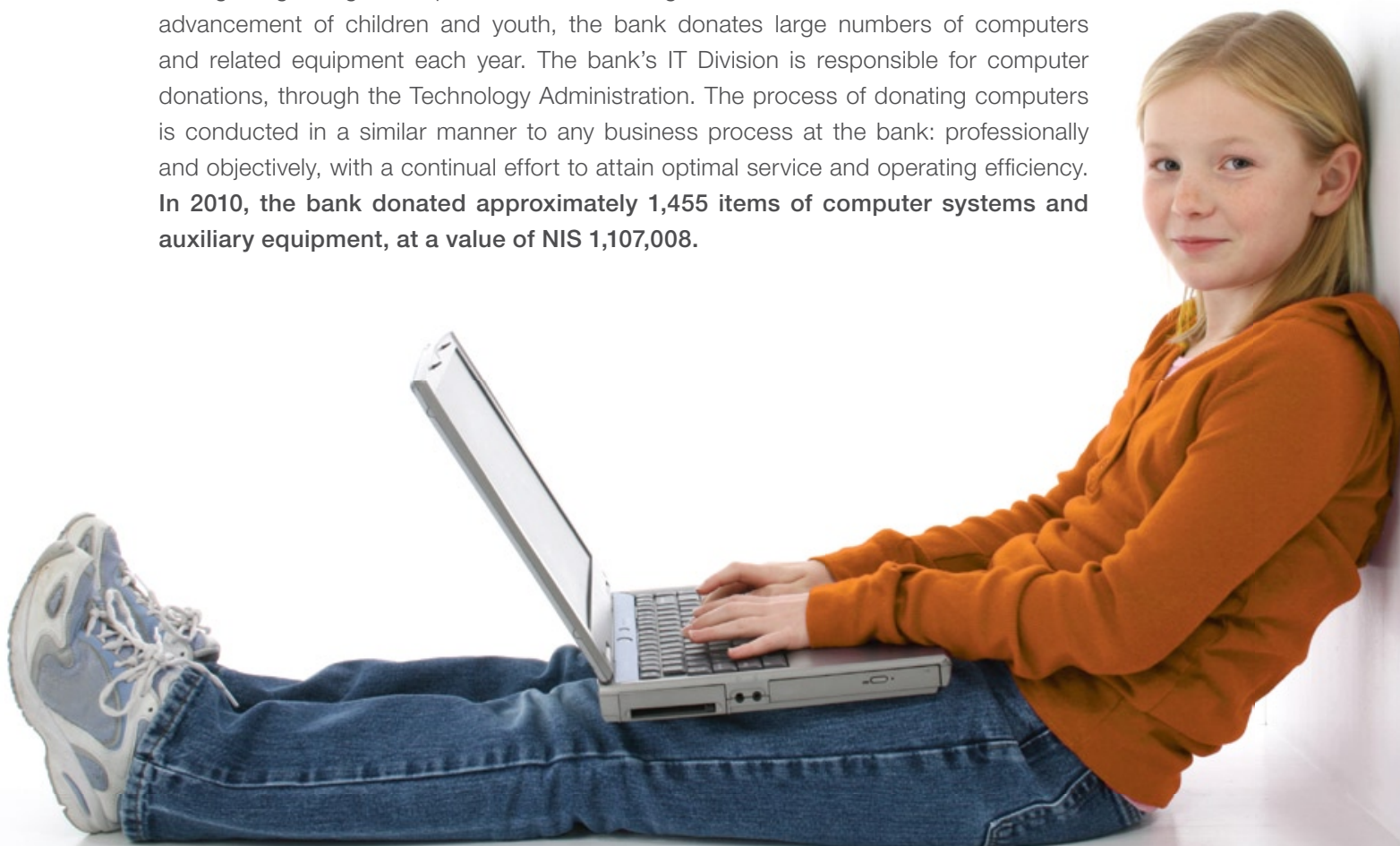
As in recent years, in 2010 Bank Hapoalim made more community contributions than any other bank in Israel, accounting for about half of the aggregate total. Bank Hapoalim's community contributions totaled NIS 44 million in 2010, up 11% from 2009. Community contributions constituted 0.34% of the bank's revenues, the highest rate of any Israeli bank.





Donations of Computers

Recognizing the great importance of technological investment for the education and advancement of children and youth, the bank donates large numbers of computers and related equipment each year. The bank's IT Division is responsible for computer donations, through the Technology Administration. The process of donating computers is conducted in a similar manner to any business process at the bank: professionally and objectively, with a continual effort to attain optimal service and operating efficiency. In 2010, the bank donated approximately 1,455 items of computer systems and auxiliary equipment, at a value of NIS 1,107,008.



