BANK HAPOALIM SUSTAINABILITY REPORT

Economic, Social & Environmental Responsibility

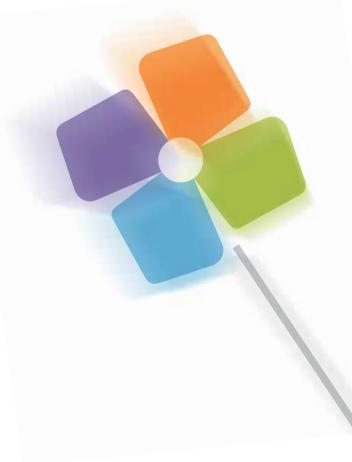








IT'S IN OUR HANDS. BANK HAPOALIM



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Message from Bank Hapoalim Chairman Mr. Yair Seroussi and CEO Mr. Zion Kenan

Bank Hapoalim continues to promote and instill the values of sustainability and corporate social responsibility, in line with its vision, strategy, and activity. These values reflect the bank's commitment to creating value for its stakeholders in expanding circles of Israeli society, and are expressed through the promotion of a wide range of financial, social, and environmental causes. This is the bank's seventh annual report on sustainability and corporate social responsibility. The report reflects the bank's activity in this area and its implementation of CSR values on the various levels of its operations. The report presents the key issues for the bank and its

stakeholders, achievements in 2013, and long-term trends.

In 2013, we began to implement a strategic plan for the coming three years. This plan constitutes a direct continuation of the bank's activity in recent years, which has solidified its position as Israel's leading financial institution. The plan is rooted in the bank's traditional sources of strength: its capabilities in banking and as an organization. It further encompasses extension and enhancement of its activity in the business sectors and with a range of population groups of high importance to the economy and to society. This trajectory will advance

the growth of these sectors, while contributing to economic and social stability and strength in Israel.

As part of the implementation of this strategy, we at Bank Hapoalim see the promotion of financial freedom for our customers and for the Israeli public as a leading value guiding our activity. The bank puts this philosophy into action through a wide range of tools and services and through extensive activity in the area of financial education, initiated in recent years. These activities are designed to help consumers in various sectors and age groups gain better familiarity with and understanding of their financial environment. As a result, consumers make informed decisions and choose the most suitable of the range of financial solutions available to them. Such decisions have a positive impact on economic conduct, on the immediate level, while also boosting long-term financial stability and balance. The bank has expanded this activity over the last year, working with households and small businesses.

Small businesses are a key element in the Israeli economy and an essential component in its prosperity The stronger this sector becomes, the greater its power as a solid foundation for the Israeli economy, and as a catalyst for growth that can spread to all layers and sectors of the population. Two years ago, Bank Hapoalim was the first in Israel to declare the Year of the Small Business. Since that time, we have worked diligently to promote small businesses in Israel, on all levels, and to guide businesses just starting out. This effort has included financing and credit earmarked for this sector.

adapted banking services, consulting and guidance, and the creation of an extensive marketing platform.

We aim to serve every segment of our extensive client base, focusing on service tailored to their individual needs, with a commitment to leadership in professional, advanced, innovative banking services. Digital banking services are gradually becoming one of the key arenas for development in the financial field. The bank is at the forefront of advanced technological and digital solutions for direct banking channels, in response to a continually growing demand for immediate access to banking services. Within this context, the increasing scope of services and information that the bank makes accessible to mobile devices. allows customers to take care of their everyday financial needs at any time and from anywhere in a convenient and friendly manner. Meanwhile, ongoing efforts are underway to promote physical accessibility of the bank's services for people with disabilities. During the year, we took our multiyear plan for accessible buildings, services, and information another step forward, helping a large number of customers receive equal access to banking services.

Within the promotion of sustainability values and the integration of these values with the bank's core activities, the bank's financing for sustainable,

environment-friendly development and infrastructures is increasing. This increase has been apparent both in terms of volume and in the number of areas in which credit is granted. The bank has been a leader in financing for the solar energy industry and the water desalination market in recent years. while also helping to promote projects in areas such as power stations fueled by natural gas, the Israeli economy transition to natural gas in, seawater desalination, green construction, and waste recycling plants.

The bank continues to promote and develop the quality of its most substantial and essential asset - its human resources. The new labor agreement signed in 2013, in full cooperation with the employee union, is a testament to the stable labor relations at the bank. Concurrently, the long-term upward trend in the number of female executives at the bank, now at more than half, and the increase in employees who hold academic degrees, reflect the unique work environment at the bank and the quality and diversity of its human capital.

The bank was the leader in community investment once again in 2013. The bank is an integral part of Israeli society and considers it a privilege to work to promote education, with a special emphasis on financial education for prudent economic behavior. This is another key point in promoting financial

freedom and increasing equality in Israeli society. The bank also traditionally invests in the promotion of other social causes, such as welfare, medicine, and culture, through investments in a wide range of community projects and initiatives and through crosssector collaborations with various organizations. Bank employees who volunteer are another important marker of the bank's commitment to the community. Thousands of Bank Hapoalim employees volunteer throughout Israel, as partners in a community effort that has grown each year and makes an impact throughout

This activity has positioned the bank at the top of local and international rankings. The bank is a partner in key initiatives and pacts in this area. The bank is also committed to the ten principles of the UNGC (United Nations Global Compact), which promotes economical development that is beneficial to the community and to future generations.

Our commitment to the values of CSR and sustainability is anchored in the bank's vision and in our operational philosophy. We are confident that this commitment benefits the bank, its employees, its customers, and all of its stakeholders; we declare our commitment to continue to practice corporate social responsibility in every area of the bank's activity going forward.

Chairman of the board of directors

Zion Kenan
President and CEO

Message from the Head of Corporate Social Responsibility

This is the seventh 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 annual reports published since 2007 reflect varied, thorough, systemic, methodical activity. The sustainability and CSR reports reflect the bank's journey, from the inception of the plan to the present day, to assimilate corporate social responsibility. Each report focuses on different highlights, according to the key areas of activity in the preceding year.

In 2013, as part of the strategy of the bank, we continued to identify and realize business opportunities in this area, while promoting social and environmental benefits; improve service and fair, ethical conduct; form partnerships with stakeholders in society and in the community; and improve environmental and social risk management. This year, we also expanded the bank's wideranging activities in the various channels aimed at promoting financial freedom for its customers and for the Israeli public. Key initiatives of the bank in 2013:

■ Expansion of activities aimed at promoting financial freedom for customers and for the general public, through initiatives for the provision of financial information, tools, and new products allowing customers increased financial control and flexibility; financial education for various target groups; and expert, customized service and advice, all matched to specific target audiences;

- Promotion of financial freedom in the small-business sector in Israel, as part of a strategic effort by the bank, through extensive financing, business and organizational consulting, targeted services for these businesses, and the creation of a marketing platform to raise awareness and exposure of small businesses, in dialogue and cooperation with various elements in the Israeli economy;
- Development of innovative banking solutions and services for financial freedom in the multi-channel banking universe (Internet, mobile, telephone), using the most advanced technological capabilities, which offer an optimal client experience and maximum availability, and enable private and business clients to manage many aspects of their financial lives at any time and from any place;
- Encouraging growth in the Arab-Israeli sector, as part of the implementation of the bank's strategic plan to strengthen and solidify its leadership in diverse population groups important to the Israeli economy and Israeli society. As part of this effort, the bank endeavors to improve infrastructures and provide optimal service to the Arabic-speaking population segment; additional branches will be opened and expanded over the coming years; and the bank will hire more employees from this community;
- Activities to promote excellence in service, through an ongoing plan and a series of processes: creation of a supportive organizational culture, measurement and implementation in the core business processes of the bank, training and communication on service issues within the bank, and active learning through feedback, all designed to provide excellent service to customers;
- An increase in the volume of credit granted through banking products in the area of sustainability. Activity in this area promotes the creation of economic value for customers and for the economy, alongside a contribution to the environment;
- Integration of social responsibility considerations into purchasing processes at the bank, as part of the implementation of the long-term work plan;
- Promotion of environmental conduct based on the ISO 14001 standard. This process has included examination of advanced energy efficiency solutions, with the aim of maximizing potential in this area;
- Investment in the community, through educational projects and expansion of activities aimed at promoting financial freedom in the community, alongside the bank's extensive community donations and a further increase in the number of employees of the bank who volunteer;
- Expansion of the plan for collection of electronic waste in city centers, in collaboration with local authorities; this project employs workers with disabilities, and has gained exposure to 850,000 residents. The plan has also been expanded to Bar Ilan University and the College of Management, where the number of potential participants is approximately 50,000;
- Development and expansion of dialogue with the various stakeholders in the area of CSR in Israel



This sustainability and CSR report refers to the calendar year 2013, and is current as of the end of the first quarter of 2014. During the reported period, there were no significant changes in the type of ownership, structure, or size of the bank. This report was prepared in accordance with the advanced international standard GRI:G4, at the

most advanced level of transparency (In Accordance - Comprehensive). Most of the data in the report were generated by the information systems at the bank, in accordance with GRI reporting requirements. Information was collected regularly and routinely throughout the year. However, some of the data were collected at the end of the reported period. The information is organized in a comprehensive database encompassing data on the reported period as well as multi-year data. All of the information in the report is presented through the various indices. Data are presented using comparative analyses referring to the reported period and to long-term trends. A small part of the data involves the use of estimates and evaluations. Estimates and evaluations, where used, were diligently checked and validated, and are clearly noted in the report. The report does not address CSR impacts of Isracard Ltd.1 Isracard is preparing to publish an independent CSR report, according to the schedule delineated by the Supervisor of Banks.