POALIM FOR THE COMMUNITY



As part of the Bank Hapoalim Group's vision, strategy, and corporate values, the bank is committed to an active, leading role in the community, alongside its business leadership and economic initiatives. Bank Hapoalim exercises its community involvement through nationwide projects, including projects targeted to geographical, economic, and social peripheries, with the assistance of experts in the understanding of community needs.

The bank maintains strategic partnerships with a range of leading community organizations. These include collaborations with the ORT network of science and technology schools, the Technion, museums, the National Parks Authority, the Israel Association of Community Centers, the Batsheva Dance Company, the Israel Philharmonic Orchestra, the Israel AIDS Task Force, and the IDF. The bank also collaborates with a large number of non-profit organizations on unique projects in each of their fields. Notable organizations include Hayim - For Children with Cancer in Israel, Etgarim (Challenge), Paamonim - The Responsible Way, Lasova (hunger prevention), Latet - Israeli Humanitarian Aid, Beit Issie Shapiro, ELEM - Youth in Distress in Israel, Beterem - Safe Kids Israel, The Council for a Beautiful Israel, and Be-Atzmi - Employment for Youth at Risk.

Promoting Educational Projects

The key focus of the community activities of the bank is education. About 50% of the budget of the Poalim for the Community Forum is dedicated to activities in the area of education.

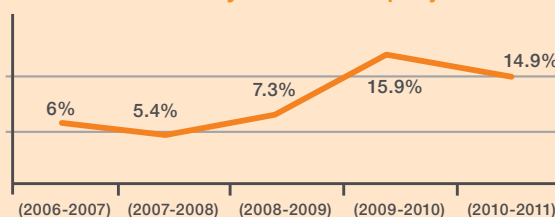
Poalim from Three to Five Project



Bank Hapoalim, through the Israel Technion Society and the ORT Alumni Association, is participating in the effort to help students with lower socioeconomic backgrounds improve their academic achievements in scientific and technological subjects. Poalim from Three to Five is designed

to promote a vision of social change, in which geographically remote communities in northern and southern Israel are brought closer to academic centers, with a substantial increase in the number of students from these areas. The project includes students in grades 9 through 12 from Israel's Jewish, Arab, Bedouin, and Druze communities.

Average rate of improvement in students' scores over the years of the project



58% of the participants are girls, and 35% are minorities. In the 2010-2011 school year, the project operated 93 groups, in 18 towns, at 27 schools. Since the foundation of this program, 7,650 students have participated, in 959 groups; 460 engineers have participated as teachers.

Read & Succeed

In 2004, the Poalim for the Community Forum launched a focused initiative aimed at changing the reading habits of Israeli children and youth. This project continued in 2010. In early 2010, the Key Books Foundation introduced its mobile library project: a lending library housed in a truck that travels throughout Israel, allowing children and youth to enjoy a wealth of children's theater, creative writing workshops, lectures, story hours, and enrichment classes. Following the success of the Read & Succeed project, this effort was expanded into the religious sector, in collaboration with a leading religious-sector publishing house, Feldheim Publishers. In 2011, the Read & Succeed project will be extended to the Arab-speaking population.



Yair Seroussi, chairman of the board of directors of the bank, with Kiryat Gat mayor Aviram Dehari and a young reader, during a visit of the mobile library to Kiryat Gat

National Book Week Activities

During National Book Week, in June 2010, a storytellers' tent called the Read & Succeed World was erected in Rabin Square in Tel Aviv, for the sixth consecutive year. The tent, operated by storyteller Yossi Alphi, hosted story hours and conversations with authors during the afternoon hours, tailored to different age groups. Over the course of ten days, the activities in the tent attracted great interest from parents and children visiting Book Week and hosted 500-600 children each day.

People of the Book Series

To mark Israel's sixtieth anniversary, Yedioth Ahronoth and Bank Hapoalim launched the Yedioth Books Publishing House's flagship project, the **People of the Book Series - Israeli Prose**. The series includes twenty of the masterpieces of modern Hebrew literature, with a wide range of voices, from the Palmach generation to the current millennium. 72,000 books were sold within this project during 2009-2010. In addition, since the launch of the project, 800 story hours have been held throughout Israel.

Financial Literacy in Secondary Schools

Bank Hapoalim, in collaboration with the ORT Israel Development Center, offers a program of study for secondary-school students designed to provide personal financial education, teach skills that students will need as independent adults, and impart the tools and knowledge necessary to make sound personal financial decisions. The program consists of fifteen hours of instruction, with a blend of face-to-face teaching and virtual learning, in ten self-contained modules covering subjects such as investment, savings, income, smart consumerism, money and means of payment, personal budget management, bank accounts, and the capital market.



Project website: money.ort.org.il

Adoption of the Zeil ORT Multidisciplinary Center in Lod

In 2010, through its IT Division, the bank adopted the Zeil ORT School in the city of Lod, as a long-term commitment aimed at promoting educational activities, especially in the area of technology. The goal of this multi-year project is to make the multidisciplinary center a city leader, improve the center's environment and infrastructures, promote wellbeing and the community, and increase the number of students joining the center. Elements of the project include assistance in funding for all-day childcare at the school, improved infrastructures, technological equipment, establishment of an Excellence Center, assistance for weaker students, and more.

The activity of the bank in 2010 included additional projects in the area of education, such as funding for the Tel Hai College Youth Education Center, and more. For details of the additional activities, see the full report.

Promoting Culture and the Arts

The philosophy of Poalim for the Community places special emphasis on assistance in the area of culture and the arts. The numerous projects led by the bank this year include Poalim for Culture and Nature in Israel, the distribution of national flags for Independence Day, exhibitions dedicated to community causes, and Alice at the Opera - a world premiere performance of Alice in Wonderland at the Israel Opera held for hundreds of children with special needs and children financially unable to purchase opera tickets.

Welfare and Health Care

The bank participates in various community activities through sponsorships and contributions to community causes. Sponsorships are granted to welfare-related events and to health-care institutions. The aid given by the bank to many organizations in 2010 includes the following:


- The Poalim for the Community Forum granted assistance to Beit Issie Shapiro in Raanana, which treats developmental disabilities; the Etgarim Foundation, which helps people with special needs, such as physical, sensory, or mental disabilities, expand their capabilities in all areas of life and be integrated into the community; and the Paamonim Foundation, which helps with financial education for families in distress;
- The bank donated 50,000 NIS towards the establishment of a library in the Beit Elazarki home for children at risk in Netanya;
- 500 employees of the bank distributed more than 600 food packages to families in need throughout Israel for the Passover holiday;
- The bank contributed to the purchase of new medical equipment for the ophthalmology ward of the Ziv Medical Center in Tzfat - an optical coherence tomography (OCT) device, with an estimated cost of USD 100,000, which allows comprehensive noninvasive examination of the retina and diagnosis of details at a level of 50 microns;
- For the eleventh consecutive year, the bank held an exhibition of Israeli art dedicated to the Israel AIDS Task Force, in memory of Leah Rabin, one of the earliest supporters of the battle against AIDS. The exhibition was held at the bank's head office building, with all proceeds from sales of artwork during the event devoted to the Israel AIDS Task Force.

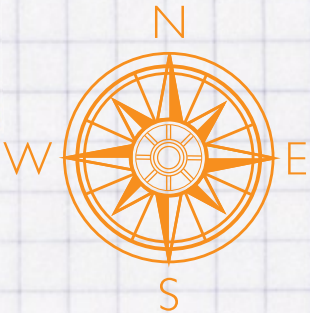


Employees preparing food packages



Some of the artwork displayed at the exhibition





LOOKING AHEAD

1. 800 additional students are expected to participate in the Poalim from Three to Five project in the 2011-2012 school year, in 100 groups at 28 different schools;
2. During the current school year, the number of schools participating in the Financial Literacy Project will grow to 50. In the 2012-2013 school year, the program will be expanded to encompass 80 schools, including 320 classes and about 10,000 students.

VOLUNTEERING

The bank has established a nationwide network of volunteers, under the heading Poalim Volunteers, uniting hundreds of bank employees from various parts of the country. A survey performed last year regarding volunteer work indicated the following conclusions:

- Employees are volunteering in their spare time, some privately and independently, and some with the leadership of the bank, in collaboration with the various foundations;
- Some 1,400 employees of the bank volunteer. Volunteers conduct regular activities at about 100 (of a total 288) branches of the bank. These activities have been conducted for approximately four years on average.

The frequency and type of volunteer work vary widely among the units, with weekly, monthly, or quarterly activities, or activities held on holidays.

As part of the Poalim Volunteers effort, the Good Works Day was held for the fifth time in April 2010. During this day, over 1,500 employees participated in volunteer activities.