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 adequacy of our reporting, on four levels: the corporate social responsibility implementation process; the adequacy of the report pursuant to GRI guidelines; the completeness of the report on our carbon footprint; and compliance with GRI standards for reporting on substantial subjects. GRI has determined that the process of defining the subjects for the report complies with the directives of the new reporting standard.

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. This year's Sustainability and CSR Report is available in Hebrew and English on the bank's website, for convenient and environment-friendly distribution and reading.

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 avraham.barilan@mailpoalim.co.il

1. G4-17

Corporate Social Responsibility and Sustainability at Bank Hapoalim

Corporate social responsibility and sustainability are a strategic and social philosophy for managing a business while creating economic, social, and environmental value. This section presents the bank's CSR and sustainability perception, its organizing model for management in this area, and the implementation of these values in its activity.

Bank Hapoalim was one of the first business institutions in Israel to decide to apply this approach as a strategic element of its operations. The bank views this area as a source of business opportunities, which also promote social and environmental benefits. and as a foundation for innovation and competitive advantages, improvement of service, fair and ethical conduct, management of environmental and social risks, and partnership with stakeholders in the community, which position the bank as a leading economic and social organization. The bank works to achieve in-depth implementation of these values based on the highest international standards, using a wide range of methods and tools to cope with the challenges posed by this approach. CSR management and implementation help to achieve results in the business, social, and environmental spheres that contribute to the bank's success and to the expansion of its positive impact on all of its stakeholders, both internal and external to the organization.

Organizing Model: The CSR Flower

The bank's CSR and sustainability perception has been formulated into an organizing model: the CSR Flower. The model maps the entire CSR and sustainability field into a unified cognitive pattern, simple to communicate and absorb, organized, and consistent. The model presents CSR by organizing parameters and indicators from the different content areas and condensing them into a short, simple series in four central categories: customers, community, employees, and environment, which constitute the four petals of the flower. These represent the areas in which the bank's CSR and sustainability activities and impact are focused. Each category (petal) of the model contains various activities. Each of the four categories is divided into two tiers:

- Value creation tier Focused on activity with the external stakeholders of the bank; creation of shared business value for the bank and its stakeholders, combined with social and environmental values, emphasizing:
- 1. The best interests of the customer;
- 2. Empowering Society and the Community.
- Resource management tier Focused on the intra-organizational activity of the bank, with an emphasis on management of human resources as strategic partners and on the bank's environmental conduct:
- Employees' quality of life and wellbeing;
- 4. Living with the environment.



Implementing and Assimilating CSR Values in All Levels of Activity

This perception is implemented through a sustainability and CSR plan based on five main organizational aspects:

Structure and authority - The sustainability and CSR plan is managed based on the matrix management approach. In accordance with this approach, the head of CSR is the strategic leader for this area, in coordination and cooperation with the various unit heads. Each unit is responsible for implementing certain aspects under its authority, using its resources. Activities of the CSR officer include integration of all actions 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, allowing 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. 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 analysis of performance over time;

■ Extensive information collected in existing organizational systems or produced directly for the purposes of the plan.

Broad implementation - The various CSR initiatives and projects at the bank are implemented and administered 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 are being developed in order to realize various objectives of the plan. Each new activity is first carried out as a pilot project. Following the pilot and the process of drawing the necessary conclusions, the many projects are absorbed into routine work processes and procedures, with the aim of achieving ongoing management comparable to other business processes of the organization.

Branding, communication, and development of 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. This effort includes the CSR zone of the organizational portal, which presents the bank's worldview in this area and serves as the central location for CSR issues. As part of the communication and implementation of CSR, a series of training sessions and talks was developed, covering topics such as sustainability, healthy lifestyles, safe driving, and more.

The annual sustainability and CSR report is available and accessible to all stakeholders in the Israeli and international economy: businesses, government agencies, non-profit organizations, academia, analysts, etc. All of the bank's sustainability and CSR reports are available for download, in Hebrew and English, in an accessible, user-friendly format on the bank's website.

Dialogue and collaboration with stakeholders² - Over the last few years, Bank Hapoalim has developed a range of channels for dialogue with various groups of stakeholders, with the aim of identifying needs and providing an optimal response to sustainability challenges in the bank's dynamic, complex environment. In this context, a comprehensive mapping process of all potentially relevant stakeholders for dialogue and collaboration was performed. Since then, a wide-ranging network of collaborations and connections has been created and continues to form, with clients, employees, government and municipal agencies, environmental and social experts, non-profit organizations, entrepreneurs and businesses, academia, and more. This web of connections has enabled the bank to expand and extend its strategic and business activities and its sphere of influence, and to strengthen the nationwide network involved in this field, in the areas of the economy, society, and the environment.

The CSR zone of the bank's website, at www.bankhapoalim.co.il/csr, is the main window for the public to the bank's sustainability and CSR activities. The website presents an appropriate level of transparency for stakeholders with regard to events at the bank and delivers the maximum possible amount of information, which is essential to dialogue and feedback.

Selected examples of key stakeholder groups are listed below, with the ways in which the bank promoted dialogue and cooperation with them during 2013, of the hundreds of channels with the bank's extensive range of stakeholders.

Stakeholder Selected dialogue channels in 2013³

Customers

- Promotion of financial freedom and deeper relationships All of the bank's branches hold customer conferences several times a year, in various content areas; training content and practical tools are developed, for budget management, financial planning, and investments, and made accessible through the website and in meetings with customers;
- Small businesses Special emphasis is placed on the relationship of management tiers and branch bankers with business clients: meetings at the business, special products, professional conferences, etc;
- Deeper relationships with selected customers Management staff at the branches follow defined routines for meetings and telephone calls with customers at their various milestones and life events;
- Client surveys Customers at the branches and in the various channels are continuously sampled, on a daily basis, uniformly across channels, business lines, and branches; %30 of sampled clients are also contacted via telephone by a manager at the branch, for further learning and improvement;
- Focus groups Designed to obtain clarity regarding customers' needs and examine solutions on various matters connected to customer relationships.

Employees

3. G4-24

- Feedback sessions are held with all employees of the bank; interim sessions (objective tracking) are held with employees;
- Regular roundtable meetings are held with employees by the CEO and by members of the board of management, for dialogue and feedback, throughout the year;
- Employee union The union's work with management and employees is characterized by continual dialogue (updates, feedback, and consultation) and partnership in all key initiatives and everyday processes;
- Mobility and transfer processes The process includes preparation, support, and personal consultation until staffing and full absorption at the new unit are complete, through ongoing contact;
- Dialogue with managers Regarding manpower needs, organizational changes, annual processes (ranking, bonuses, etc.), and more;
- CSR zone of the organizational portal Employees are invited to suggest ideas and tips, ask questions, and request help from various content experts. Some of the ideas and tips are posted in the content sections, with credit given to the employees who suggested them. The ideas are considered, and some are implemented;
- Dialogue with new employees of the bank Course opening, midterm, and closing sessions for introductions, mutual coordination of expectations, feedback, etc;
- Live Forum open to all employees on the bank's organizational portal, for questions, advice, and sharing In a forum on the subject of pregnancy and childbirth held in 2013, the following subjects were raised: tax benefits, parents' rights, maternity leave, returning to work, childbirth gifts, and bed rest during pregnancy;
- Operation of a system for inquiries from contractor employees (see details in the "Community" section).

2. G4-25. G4-26. G4-27

Stakeholder	Selected dialogue channels in 2013
Suppliers	 Conferences for the bank's suppliers, attended by hundreds of suppliers from various fields (consulting, transportation, construction, printing, office supplies, food, and more). Professional content is imparted, with an emphasis on purchasing, as well as content with added value for suppliers in the areas of banking, marketing, and sales promotion; Communication of the bank's CSR values to the general population of suppliers of the bank through periodic letters/supplier code of ethics.
Government and municipal agencies	■ Meetings and lectures for the exchange of knowledge and insights with representatives of government and municipal agencies. Joint projects aimed at addressing environmental and social issues are promoted in this context.
Community and environmental organizations	 Relationships with non-profit organizations including Adam Teva V'Din - the Israel Union for Environmental Defense, Life & Environment - The Israeli Union of Environmental NGOs, Olim Beyahad - Leadership and Employment Excellence for Ethiopian-Israeli University Graduates, Tevet, and others active in the content areas relevant to CSR, in order to receive feedback, exchange knowledge, and offer mutual assistance; Promotion of green businesses - such as the Renewable Energy Association of Israel, Ecommunity, and others operating in various sectors such as recycling, transition to natural gas, energy efficiency, solar energy, water, etc., through knowledge sharing, assistance, and examination of opportunities for cooperation; Non-profit organizations active in the area of diverse human capital and employment of population groups underrepresented in the job market, such as The Israeli Forum for Diversity Hiring, Kav Mashve - Employers' Coalition for Equality for Arab University Graduates, , Tevet - Joint Israel, Olim Beyahad - Leadership and Employment Excellence for Ethiopian-Israeli University Graduates, and more, for the promotion of diversity in Israel in general and at the bank in particular, through knowledge sharing and action.
Academia	 Management and professors at universities and colleges, including Tel Aviv University, the College of Management, the Academic College of Tel Aviv Yaffo, and Bar Ilan University; Individual meetings with students for assistance, study, and enrichment on CSR topics; Project for installing recycling facilities and assimilating environmental conduct at the College of Management campus and at Bar Ilan University (see details in the "Community" section); Course on prudent financial conduct for managers of non-profits and community initiatives at Tel Aviv University (see details in the "Community" section).
CSR community	 Contact and professional dialogue with Israel's leading business organizations and CSR managers; Maala - CSR organization - Shared discussion and mutual assistance in facing professional problems and challenges; Lectures on CSR at relevant venues (courses, conferences, etc.).