Bank Hapoalim has the widest geographical deployment among the financial organizations in Israel. This enables the bank to respond to the needs of local communities and adopt activities on a local basis, so that the local branch of the bank becomes a center for aid to the community or assistance during various types of crises. Several initiatives in this area were realized by branches and units during 2010; some of these are described in detail in the full report.

Coping with the Carmel Tragedy

During and after the tragic fire on Carmel Mountain, the bank and its employees worked to assist and support rescue workers and residents who suffered damage. The bank acted in accordance with the principles of social responsibility - employee volunteerism, responsiveness to its customers, and assistance and contribution to the community:



CEO Zion Kenan and chairman Yair Seroussi help Jaffa branch employees prepare packages for those in need at Tel Giborim School on Good Works Day

- **Commitment by employees** - During the fire, bank employees organized quickly and efficiently to distribute 1,000 refreshment kits to rescue and security forces fighting the fires, and hundreds of care packages for children living in Tirat Hacarmel and Osafiya;
- **Commitment to customers** - Following the events, the bank established a special system to assist residents of the area who had suffered damage or who had had to evacuate their homes, and made a general decision to offer aid to these residents and to members of the rescue and security forces operating in the area;
- **Commitment to the community** - During the fire, dormitories at the Yemin Ord youth village burned down. The village is home to adolescents who have immigrated to Israel without their parents. After a moving visit to the site, the bank made the decision to adopt the village and donate NIS 500,000 to rebuilding the dormitory.



ABIDING BY THE ETHICAL CONDUCT CODE

The Ethical Conduct Code of the bank defines the relationship between each employee and his or her environment. The code is divided into three sections:

- **My work at the bank** - Defines the relationship between the bank and its employees;
- **Customer relationships** - Defines the relationship with the customers of the bank;
- **Relationships with external parties, suppliers, and competitors** - Defines the relationship with external parties, suppliers, and competitors.



An organizational structure has been established with the aim of promoting a culture of conduct congruent with the content of the ethical code. The structure encompasses work processes and reporting channels in this area. Within the new structure, the Human Resources, Logistics and Procurement Area is responsible for ethics at the bank. An ethics committee, consisting of senior executives from the various areas of the bank, was established and is authorized to resolve ethical dilemmas and issues raised by employees, and to apply disciplinary measures in the event of ethics violations. In addition, a head of ethics was appointed within the Human Resources Division, in the Leadership and Organizational Development Unit. The organizational portal offers an option for sending anonymous messages to the head of ethics. Subsequent to these preparatory activities, a broad plan was designed to instill the current code among employees.



The revised ethical code was officially launched at the bank in May 2010. The instillation process was carried out at three organizational levels:

- **Individuals** - Letters from the chairman of the board and the CEO; distribution of an ethical code booklet; participation in discussions of the ethical code led by managers within units; introduction of a tutorial and knowledge test;
- **Leading forums** - Forums were held to instill the ethical code, for the following groups: regional managers, operational managers, compliance officers, supervising instructors, Human Resources Section managers, Business Center managers and senior executives in the Corporate Area;
- **Organization-wide** - An ethics committee was established; the code was integrated into the bank's website and organizational portal; the topic of the code was added to banking and management courses and to unit-level discussions.



9,679 PASSED THE TEST

9,679 bank employees completed the tutorial and passed the test.

The ethics committee held its first meeting in late 2010. At the meeting, the status of the implementation of the training plan was presented, and ethical dilemmas raised during the period were discussed. The committee also discussed the future ethics work plan at the bank. Shortly after the ethics committee meeting, the board of directors held a discussion on this matter.



LOOKING AHEAD

Looking Ahead - The bank intends to continue to implement an effective ethics plan, according to the milestones defined in 2009. The plan stresses the connection with the bank's vision, integration of the content into courses, quarterly status meetings of the board of management and board of directors, and collection of impressions on the ground regarding content to be expanded or added, further to the implementation process.

COMPLIANCE AND PREVENTION OF MONEY LAUNDERING AND TERRORIST ACTIVITIES

In December 2010, the board of directors approved a new group-wide compliance policy for the Bank Hapoalim Group. The policy applies to the entire group, including subsidiaries in Israel and overseas, as well as branches outside Israel. The group compliance policy encompasses requirements, standards, organizational structure, training, implementation, and knowledge management in this area. The policy specifies threshold requirements on essential matters, sets standards for focusing on risks, and provides guidelines for the classification of customers by risk level, in the context of corporate governance at Bank Hapoalim. The policy addresses training and implementation activities in the area of compliance at the bank, knowledge retention and management, and the role of the bank's chief compliance officer.