Identification of Material Aspects - GRI:G4⁴

Since 2008, the bank has reported on its activities and impact in the area of sustainability and CSR in compliance with the recognized international reporting standard GRI-G3.1/3. All of the bank's sustainability reports were prepared according to the highest transparency grade of A+. To comply at this level, the bank reported on a wide range of sustainability issues. Following the launch of the new reporting standard, GRI:G4, an in-depth analysis of the implications was conducted, conclusions were drawn, and a decision was reached to prepare the sustainability report in accordance with the new standard, despite the fact that it is not scheduled to become mandatory until the end of 2015. Following the voluntary transition to reporting according to the new standard, the bank chose to prepare the current report in compliance with the "In Accordance - Comprehensive" level, the most advanced grade of transparency.

The new reporting framework requires the bank to focus its report on the aspects most material to its activity, in accordance with its strategic approach, while addressing the expectations of its various stakeholders. This contrasts with the previous standard, G3.1/3, which prescribed some degree of focus on material aspects, but allowed reporting on a wider range of aspects. Material aspects are defined as areas of activity in which the bank has a significant impact on its various stakeholders in the area of CSR and sustainability, within and outside the bank. This requirement allowed the bank to examine and update the aspects reported in its sustainability and CSR report. A comprehensive process was carried out to identify and analyze material aspects, which were established in the integrated internal and external process described below.

The process of defining material aspects for the report was conducted with the guidance of the BDO Ziv Haft Sustainability and CSR Group. This process consisted of five main stages:

1. An intra-organizational analysis to establish material aspects for the report

The bank's sustainability and CSR program was founded in 2007. This analysis involved an examination of all of the methodology frameworks in this area, as well as reviews and comparisons to a reference group, in dialogue with stakeholders; an in-depth internal diagnosis of gaps in the work teams' process; selection of the appropriate structure and organizational mechanisms for management in this area; and formulation of wide-ranging initiatives for practical implementation of sustainability and CSR in all levels of activity. This extensive activity established the organizing model and the bank's sustainability and CSR perception. Since that time, the bank has implemented initiatives on various scales, applied on lateral and depth axes, and has updated its approach dynamically, taking into consideration the evolution of the field and the organization's readiness in various areas. The bank's

4. G4-18

Following the launch of the new reporting standard, GRI:G4, an in-depth analysis of the implications was conducted, conclusions were drawn, and a decision was reached to prepare the sustainability report in accordance with the new standard

diagnosis of the material aspects for this report on the progress of implementation of sustainability and CSR included the following three stages:

■ An up-to-date examination of the sustainability and CSR perception, the organizing model, and the various processes that reflect the implementation of this perception at the bank. Within this process, was an examination of a list of aspects and of the various metrics that make up the bank's CSR program, while reassessing through a longterm perspective of the relevance and materiality of aspects such as financial freedom, development of sustainability-promoting banking products, energy efficiency, management of paper resources, appropriate work environments, investment in the community, physical accessibility, and more;

Process of Defining Material Aspects for the Bank Hapoalim 2013 Sustainability and CSR Report



- Analysis of new aspects and expansion of existing aspects The bank operates in a dynamic environment characterized by changes in aspects of the identity and needs of its stakeholders. Such changes result from economic, social, and political shifts in Israeli society, which affect the bank. The bank responds to these trends proactively, using a top-down approach, by initiating and developing new areas of activity and expanding its activity in existing areas. These efforts add new layers to the bank's strategic perception and to its interaction with stakeholders in the business arena. For example: customer diversity and assistance with integration into Israeli society; promotion of small businesses; building business continuity capabilities; and more;
- Identification of focus areas within the various activities Individual initiatives relevant to the content areas of sustainability and CSR are promoted using a bottom-up approach. This parallels the top-down implementation of the strategic preception, as the different units join to promote shared efforts. These initiatives are not derived from strategic, lateral thinking, yet they add depth in certain areas of activity and contribute to expansion of the bank's sphere of influence in areas other than its core business, such as promotion of environmentally conscious behavior at the bank and among its stakeholders, examination of the effectiveness of community investments, protection of the rights of contractor employees, etc.

2. Analysis of expectations of international stakeholders

Bank Hapoalim operates in an international arena; as a leading Israeli bank, it draws the attention of various stakeholders, particularly professional organizations in the capital market that assess its performance in terms of sustainability and CSR in comparison to its international peer group. In addition to these stakeholders, information and experience have accumulated over the years on the international level regarding stakeholders' expectations in the area of sustainability. The evaluation of international stakeholders' expectations regarding sustainability reports for banking operations included three types of sources:

- An international study by GRI: "Sustainability Topics for Sectors: What do stakeholders want to know?" The study presents a list of material aspects that reflect the expectations of a range of international stakeholders (such as businesses, civil society organizations, global representatives of the financial markets, and more) with regard to universal sustainability aspects in each sector. A list of CSR and sustainability aspects for the financial sector was derived from this study (a total of 20 material aspects were identified);
- A review of aspects from the methodologies of international ESG (environment social governance) analysis companies The bank is reviewed, examined, and ranked by international analyst firms, such as OEKOM, Sustainalytics, and EIRIS, using questionnaires reflecting content areas based on each firm's specific methodology. The bank maintains ongoing dialogue with the firms for

this purpose. This process enables the bank to keep current with CSR and sustainability aspects, as presented in the criteria and parameters included in the questionnaires. In addition, international treaties such as ILO and UNGC, which reflect an overview of various aspects in this field, were reviewed; a total of 26 material aspect were identified:

■ Review of sustainability and CSR reports of foreign banks - Current CSR and sustainability reports of several foreign banks were reviewed, in two categories: (1) leading banks; and (2) banks in Bank Hapoalim's peer group. The review was aimed at identifying key trends and topics reported by these organizations. The review examined the content areas presented in the reports, as well as the frequency and manner of presentation in the various reports; a total of 28 material aspects were identified.

Following the review of topics in these sources, the findings were processed and segmented in order to identify the material aspects from the perspective of international stakeholders. A total of 36 topics were found in these sources; following an examination of the topics' relative frequency, 26 central aspects were chosen.

3. Local stakeholders

Bank Hapoalim is a key financial and business institution in Israel. Local stakeholders have evolved a limited awareness of sustainability reporting. Nonetheless, their expectations of the bank's sustainability and CSR report constitute important inputs in the process of defining the material aspects for the report. The evaluation of local reporting expectations included an analysis of two main sources of information:

- Maala Index Maala offers two practical tools: Maala Ratings ratings of leading companies in the Israeli economy on various content areas of CSR and sustainability; and the Maala Index on the TASE, which consists of all of the public companies included in the ratings. Topics from the rating questionnaire relevant to the financial sector in Israel were reviewed; a total of 17 material aspects were identified;
- "Summary of Stakeholders' Survey: Material Aspects in CSR Reports by Israeli Banks" A first-of-its-kind independent review in this field, by the accounting firm BDO Ziv Haft. The survey examines local and current aspects in the area of CSR and sustainability in the banking sector in Israel. The survey is based on interviews with a wide range of stakeholders who represent several areas of finance and banking, according to the areas of activity of Israeli banks, including representatives of customers, community and environmental organizations, the capital market, suppliers, the CSR community, and more. The

survey presents and describes the list of material aspects for CSR reporting in the banking sector in Israel, and reflects stakeholders' expectations regarding the areas of activity relevant to each aspect; a total of 17 aspects were identified.

Following the review of aspects in these sources, the findings were processed and segmented in order to identify the key aspects from the perspective of local stakeholders. A total of 27 aspects were selected.



4. Integrated analysis of international and local stakeholders

A comparison of the aspects chosen for international and local stakeholders was used to cut out aspects not relevant to the banking sector in Israel; for example, international stakeholders' expectation of a report on banks' solvency - Israeli banks are tightly supervised in this regard by the regulator, and they report on this subject in an appropriate manner in their financial statements. Another example of a aspect that is irrelevant for banks from a local perspective is a report on biodiversity. Due to the nature of its activity and its physical distribution, the banking sector in Israel has no significant impact on biodiversity in Israel.