The Chief Compliance Officer Unit consists of the Money Laundering Prohibition Department, the Compliance Department, the International Unit, and the Coordination and Operations Unit.

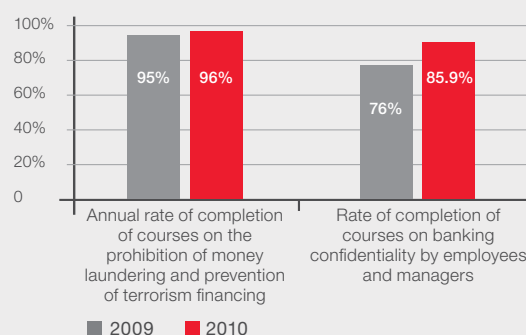
Main activities of the Chief Compliance Officer Unit in 2010:

1. Information and monitoring systems -

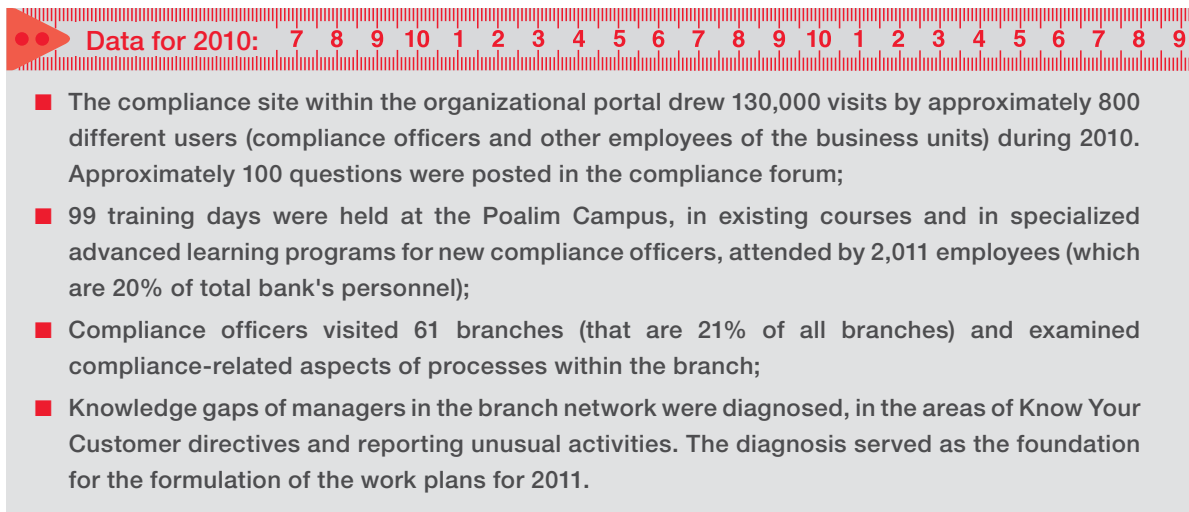
Improvement and upgrade of supporting systems in the area of money laundering prohibition;


2. Controls - Controls were applied in the area of the prohibition of money laundering and prevention of terrorism financing, through periodical and special reports. Optimization processes and targeted controls were applied to identify activities that appear to be unusual;

3. Training, implementation, and knowledge management - The website for compliance officers within the bank's organizational portal meets the professional needs of these officers and offers extensive information regarding compliance with consumer-protection directives and with the prohibition



of money laundering. The site serves as a platform for knowledge sharing and a source of solutions for professional issues. During the year, training sessions and lectures on the prohibition of money laundering and terrorism financing were held at branch manager conferences, regional and branch compliance officer conferences, business centers, and subsidiaries.





NO FINES WERE IMPOSED ON THE BANK

No significant fines or nonmonetary sanctions were imposed on the bank for noncompliance with laws and regulations concerning the provision and use of products and service during 2010.

Working with Regulatory Directives

The bank routinely receives directives from the various regulators and from the Association of Banks in Israel, through the post or via e-mail. These directives are processed, from arrival to implementation, through an automated process-management system. The Regulation Division regularly monitors all directives that have not yet been implemented. In addition, controls are performed periodically through a control committee headed by a member of the board of management. The committee convenes several times each year, and all of its resolutions are documented in the automated system. Directives that have been implemented or deemed irrelevant are removed from the follow-up process according to a decision by the committee.