5. Establishment of material aspects for the bank's CSR and sustainability report

An integrative analysis and segmentation of stakeholders' expectations with the list of aspects identified by the bank led to a list of the 21 material aspects in the bank's report to its stakeholders. These aspects reflect the bank's progress in assimilating its sustainability perception and in responding to its stakeholders' expectations, on a number of dimensions:

- Strategic aspects for the bank Aspects that represent the bank's strategic perception and its unique in-depth activity, in areas where the bank has a significant impact on its stakeholders. This includes an extensive report on financial freedom, which encompasses various aspects; the range of channels through which the bank promotes small businesses, including special initiatives such as Small Business Day; the unique plan for integrating CSR considerations into purchasing; and the bank's leadership in community involvement and investment;
- Aspects that represent a focus on the implementation of CSR and sustainability in the bank's operations Aspects that are not strategic for the bank, but are perceived as important by the bank for the promotion of business opportunities and the minimization of risks in its activity. For example, in the area of consumption of raw materials derived from natural resources, which was identified by stakeholders as a material aspect, the bank focused its report on the long-term process of reducing paper use, with only brief

- presentation of other resources, in view of the fact that paper is a key resource in the bank's activity, in contrast to other less-important resources. Within the focus areas, some aspects identified as material by stakeholders and addressed by the bank are reported, but are not defined as separate material aspects; examples include human rights and the bank's carbon footprint. This is due to their relatively more minor impact on the bank's various stakeholders;
- Unreported aspects⁵ Aspects perceived as of lesser importance to the report. due to the nature and environment of the bank's operations and due to the low impact of these aspects on the bank's stakeholders. Examples include safety and health management, and management of water consumption at the bank. Some of these aspects were presented in past reports, but are no longer included in the current report, as they have not been identified as material. These aspects continue to be managed in a complete business process, including the use of metrics and objectives. By contrast, the bank does report on the aspect of business continuity, despite the fact that it was not identified as material by stakeholders in any format - due to the bank's perception of the importance of this aspect and its significant impact on the various stakeholders.

List of Material Aspects for Sustainability Reporting at Bank Hapoalim⁶

In accordance with the CSR Flower model, the material aspects represent four content areas (the best interests of the customer, empowering society and the community, employees' quality of life and wellbeing, and living with the environment), which describe impacts on all of the bank's stakeholders. The material aspects for the CSR and sustainability report are listed below.

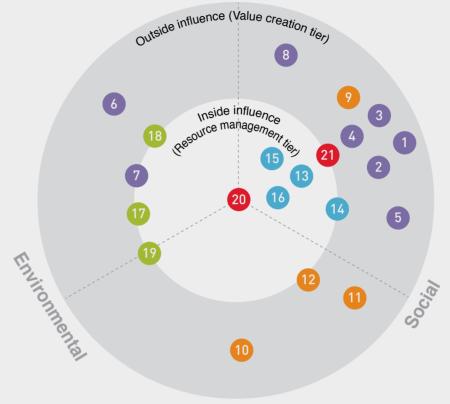
- Promotion of financial freedom for customers (providing information, products and tools, individually tailored service and consulting, and financial education)
- Customer diversity and promotion of sectors within the Israeli economy (integration of the Arab-Israeli and Haredi sectors;

promotion of small and mid-sized enterprises)

- Achieving financial freedom in a multichannel world (banking services via Internet, mobile, and telephone, offering customers better access and increased control over financial management)
- Serving a diverse clientele (instilling a perception of excellence in service to each customer segment)
- Accessibility (making the buildings and branches of the bank as well as banking services accessible to people with disabilities)
- Developing products and services to promote environmental sustainability (financing for projects that promote environmental causes)
- Examining environmental risks in financing (management of environmental risks when granting financing)
- **Business continuity** (preparation to maintain continuous business operations at the bank during emergencies)
- Responsible supply chain management (integrating CSR and sustainability considerations into purchasing activities)
- Expanding our sphere of influence (direct and indirect economical and social effects on the Israeli economy and society)
- 11 Community action (investment in the community, including support of community activities and donations)

- 12 Volunteering (presentation of volunteering at the bank)
- 13 Promoting a culture of dialogue and openness with employees (presentation of channels for intra-organizational dialogue and partnership with employees)
- 14 Promoting diversity, equal opportunities, and transparency (promotion of gender and sector equality, prevention of discrimination, and promotion of diverse employment)
- 15 Personal development and training (presentation of training and learning at the bank)
- 16 Promoting a appropriate work environment (policies on human capital, remuneration and benefits, and wellbeing and caring for employees in various aspects of the work environment and of their lives)
- 17 Power consumption management and energy efficiency (presentation of activities aimed at reducing the bank's consumption of energy)
- 18 Management of paper resources (the bank's strategic effort to cut back the use of paper in its operations)
- 19 Reducing environmental impacts (environmental management at the bank and reduction of its environmental impact)
- 20 Corporate governance and ethics (presentation of the structure and activity of the board of directors, and assimilating ethics at the bank)
- and money laundering (the bank's commitment to the prevention of corruption, and presentation of the activity of the bank's compliance unit)

Economic



Customers

- 1 Promotion of financial freedom for customers
- 2 Customer diversity and promotion of sectors within the Israeli economy
- 3 Achieving financial freedom in a multichannel world
- 4 Serving a diverse clientele
- 5 Accessibility
- 6 Developing products and services to promote environmental sustainability
- 7 Examining environmental risks in financing
- 8 Business continuity

Community

- 9 Responsible supply chain management
- 10 Expanding our sphere of influence
- 11 Community action 12 Volunteering

Workers

- 13 Promoting a culture of dialogue and openness with employees
- 14 Promoting diversity, equal opportunities, and transparency
- 15 Personal development and training
- 16 Promoting a appropriate work environment

Environment

- and energy efficiency
- 18 Management of paper resources
- 19 Reducing environmental impacts

- 20 Corporate governance and ethics
- 21 Prevention of corruption and money laundering

Presentation of Material Aspects for the Report in Terms of Social, Economical, and Environmental Impacts7

The following diagram presents all of the material aspects reported by Bank Hapoalim, based on two points of view:

- Impact zone internal or external - does this aspect affect external stakeholders. internal stakeholders, or both (the external circle versus the internal circle in the diagram);
- Impact zone economical. social. environmental - does this aspect create economical, social or environmental value. or a combined value.

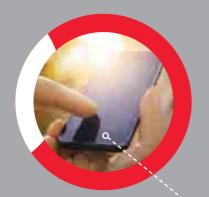
6. G4-19 7. G4-20 .G4-21

21 Prevention of corruption

Working to Promote Financial Freedom for All Stakeholders

As a business leader, Bank Hapoalim has the responsibility to promote equal economic opportunities in 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. Every person has different economic needs, according to the milestones in his or her life, and different financial resources available to meet those needs. In order to cope with such needs appropriately in the short and long term, it is necessary to obtain a solid understanding of the full range of financial needs and possibilities, become familiar with the tools and products offered in this area, and achieve optimized matching in order to eventually attain good control and balance between needs and possibilities. Proper identification of needs, full information regarding financial possibilities, tools, and supporting products, use of advice, and appropriate prioritization make it possible to reach good decisions for each time frame and maximize financial potential.

Bank Hapoalim acts strategically to promote prudent financial conduct among its customers and in the Israeli public. This effort is congruent with the trends identified by the bank in recent years in customers' needs and wishes, indicating a greater demand for more extensive financial knowledge in recent years. The bank recognizes that financial knowledge and the use of financial tools are essential in order to create financial freedom and strike a balance between financial needs and abilities, for each customer. The bank therefore endeavors to provide information regarding the financial possibilities available to its customers at high resolution and transparency, with maximum availability, matched to different life stages. A wide range of tools, products, services, knowledge, and guidance by the bank are offered in order to ensure that customers are familiar with the full picture and with all of the alternatives open to them, in order to reach prudent, independent decisions. The bank promotes financial freedom in several areas of its activity, for various stakeholders: by providing financial information, raising awareness, and promoting financial knowledge for customers, employees, and the community; promoting the growth of different segments and groups in Israel, such as small businesses, the Arab-Israeli sector, and the Haredi sector; multi-channel banking services via telephone, Internet, mobile, tablet, etc., offering customers tools and products for sensible financial conduct; and increased physical and virtual access to banking services. On this foundation, customers' relationships with financial institutions become more balanced and more aligned with their expectations, and they become able to make better economic decisions for each stage of their lives.



Providing financial information

Information on financial subjects through the direct banking channels (website, telephone, smartphones, (and tablets

Information from bankers at the bank's branches and from the bank's experts on various financial subjects



Products and tools

Budget management tools: Poalim
Like Me, The Budget Management
Tool, setting objectives
Savings tools and products: Dan
the Saver, CashBack Club

Poalim UP - tools for increased control and flexibility in managing current accounts

Applications for advanced banking services



Financial freedom for small businesses

Specialized credit through various funds

Customized professional consulting: Business Branches, the bank's Business Club, professional (.consulting (investments, credit, foreign trade, etc

Provision of a marketing platform: Small Business Day, the CashBack Club, the Small Business Fair, Small Business Competition



The bank promotes financial freedom in five areas. Extensive details of the financial freedom perception are presented in the "Customers" section and in the "Community" section.