GRI INDEX AND GLOBAL COMPACT COP REPORT

Profile Disclosure	GC Principle	Description	Level	Page / Reason for Omission
1.1 (Core)	NR*	Statement from the most senior decision-maker of the organization.	✓	6-7
1.2 (Core)	NR	Description of key impacts, risks, and opportunities.	✓	6-7
Organizational Profile				
2.1 (Core)	NR	Name of the organization.	✓	6
2.2 (Core)	NR	Primary brands, products, and/or services.	✓	Not reported: see Annual Report , p.61
2.3 (Core)	NR	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	✓	Not reported: see Annual Report , p.8
2.4 (Core)	NR	Location of organization's headquarters.	✓	not reported: see Annual Report , p.16
2.5 (Core)	NR	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	✓	Not reported: see Annual Report , p.11
2.6 (Core)	NR	Nature of ownership and legal form.	✓	Not reported: see Annual Report , p.10
2.7 (Core)	NR	Markets served (including geographic breakdown, sectors served, and types of customers / beneficiaries).	✓	83
2.8 (Core)	NR	Scale of the reporting organization.	✓	Not reported: see Annual Report , p.133
2.9 (Core)	NR	Significant changes during the reporting period regarding size, structure, or ownership.	✓	Not reported: see Annual Report , p.132
2.10 (Core)	NR	Awards received in the reporting period.	✓	28, 73-74
Report Parameters				
3.1 (Core)	NR	Reporting period (e.g., fiscal/calendar year) for information provided.	✓	10-12
3.2 (Core)	NR	Date of most recent previous report (if any).	✓	10
3.3 (Core)	NR	Reporting cycle (annual, biennial, etc.)	✓	10-12
3.4 (Core)	NR	Contact point for questions regarding the report or its contents.	✓	10-12
3.5 (Core)	NR	Process for defining report content.	✓	10-12
3.6 (Core)	NR	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	✓	10-12
3.7 (Core)	NR	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	✓	11
3.8 (Core)	NR	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	✓	The report does not refer to the bank's subsidiaries and activity abroad.
3.9 (Core)	NR	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	✓	10-12
3.10 (Core)	NR	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	✓	10-12

* Not specifically required

Profile Disclosure	GC Principle	Description	Level	Page / Reason for Omission
3.11 (Core)	NR	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	✓	20-25, 28-29
3.12 (Core)	NR	Table identifying the location of the Standard Disclosures in the report.	✓	106-111
3.13 (Core)	NR	Policy and current practice with regard to seeking external assurance for the report.	✓	12
Governance, Commitments, and Engagement				
4.1 (Core)	1-10	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	✓	Not reported: see Annual Report , p.207
4.2 (Core)	1-10	Indicate whether the Chair of the highest governance body is also an executive officer.	✓	6-7
4.3 (Core)	1-10	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	✓	All the members are non-executive, 6 of 14 are independent
4.4 (Core)	1-10	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	✓	Not reported: see Annual Report , p.207
4.5 (Core)	1-10	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	✓	Not reported: see Annual Report , p.234
4.6 (Core)	1-10	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	✓	Not reported: see Annual Report , p.212
4.7 (Core)	1-10	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	✓	Not reported: see Annual Report , p.212
4.8 (Core)	1-10	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	✓	4, 102-105
4.9 (Core)	1-10	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	✓	Not reported: see Annual Report , p.206-207
4.10 (Core)	1-10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	✓	Not reported: see Annual Report , p.211
4.11 (Core)	7	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	✓	Not relevant to bank's activities ¹
4.12 (Core)	1-10	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	✓	28-29
4.13 (Core)	1-10	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	✓	28-29
4.14 (Core)	COP is an integral part of the sustainability report which is the base to dialog with all stakeholders	List of stakeholder groups engaged by the organization.	✓	56-57, 66-69, 91-93
4.15 (Core)		Basis for identification and selection of stakeholders with whom to engage.	✓	4, 26, 48, 66, 92
4.16 (Core)		Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	✓	25-27, 56, 68, 80, 93, 100
4.17 (Core)		Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	✓	56-57, 66-69, 91-93

¹ We do not address directly to the precautionary principle. We treat environmental risks among others in the work of the bank's consolidating policy team on the matter (p. 71).

Profile Disclosure	GC Principle	Description	Level	Page / Reason for Omission
Disclosures on Management Approach (DMAs)				
G3 DMA	GC Principle	Description		Cross-Reference
DMA EC	1, 4, 6, 7	Disclosure on Management Approach EC	✓	4, 66
DMA EN	7, 8, 9	Disclosure on Management Approach EN	✓	4, 34-35
DMA LA	1, 3, 6	Disclosure on Management Approach LA	✓	4, 48-49
DMA HR	1,2,3,4,5,6	Disclosure on Management Approach HR	✓	4, 28-29
DMA SO	10	Disclosure on Management Approach SO	✓	4, 86
DMA PR	1, 8	Disclosure on Management Approach PR	✓	4, 66-67, 86
Economic				
EC1	NR	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	✓	86-87
EC2	7	Financial implications and other risks and opportunities for the organization's activities due to climate change.	✓	69-72
EC3	NR	Coverage of the organization's defined benefit plan obligations.	✓	60
EC4	NR	Significant financial assistance received from government.	✓	86
EC5 (Additional)	1	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	x	Not applicable: not available
EC6 (Core)	NR	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	✓	88
EC7 (Core)	6	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	✓	88
EC8 (Core)	NR	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	✓	94-101
EC9 (Additional)	NR	Understanding and describing significant indirect economic impacts, including the extent of impacts.	✓	88
Environmental				
EN1 (Core)	8	Materials used by weight or volume.	✓	36-38, 43
EN2 (Core)	8, 98	Percentage of materials used that are recycled input materials.	✓	36, 42
EN3 (Core)	8	Direct energy consumption by primary energy source.	✓	43
EN4 (Core)	8	Indirect energy consumption by primary source.	✓	38-39
EN5 (Additional)	8, 9	Energy saved due to conservation and efficiency improvements.	✓	39
EN6 (Additional)	8, 9	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	✓	36-37, 69-70
EN7 (Additional)	8, 9	Initiatives to reduce indirect energy consumption and reductions achieved.	✓	38-39
EN8 (Core)	8	Total water withdrawal by source.	✓	41

Profile Disclosure	GC Principle	Description	Level	Page / Reason for Omission
EN9 (Additional)	8	Water sources significantly affected by withdrawal of water.	X	Not applicable: not relevant to bank's activities
EN10 (Additional)	8, 9	Percentage and total volume of water recycled and reused.	X	Not applicable: not relevant to bank's activities
EN11 (Core)	8	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	X	Not applicable: there aren't such areas in bank owned, leased, or managed land
EN12 (Core)	8	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	✓	41, The bank has no significant direct impacts on biodiversity
EN13 (Additional)	8	Habitats protected or restored.	✓	41
EN14 (Additional)	8	Strategies, current actions, and future plans for managing impacts on biodiversity.	✓	34,41
EN15 (Additional)	8	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	X	Not applicable: not relevant to bank's activities
EN16 (Core)	8	Total direct and indirect greenhouse gas emissions by weight.	✓	44-45
EN17 (Core)	8	Other relevant indirect greenhouse gas emissions by weight.	✓	44-45
EN18 (Additional)	7, 8, 9	Initiatives to reduce greenhouse gas emissions and reductions achieved.	✓	44
EN19 (Core)	8	Emissions of ozone-depleting substances by weight.	✓	45
EN20 (Core)	8	NOx, SOx, and other significant air emissions by type and weight.	X	Not applicable: not relevant: no air emissions in bank's operations
EN21 (Core)	8	Total water discharge by quality and destination.	X	Not applicable: not relevant to bank's activities
EN22 (Core)	8	Total weight of waste by type and disposal method.	✓	42-43
EN23 (Core)	8	Total number and volume of significant spills.	X	Not applicable: not relevant to bank's activities
EN24 (Additional)	8	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	X	Not applicable: not relevant to bank's activities
EN25 (Additional)	8	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	X	Not applicable: not relevant to bank's activities
EN26 (Core)	7, 8, 9	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	✓	37, 69-70
EN27 (Core)	8, 9	Percentage of products sold and their packaging materials that are reclaimed by category.	X	Not applicable: not relevant to bank's activities
EN28 (Core)	8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	✓	34
EN29 (Additional)	8	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	✓	43