Financial education

Educational programs at the ORT network of schools

DantheSaversummercamps

Growing Families

Growth Opportunities

Professional training conferences for clients

Employee volunteers - financial education lessons in the community

A financial education course for bank employees



Personalized consulting and service

Personal financial planning

Pension advice

Investment advice

Credit advice

Savings advice

Process Controls for Implementation of the CSR Plan at Bank Hapoalim

An external assurance process allows readers of this report to verify the bank's self-report based on an independent opinion from a professional observer. The expanded assurance process with regard to the adequacy of the report on sustainability and CSR and the involvement of additional sources of assurance enable the bank to learn from the feedback received from those conducting the process and provide verification of the reliability of the report for stakeholders. The current report underwent four assurance processes, each focusing on a different aspect of the report (for extensive details of the assurance process and methods and the criteria examined, see pp. 179-185).

Routine Process Control and Examination of the CSR Implementation Process at the Bank



The CSR and Sustainability Group at the BDO accounting firm has guided Bank Hapoalim in the implementation of its sustainability and CSR program for the last eight years. The group's activities focus on

monitoring the process 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 2013 and up to the end of the first quarter of 2014.

Due diligence examination of the report, in accordance with the GRI and AccountAbility guidelines





The external assurance process for CSR reports is conducted by a third party who was not involved in the writing of the report. The third party ascertains that the information presented in the report is congruent with the three principles set forth in the Accountability quality assurance standard AA1000APS and with the GRI due diligence guidelines.



Good Energy Initiative Examination of the qual

Examination of the quality of reporting on the bank's carbon footprint

This examination was performed by Good Energy (Registered Non-Profit Association), a social initiative for climate change. The organization works towards minimization of greenhouse-gas emissions, which accelerate climate change, while raising public awareness of this issue. The process of examining the bank's carbon footprint is based on the prevalent principles for carbon calculation and marking, developed by the Technical Working 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 April 2013.



Assurance of GRI:G4 In Accordance

- Comprehensive Rating

This report on sustainability and CSR was submitted to the international organization GRI. GRI affirmed that the report meets the criteria for reporting on material aspects, and determined that the process of defining the aspects to be reported complies with the new reporting standard. In 2013, the bank reported according to the new standard, In Accordance - Comprehensive, the most advanced level of reporting within this standard, for the first time in 2013.

Assimilating the Bank Hapoalim vision

Over the last four years, an ongoing process has been underway to assimilate the Bank Hapoalim vision, with the aim of expressing the future projected for the bank at its best. The Bank Hapoalim Vision is a clear, powerful, meaningful description of our future as it can and should be. It 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. Values chosen for inclusion in the Bank Hapoalim Vision are intended to create an impact on the following three levels:

- **1. Proud to belong -** Our focus on our customers and our financial leadership are a source of pride and foster a sense of belonging for our employees;
- 2. Committed together The endeavor to create value for our stakeholders and our commitment to the cultivation of human capital on a path of compassion, integrity, openness, and accountability are aimed at nurturing a personal commitment to our shared journey, in which each person acts responsibly and contributes to the success of all;
- 3. In it for the long haul The drive towards financial freedom for our customers, in congruence with the principles of sustainability and in encouragement of excellence and innovation, reflects a long-term commitment to improvement and empowerment. The concept underlying the integration of these three dimensions and the fundamental motif of the Bank Hapoalim Vision is: Leading Growth Together.

The Bank Hapoalim Vision

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

To create value for our stakeholders while upholding the principles of economical, 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.

The vision consists of ten values. Practical applications of these values are demonstrated throughout the sections of this report.

The Bank Hapoalim Vision comprises ten elements:

Global, centered in Israel

We are, and will remain, a leading Israeli bank. Yet in today's world, under conditions of a globalized economy, a large top-tier bank must engage in international activities and offer its customers globe-spanning services. Our international operations are an important growth driver for the long term.

Leadership

of the bank is mainly measured by its market capitalization, profitability, and return on equity, but also by its operating efficiency, brand strength, CSR activities, upholding of sustainability principles, contribution to the community, and professional ethics. The bank is strong on all of these parameters, and is working to improve and advance further.

Focused on the customer

We are dedicated to responding to the changing needs and aspirations of our customers, during each stage of their lives, while creating economic value for the bank and tailoring services to different sectors: households, private banking, small businesses, commercial, and corporate. We believe that our focus on our customers is the key to our success over any period of time.

Financial freedom

This concept represents the freedom and will of our customers and employees to make good choices, based on their personal preferences, while taking responsibility for and understanding the financial capabilities and possibilities open to them.

Sustainability principles

These represent and reflect environmentally conscious business conduct aimed at preserving and enhancing existing resources and achieving economic, social, and environmental balance for our own sake and for the sake of future generations. The bank believes that the adoption of these principles supports its objectives and increases its value for the long term.

Creating value for stakeholders

The essential mission of a business enterprise is to maximize its value in a way that serves all of its stakeholders: employees, customers, investors, suppliers, the community, and the general public. The creation of value is based on four pillars: the stability of the bank, which ensures its ability to meet its obligations at any given moment and to support the development of the economy; sustainable profitability, balancing risk and returns; promotion and cultivation of sustainability principles, and a philosophy of genuine partnership with employees and customers.

Excellence

An organizational and personal stance leading to success, and expressing the desire, responsibility, and commitment to be better, through resolute and effective efforts. Excellence is the ambition to make the most of our

inherent potential, to make optimal use of available resources, and to set a high standard for performance.

Innovation

Finding and promoting new initiatives that generate business value and competitive advantage, through processes that encourage employees to raise ideas and to think creatively and innovatively, throughout the bank. This effort is aimed at improving processes and systems, developing new products and services, and promoting business initiatives.

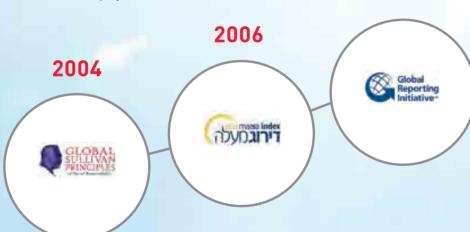
Developing human capital

The bank believes that the human capital of any business organization is one of its most valuable assets. The bank considers its employees to be partners, maintains a relationship with them based on mutual trust and respect, and strives to enable them to succeed and to provide them with tools for professional and personal development.

Fundamental principles

Humanity, integrity, transparency, and responsibility - These values embody the ethical and moral standards and principles that are the cornerstones of our organizational culture, reflecting the bank's way of life and rules of appropriate conduct. We will uphold these values in our work relationships with each other, and in our connections with customers, suppliers, and the community.

2007





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 2014, based on reported data for 2013, Bank Hapoalim was ranked at the top of the Platinum Plus 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, and signed the ten principles of the initiative. The bank reports to the organization annually in order to maintain its commitment.

to the global FTSE4Good index of sustainability and social responsibility in the first quarter of 2011; the index measures the performance of approximately 2,400 business firms, and is considered the leading global index of sustainability and responsible investment. In the first quarter of 2013, Bank Hapoalim received the highest relative score in the banking industry (99) and was named a Super Leader in this sector. In the update published by the organization in September 2013, the Bank maintained its score.

FTSE4Good - The bank was added

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. The bank updates this data and reports to the ministry annually.



The bank intends to continue to expand the activities conducted within its sustainability and CSR plan. This approach is given practical expression, in the creation of value for customers and in advancement of society and of the community

The sustainability and corporate social responsibility program continues to be a part of the strategic core of Bank Hapoalim. The program is ongoing, and encompasses organizational infrastructures, information and measurement systems, milestones, and controls, constituting an element of the bank's long-term vision. As extensively illustrated in the CSR report, structured work plans and planned future activities have been formulated. At the same time, within its emphasis on innovation and entrepreneurship, the bank works to identify original ideas in this field and to bring these concepts to fruition through pilot projects. The projects are designed to test the feasibility of the ideas in light of societal, environmental, and economical considerations. Following the testing period, ideas that prove successful on these parameters are implemented broadly across all units.

The bank intends to continue to expand the activities conducted within its sustainability and CSR plan, in accordance with its perception and with the material aspects, while continually following global progress in this field. This approach is given practical expression, first and foremost, in the creation of value for customers and in advancement of society and of the community, through business activities and through identifying new opportunities for the promotion of economic value alongside social and environmental values. Concurrently, the bank will continue to develop the quality of its human capital; to care for its workers, in various aspects of their lives; and to behave responsibly towards the environment. Key directions and activities to be pursued by the bank in the coming years:

For the benefit of its customers -

- Expansion of initiatives and channels for the promotion of financial freedom, with an emphasis on three axes: (1) providing services and knowledge customized for different target audiences; (2) promoting the small-business sector in Israel, as part of a strategic effort by the bank; and (3) maintaining the bank's leadership in the development of innovative banking solutions and services in a multi-channel banking world (Internet, mobile, telephone), emphasizing lateral implementation of the services across the various channels;
- Promotion of excellence in service, by instilling the bank's service philosophy, including the creation of standards for processes, measurement and feedback surveys, absorption of structural changes, job descriptions, process improvement, and upgrades of technology;
- Implementation of the plan for increased activity in the Arab-Israeli sector, which includes addressing specific needs, expanding physical and digital services, and integrating employees from this sector, as part of the integration of this community with Israeli society;
- An increase of the volume of financing for banking products in the sustainability field;
- Implementation of the long-term plan for promotion of access to banking services for people with disabilities, including adaptation of buildings and branches of the bank and accessible services.