Profile Disclosure	GC Principle	Description	Level	Page / Reason for Omission
EN30 (Additional)	7, 8, 9	Total environmental protection expenditures and investments by type.	X	Not available
Labor Practices and Decent Work				
LA1 (Core)	NR	Total workforce by employment type, employment contract, and region.	✓	51
LA2 (Core)	6	Total number and rate of employee turnover by age group, gender, and region.	✓	51
LA3 (Additional)	NR	Benefits provided to See Annual Report-time employees that are not provided to temporary or part-time employees, by major operations.	✓	52
LA4 (Core)	1,3	Percentage of employees covered by collective bargaining agreements.	✓	51-52
LA5 (Core)	3	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	✓	60
LA6 (Additional)	1	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	X	Not relevant; where isn't such a committee
LA7 (Core)	1	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	✓	63
LA8 (Core)	1	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	✓	60-61
LA9	1	Health and safety topics covered in formal agreements with trade unions.	X	Not applicable: not relevant to bank's activities
LA10 (Core)	NR	Average hours of training per year per employee by employee category.	✓	58-59
LA11 (Additional)	NR	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	✓	58-59
LA12 (Additional)	NR	Percentage of employees receiving regular performance and career development reviews.	✓	50-51
LA13 (Core)	1,6	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	✓	50-55
LA14 (Core)	1,6	Ratio of basic salary of men to women by employee category.	✓	53
Social: Human Rights				
HR1 (Core)	1,2,3,4,5,6	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	X	Not applicable: not relevant to bank's activities
HR2 (Core)	1,2,3,4,5,6	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	✓	89-90
HR3 (Additional)	1,2,3,4,5,6	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	✓	102-103
HR4 (Core)	1, 2, 6	Total number of incidents of discrimination and actions taken.	✓	53
HR5 (Core)	1, 2, 3	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	✓	52
HR6 (Core)	1, 2, 5	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	✓	There is no child labor practise

Profile Disclosure	GC Principle	Description	Level	Page / Reason for Omission
HR7 (Core)	1, 2, 4	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	✓	There is no forced labor practise
HR8 (Additional)	1, 2	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	✓	90
HR9 (Additional)	1, 2	Total number of incidents of violations involving rights of indigenous people and actions taken.	X	Not applicable: not relevant to bank's activities
Social: Society				
SO1 (Core)	NR	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	✓	91
SO2 (Core)	10	Percentage and total number of business units analyzed for risks related to corruption.	✓	104-105
SO3 (Core)	10	Percentage of employees trained in organization's anti-corruption policies and procedures.	✓	104-105
SO4 (Core)	10	Actions taken in response to incidents of corruption.	✓	104-105
SO5 (Core)	1-10	Public policy positions and participation in public policy development and lobbying.	✓	28-29
SO6 (Additional)	10	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	✓	94
SO7 (Additional)	NR	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	✓	104-105
SO8 (Core)	NR	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	✓	105
Social: Product Responsibility				
PR1 (Core)		Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	✓	82
PR2 (Additional)		Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	X	Not applicable: not relevant to bank's activities
PR3 (Core)		Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	✓	82
PR4 (Additional)		Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	✓	82
PR5 (Additional)	NR	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	✓	78
PR6 (Core)	NR	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	✗	82
PR7 (Additional)	NR	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	✓	82
PR8 (Additional)		Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	✓	79
PR9 (Core)	NR	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	✓	105

Profile Disclosure	GC Principle	Description	Level	Page / Reason for Omission
Financial Sector Supplement:				
FS1 (Core)	NR	Policies with specific environmental and social components applied to business lines.	✓	66-72
FS2 (Core)	NR	Procedures for assessing and screening environmental and social risks in business lines.	✓	66, 71
FS3 (Core)	NR	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	✓	71-72
FS4 (Core)	NR	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	✓	61, 71-72
FS5 (Core)	NR	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	✓	71-72, 92
FS6 (Core)	NR	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/ large) and by sector.	✓	83
FS7 (Core)	NR	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	✓	67-68
FS8 (Core)	NR	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	✓	69-72
FS9 (Core)	NR	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	✓	71-72
FS10 (Core)	NR	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.	X	Not reported
FS11 (Core)	NR	Percentage of assets subject to positive and negative environmental or social screening.	X	Not reported
FS12 (Core)	NR	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting.	X	Not reported
FS13 (Core)	NR	Access points in low-populated or economically disadvantaged areas by type.	✓	75,81
FS14 (Core)	NR	Initiatives to improve access to financial services for disadvantaged people.	✓	67-68, 76-77, 81
FS15 (Core)	NR	Policies for the fair design and sale of financial products and services.	✓	66
FS16 (Core)	NR	Initiatives to enhance financial literacy by type of beneficiary.	✓	67-68



112-113



Statement GRI Application Level Check

GRI hereby states that **Bank Hapoalim** has presented its report "SUSTAINABILITY REPORT 2010: ECONOMIC, SOCIAL AND ENVIRONMENTAL RESPONSIBILITY" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 11 October 2011

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because Bank Hapoalim has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 22 September 2011. GRI explicitly excludes the statement being applied to any later changes to such material.