With suppliers -

■ Implementation of the work plan for integration of CSR considerations into purchasing processes of the bank and into its interaction with suppliers.

Investment in the community -

- Investment in the community through educational projects and expansion of activities aimed at promoting financial freedom;
- Development and expansion of dialogue with various stakeholders in the area of CSR in Israel.

In the bank's work environment -

- Implementation of the long-term plan for promotion of the employment of population groups underrepresented in the job market;
- Cultivation and promotion of the quality of human capital, with a focus on the employee. This includes the advancement of women in general, and in management positions in particular; encouragement of academic studies; and support for employees' wholeperson wellbeing.

Minimization of the bank's environmental impact -

- Implementation of the long-term process of cutting back paper use (the Paperless Branch project), including conversion of processes to digital formats in order to reduce paper use;
- Contract with a supplier of energy derived from natural gas using combined cycle technology to supply power to head-office buildings and large branches, as part of the drive towards energy efficiency and reduction of the bank's carbon footprint.





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 its 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 and social environment - the transition to a low-carbon economy, resource scarcity, water and land conservation efforts, global warming, and the need to integrate and empower each sector of society - harbor potential business opportunities for the bank. As a result of sustainability strategies, customers' values and needs are evolving as well. The bank's role is to provide solutions in the financial arena and to promote emerging demand in the sustainability space. Towards that end, the bank offers various financing solutions, deposits, and investment products that encourage sustainable consumption and environmentally and socially 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, and 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.

The bank strives to develop banking services and products based on a philosophy of creating shared value for its customers and its other while simultaneously generating economic value for the bank stakeholders

Optimal service offered at any place and time, while helping to protect the environment

The bank encourages extensive use of its products through online means, thereby improving service quality while reducing environmental impact. A multitude of channels are currently available to customers at any place and time, so that a substantial part of their activity with the bank can be conducted without visiting a branch. In 2013 there was continued expansion of the use of computerized and online channels, such as the Poalim by Telephone call center, the Hapoalim Online website, smartphone and tablet applications, the Mail Net service, and more. This trend minimizes the environmental impact of banking products, in that it often eliminates the need for the customer to visit the branch in person (leading to pollution savings) and, obviously, saves paper. The use of bank branches also carries relatively low environmental impact, due to the broad distribution of the branches of Bank Happalim and the extensive network of ATMs, self-service stations, and self-service information stations located adjacent to and outside of branches. Customers can visit a branch or use a self-service station conveniently, with minimal travel and environmental impact.

The bank encourages extensive use of its products through online means, thereby improving service quality while reducing environmental impact. A multitude of channels are currently available to customers at any place and time, so that a substantial part of their activity with the bank can be conducted without visiting a branch

Working to Promote Financial Freedom for Customers

In line with the financial freedom philosophy presented in the introduction to this report, the bank promotes its customers' financial freedom on five key axes:

- Financial information Highly detailed and extensive information is available to the bank's customers, through every channel and at all times, regarding their financial assets, liabilities, transactions, and more. This information helps customers to be aware of their financial condition and of the options available to them; it serves as the infrastructure for control, consultation, and prudent life decisions in this area;
- Products and tools to promote financial freedom Over the last few years, the bank has developed a series of products and tools designed to help its customers make prudent financial decisions. These tools enable customers to understand and analyze information, and to obtain control and flexibility in managing accounts and family budgets and in creating long-term savings. The tools are accessible through innovative digital channels, so that they can be used at any time and place;
- Investment consulting and personalized service In accordance with Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law1995-, the bank provides clients that signed a consulting agreement, with a consulting service, personalized to the client's needs. This based on earlier familiarity with the client's needs, preferences and goals;
- Financial education As part of the promotion of financial freedom for its customers and for the general public, the bank has initiated various efforts to raise consciousness and promote financial education, for a range of target audiences (children and adolescents, young adults, households, and seniors), according to life stage;
- Promotion of financial freedom for small businesses The bank works to empower and promote the financial freedom of its customers in the small-business sector by developing financial tools and knowledge adapted to their unique needs. The bank's numerous initiatives in this arena create value for businesses in three main areas: credit, expert consultation and service tailored to this sector, and the creation of marketing platforms for businesses.

Over

Thousand clients

have registered for the online budget management tool. 145,000 clients registered for the service over the last year

Providing Financial Information

As part of the bank's effort to enhance financial freedom, it provides its customers with extensive information in various financial areas. This in order to give customers a status snapshot that is as complete as possible, in order to enable them to balance their financial needs and abilities in the short and long term. The information includes details of transactions executed by the customer, a range of products and tools for financial management, and current market data and trends (e.g. with regard to pensions, savings, the capital market, the housing market, etc.). This information is accessible to customers through a variety of channels: direct banking channels (the bank's website, call center, and smartphone and tablet applications), bankers at the branches, and the bank's experts in each financial area.



Dan the Saver activities

Thousand

Number of Dan the Saver accounts

Over billion NIS

Monetary volume managed **Thousand**

Registered users of Dan the Saver website

million visits

Over

Dan the Saver website visits (cumulative)

Thousand

Registered users of Dan the Saver website

Products and Tools for the Promotion of Financial Freedom

■ Budget management tools - The bank has developed a series of unique tools designed to offer ongoing assistance with financial conduct, as part of the effort to offer education on sensible budget management. These include online tools for budget construction and management. For the first time in Israel, customers of the bank can examine their financial conduct in comparison to customers with a similar profile, leading to more prudent behavior: the Poalim Like Me service offers comparisons of total expenses as well as a distribution of expenditures by category, such as food, communications, education, etc.

The bank also offers the Family Financial Management and Planning budget tool, which presents a current snapshot of income versus expenses. The snapshot is based on collection, classification, and analysis of all of the customer's transactions. The service provides the customer with a daily, current, detailed overview of income versus expenses. A new concept for a budget management tool was formulated during 2013; the new version was launched in early 2014. The Goal Setting tool enables clients to plan their budget according to income and expense categories and to set monthly targets. At the end of each month, clients can obtain a current snapshot of performance relative to the targets;

■ Tools and products for savings - Within the approach of long-term sensible financial conduct, the bank is promoting the value of saving and offering a range of tools for this purpose. The Savings Management Tool allows customers to select a purpose for the savings plan, assign a name of their choice to the plan, define the saving method (standing order or one-time deposit), set the monthly amount to deposit, and choose a preferred duration for the plan. Progress towards the goal can be tracked throughout the period, and clients can make changes to the plan and deposit one-time sums to promote timely achievement of their goal. The CashBack Club grants anyone who holds one of the bank's credit cards cash rebates to their current account on purchases from thousands of businesses.

As part of the Dan the Saver project, Bank Hapoalim created a series of special savings products aimed at encouraging savings by parents for their children's future. The goals of the savings plans are aligned with each life stage of the child, until financial independence. Along with the Dan the Saver programs, the bank installed cash and coin deposit machines for children, and issued Dan the Saver ATM cards and checkbooks:

- Tools to increase control and flexibility in the management of current accounts - The bank has launched Poalim UP, as part of this effort; this service is another step towards the realization of the bank's vision of leading its customers to growth and providing them with tools for sensible financial conduct. Customers can move from passively receiving information to active management, gaining increased control and flexibility in their accounts, according to their personal preferences. Poalim UP encompasses six products and services, some of which had already been offered in recent years, consolidated in an innovative interface designed according to Internet consumer culture. Customers can adjust and adapt the services to their needs, receive information about new services, and view dynamic information on the services they have chosen to activate in their accounts:
- UP Active Allows customers to optimize routine account management without monitoring their account status daily, by setting automatic actions in a range of areas. Customers can select a set of actions of various kinds, and save both time and money. The service provides customized suggestions for sensible financial conduct; following the customer's approval, the actions are executed in the account. Examples include withdrawal from a daily interest deposit when the account balance is negative, making a deposit to a savings plan when the balance is positive, sending an alert when a checkbook is about to run out and ordering a new checkbook, and more;
- UP Card An international card charged with funds from the customer's bank account, which can be transferred to a family member, as it is not imprinted with the account owner's name. Customers can charge the card remotely through any service channel (at a branch or through a direct channel), or remove funds from the card to their accounts, at any time;
- UP Smart Allows regular current-account charges to be consolidated to a single day of the month, similar to credit-card payments, providing customers with better controls over expenses in their accounts. Deferred charges include checks, cash withdrawals, payments, transfers, and more. Charges are deferred to the day of the month of the customer's choice. The service will be launched during 2014;
- UP On Time Real-time alerts from the bank via text message or e-mail, with various updates on the customer's account or the markets, according to their choice:
- UP Budget Management Tool Sorts and analyzes income and expenses in Hapoalim Online customers' accounts. The system automatically collects all income and expense items from various sources, categorizes them, and allows customers to add and categorize information according to their needs;
- **UP Mail** Allows customers to receive messages from the bank via e-mail instead of the post;
- Applications for advanced banking services Private and business customers can use the range of services and information offered through the bank's applications to manage many aspects of their financial lives, at any place and time, and to benefit from unique services using the most advanced technological capabilities, which offer an optimal client experience and maximum availability.

Personalized Consulting and Service

■ Personal financial planning - In response to customers' needs, and with the aim of expanding the services provided by the bank to promote customers' financial freedom, the bank offers personal financial planning meetings. The meetings are designed to allow an in-depth examination of the customer's banking activity through a look at all of the customer's financial data and real-time access to all relevant information, along with an understanding of the customer's needs. Based on these materials, practical solutions are offered aiming to improve client's ability to make sound budget management decisions. The bank has trained bankers to specialize in providing this service.

The meeting is comprised of the following: familiarization with the client's individual needs based on the current situation, including all of the data and tools used in the customer's banking activity, through an innovative application that presents the information drawn from the various financial systems of the bank on a single screen; suggestion of immediate solutions and alternatives that provide an effective response to clients' needs and allow better financial management of their accounts; and guidance - at the end of the meeting, the customer receives a summary of the meeting and a personal financial planning pamphlet describing the full range of tools for prudent financial management. Contact is maintained with the customer in the months after the meeting through the bank's website, to create an ongoing guidance process. This guidance is aimed at encouraging customers to adopt a pattern of independent planning and monitoring of their financial activity, while raising their awareness of the



approx.

2,500



Personal financial planning meetings: approximately 2,500 meetings were scheduled during 2013

main budget management tools offered by the bank through the direct channels. Hundreds of bankers have been trained to provide this service, and it is currently offered in all areas of Israel;

- Pension advising Financial freedom and economic balance are significant across all stages of life. One of the key elements of these values is long-term, customized management of pension savings, taking into account various present and future financial considerations and risk factors. The bank offers information in this area, with the aim of helping customers gain better knowledge and understanding of pension savings and make more informed decisions. This effort includes an area dedicated to pension savings within the bank's website, in which extensive useful information is posted for the benefit of the bank's customers and the general public;
- Customized expert financial advice A wide range of expert advisors in various fields (such as investments, credit, and savings) are available to the bank's private and business clients. Consultations are aimed at helping customers make rational decisions regarding various aspects of their financial lives.

Financial Education

- The Growing Family A project initiated by the bank in collaboration with the Yedioth Ahronoth newspaper and the Ynet website, to follow families facing various financial challenges in order to learn how to improve their economic conduct. The families are provided with guidance by the bank's advisors in areas such as personal financial conduct and financial growth, real estate and mortgages, pensions, investments, and more. The project serves as a platform demonstrating to the public, through the five families' stories, how consumer habits, economic habits, and financial behavior in general can be transformed, with the aim of achieving economic balance and growth;
- Enriching Parents Bank Hapoalim has set a goal of working to promote financial education from an early age, for children and adolescents, based on an aknowledge that good financial habits built at a young age can serve as the foundation for financial well-being when they reach adulthood. Healthy financial habits can also contribute to a successful household economy when children participate in planning and carrying out expenses, and serve as ambassadors for these messages to their friends and family members. Young children, in preschool and elementary school, are acquiring their first concepts of money, savings, etc. Because they are exposed to financial decisions from an early age, it is important to provide them with tools to manage their own financial lives. In the Enriching Parents project, parents of students give lessons at their children's schools based on a lesson plan and presentation created by the bank - a brief, simple session designed to teach children aged 5 to 8

basic concepts for sensible financial conduct. The language of the presentation is suited to children in this age group;

- Growth Opportunities The Growth Opportunities project was launched in 2012, as part of the implementation of the bank's financial freedom philosophy and the expansion of its impact in the community. The project provides tools for families coping with a financial crisis, in the areas of financial education, navigating a time of change, and growth through crisis. The families receive financial instruction and personal guidance, aimed at preventing financial deterioration and allowing a return to positive financial activity. The initiative for the project emerged from the bank's customer contact center; the idea was initially sparked by customers' letters to the bank regarding economic and personal crises, usually caused by events beyond their control, such as job loss, bereavement, divorce, illness, etc. The project has helped the bank learn and draw conclusions regarding the needs and challenges faced by customers in all of the financial aspects of their lives. The project continued during 2013;
- Professional training conferences for customers The conferences cover various financial content areas and are designed for different target audiences, depending on the professional field and content. The goal of these conferences is to enhance the financial knowledge of various target groups. Training conferences are held at the initiative of various functions within the bank. Dozens of the conferences are held each year.



- A specialized content area on the bank's website, the Bankopedia, is planned to launch during 2014, as a guide offering website visitors extensive information, tips, and tools on prudent financial conduct across the life cycle. The content designated for the site has been circulated to the bank's employees for examination and validation prior to the public launch;
- The Israel Financial Freedom Forum is planned to launch in early 2014. The forum unites many participants from the government, community, and business sectors seeking a shared platform for dialogue, identification of opportunities, and initiation of ventures for the promotion of financial education in Israel. The forum will enable all of these stakeholders to come together to consult, discuss, and think about solutions in this area.

Working to Promote Financial Freedom for Small Businesses

The small business sector, which contributes about half of Israel's gross domestic product and provides jobs for 1.1 million Israelis, is one of the pillars of the Israeli economy and one of its key growth drivers. In recent years, in accordance with the values embodied by the Bank Hapoalim vision, the bank has worked diligently to enhance and promote its customers' financial freedom, through the development of financial tools and knowledge. Within this process, the bank is committed to supporting and promoting small enterprises, as a foundation for growth of the Israeli economy as a whole.

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The recognition of the importance of small businesses has led to the creation of special programs, over the last two years, aimed at responding to a wide range of these businesses' needs. This extensive activity is designed to enable businesses to grow and expand while meeting the challenges that they confront. The knowledge and services offered in this area are based on the bank's core capabilities and on organization-wide processes. This activity consists of several key elements:

- Credit granting The bank grants credit to small businesses, as part of its routine activity, both within its credit portfolio and through funds that specialize in credit for small businesses. This activity performed simoultanesly with creation of collaborations through dialogue in the public sphere;
- The bank has launched a range of services and knowledge tailored to the needs of small businesses, in order to increase financial freedom in this sector. This effort includes specialized business branches and trained bankers, development of innovative services for business management through digital channels and platforms, and the provision of knowledge on various aspects
- Creation of marketing platforms The bank helps small businesses cope with the challenges of exposure and advertising, which all such businesses face. The bank has initiated and created several marketing programs and channels designed to promote exposure for small businesses throughout Israel (Small Business Day, the CashBack Club, business fairs, and more).

of business through experts in a range

of fields;





Credit

■ Establishment of targeted aid funds for businesses - Bank Hapoalim won a tender to participate in the operation of the Small and Mid-Sized Businesses Fund, backed by the state. The size of the fund was doubled in 2013, to NIS 1.4 billion. The bank also established the Poalim for Growth fund, a specialized fund for small businesses, which has granted credit with special terms in the amount of NIS 500 million to date. The fund enables small businesses to grow by granting credit with unique terms, including preferred interest rates and no collateral requirement beyond an owner's guarantee. Customers of the fund also benefit from the option to receive ten hours

of free business consulting from leading consultancy firms, aimed at providing the businesses with a comprehensive service package as a foundation for growth and prudent financial conduct.

In addition, a joint fund has been established with the Manufacturers' Association of Israel, at a volume of NIS 250 million, for small businesses that are customers of the bank and members of the Association. The fund grants credit in amounts of up to %10 of the annual turnover of the business, at attractive terms, including preferred interest rates and a grace period. Within a collaboration with the Korat Foundation, the bank also provides special loans to microbusinesses.

Personalized Consulting and Service

- Broad deployment of specialized business services Specialized business branches for mid-sized and large corporate clients have been established over the last three years. The branches offer personal service customized to client needs; full availability, including opening hours suited to business clients; professional service by experts; and proactive updates for clients. Bank Hapoalim currently operates a network of individualized professional services for small businesses through the retail banking system at most of its branches, in the most extensive geographical distribution of any bank in Israel;
- Innovative channels for business account management The bank has developed a range of innovative services for the management of business operations, at any time and place, based on the most advanced banking service technologies, with access from a variety of smart devices. Hapoalim Online Business is an area of the bank's website tailored to business needs. The site offers a range of financial activities, carried out simply and quickly. The bank's mobile and tablet applications for business clients offer a steadily growing range of actions and information, allowing owners to manage various financial aspects of their businesses and respond in real time;

■ Professional banking solutions and special benefits - The bank offers expert services in various financial fields, tailored to the business, in order to increase small-business managers' financial knowledge. This service is provided through experienced professional consultants who guide the business using knowledge based on financial and economic research conducted in Israel, matched to the needs of the business, in areas such as investments and foreign trade. A desk specializing in mid-sized businesses operates in the bank's dealing room. In addition, branch managers' authority to grant credit to these businesses has been expanded, at all branches of the bank. This process helps business clients receive a rapid response to credit applications, in an efficient procedure without superfluous bureaucracy;

■ Business Club - Provides solutions to the needs of small businesses through a professional program offering these clients guidance, enhancing their financial knowledge, and improving their ability to make rational decisions in a field of extensive possibilities. Each business client can receive professional training delivered by expert lecturers from the bank on subjects relevant for small-business owners. The training sessions can also provide a venue for networking and opportunities for encounters with colleagues.

5,000

businesses were members of the CashBack Club in 2013, five times as many as in the preceding year

Marketing Platform

- CashBack Club The largest customers' club in Israel, launched during 2012, provides all customers who use the bank's credit cards with cash rebates to their current accounts on purchases from thousands of businesses. The CashBack Club encourages participation by small and mid-sized businesses. Participation in the club offers these businesses an opportunity to benefit from a broad marketing platform reaching a large number of customers, through television advertisements and a range of local and nationwide channels;
- Business Building Fairs The Big Fair for Small Businesses - In June and July 2013, the bank held a drive to promote early-stage businesses. The Business Building Fairs were held in four different locations in Israel, including central and peripheral areas, for the Arabic-speaking sector and the general public. The fairs were aimed at aiding the establishment of new small businesses in Israel, increasing the number of jobs, and promoting the growth of new small businesses. At the fairs, entrepreneurs and smallbusiness owners encountered all of the content areas of the value chain involved in setting up and promoting a new business; experienced a variety of booths set up by businesses that provide services and products to small businesses, and presented special offers for the fair; and heard talks by managers of leading organizations on business promotion;

2013 in Numbers:

Business departments: The distribution of business banking was extended in recent years, and 15 new business

departments were

opened nationwide

Branches:

80 branches in the retail network have been defined as anchor branches. providing an exceptionally broad range of solutions; these branches have extensive authorizations, allowing them to offer quick solutions to business clients who apply for financing, in an efficient procedure free of superfluous bureaucracy

- Small Business Competition Held in collaboration with the newspaper Yedioth Ahronoth and the Ynet website. In the competition, 18 outstanding small businesses in various fields were selected in order to chose form th 6 most successful. The media coverage of the competition provided extensive exposure to the participating businesses and helped enlarge their customer base. In addition, competing businesses were provided with close guidance from bank advisors and external advisors, and with professional knowledge and tools for improved management of their business;
- The Small Business Day tradition One of the main challenges facing small businesses is a lack of marketing and exposure to the general public. Advertising the business is one of the keys to success, as it contributes to building a customer base and increasing revenue. In contrast to large companies with extensive budgets dedicated to advertising and brand construction, small businesses are unable to bear costs on a comparable scale. In order to help small businesses gain exposure and to raise awareness of the importance of patronizing these businesses in the general public, the bank created Small Business Day.

Small Business Day was held for the second consecutive year, with great success. Over two days, the public was invited to buy from small businesses, with the aim of helping the businesses increase the volume of their activity. The small businesses provided special offers and benefits for buyers on those days. The two-day event was preceded by a marketing campaign including advertisements on the Keshet broadcasting network and on national and regional radio stations, with the participation of large businesses that mentor small businesses, mayors, and other public figures who encouraged the public to participate. The Mako website opened a page for the event, allowing small-business owners to register for the event, provide information about their business, and upload a short marketing video. Mako published a series of articles featuring selected businesses, with a brief description of the business and its products. Registration for Small Business Day was open to customers of all banks; customers who registered received an advertising kit from the bank;



businesses and hundreds of thousands of customers participated in Small

■ Small Business Forum - Another of the bank's initiatives to promote small businesses, as one of the key drivers of success for the Israeli economy and job market. The goal of this effort is to reinforce the small-business sector in Israel by creating an arena for ideas and solutions that can change the business environment confronted by small businesses, and to identify opportunities for cooperation between leading figures in the public, community, and business spheres, who can join forces through the forum for the success of this common objective. Participants in the forum are selected representatives of a variety of public, community, and business entities who are dedicated to the promotion of the smallbusiness sector in Israel.



Small business banker stations - During 2014, as part of the bank's effort to promote and grow small businesses, the services currently offered to these businesses through private-banking departments will be expanded; branded stations with specialist bankers (Small Business Bankers) will be added at 245 branches. The goal of this process is to create a specialized station for this segment and direct these customers to a business banker specializing in small businesses, for personalized professional service.

approx.



Total credit to the public in 2013

Serving a Diverse Clientele

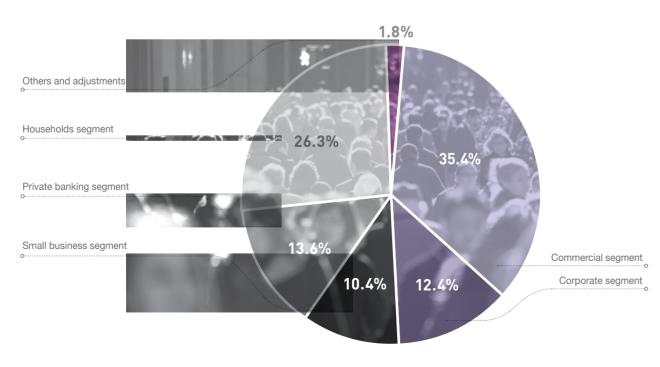
Markets Served by the Bank

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 (for segment definitions and details, see the bank's financial statements for 2013, p. 67-114).

Segmentation of Borrowers

Total credit to the public amounted to approximately NIS 251.6 billion in 2013, up 1.0% from 2012 (for the condensed development of balance-sheet balances of credit to the public by segment of activity, see p. 42 of the financial statements).

Credit to the public by segment of activity, 2013



Reducing Current Account Fees

In response to customers' needs and regulations demands, the bank was the first in the Israeli banking sector to launch a major initiative for consumers: current-account tracks at significantly lower prices for households and small businesses. As a result of this initiative, large population groups can now maintain their accounts at lower prices savings 50%-80% of the price. (The tracks will be priced at NIS 10-32 per month).

Two main groups will benefit from this offer. The first group is households. The bank's analysis indicates that dual-income couples in the 30-40 age group pay more than NIS 30 per month, on average, for their current accounts. Note that the figure published by the Bank of Israel - an average current-account cost of NIS 13.9 per month - includes students, young adults, soldiers, and other population groups that do not pay current-account fees at all; this price level is therefore irrelevant for most households.

The second group that would benefit from the new tracks is small businesses, which currently pay NIS 57 on average for current accounts. Bank Hapoalim has decided to make the low-cost track available to this segment as well, in accordance with its philosophy of promoting small businesses.

Working With the Ultra-Orthodox and Arab-Israeli Sectors

Bank Hapoalim accords high importance to cultivating a stronger relationship with its customers in the Haredi (ultra-Orthodox) and Arab-Israeli sector, in the view that these communities are catalysts for growth of the Israeli economy. Based on this perspective, and as part of Bank Hapoalim's vision and strategy, the bank continually endeavors to create value offers and develop services tailored to the specific needs of these customers. Over the last few years the bank has achieved a leap forward in marketing to customer segments within the retail banking area, and it continues to expand its community and business activities in these sectors.

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Financial Freedom and Encouragement of Growth in the Arab-Israeli Sector

The bank works to encourage growth in the Arab-Israeli sector, as part of the implementation of its strategic plan to strengthen and solidify its leadership in diverse population groups important to the Israeli economy and Israeli society. As part of this effort, the bank endeavors to provide optimal service to the Arabicspeaking population segment. New branches will be opened and expanded over the coming years, in addition to 36 branches of the bank that already serve the Arabic-speaking population, as of the end of 2013. The trend to expand the distribution of this network and make services more accessible by opening new branches continued during the year.

The bank employs minorities throughout Israel (as described in the "Employees" chapter) and within the project of encouraging growth in this sector, the bank plans to hire additional Arab-Israeli employees. The bank's website contains a marketing area in the Arabic language presenting information about the products and services offered by the bank to Arabic-speaking customers, at www.bankhapoalim.co.il/arabic.

36 branches

branches of the bank that already serve the Arabicspeaking population 2013 in Numbers:

18,366

Building Businesses Fair for small businesses in Nazareth: During the project, the website's Arabiclanguage landing page logged 18,366 visits, of which 14,469 unique visits 6

Conversion of Express
Branches: As of the end
of 2013, the bank had
converted 6 Express
Branches in the Arabicspeaking sector to
ordinary branches

417

Arabic language support: 417 ATMs and 754 integrated machines and Adcan stations support Arabic

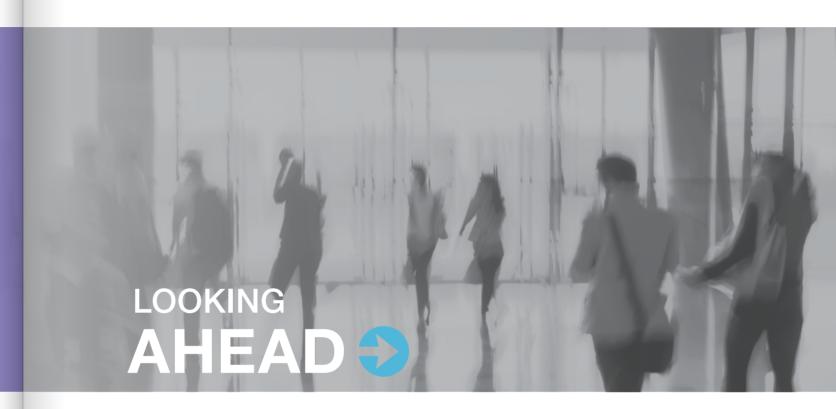
A Small Business Fair was held in Nazareth for the first time in 2013, in recognition of the importance of small businesses for the encouragement of growth (see details in the section on small businesses). Several activities were conducted during the year, such as activities for students and young adults at leading educational institutions in the Arab-Israeli sector, distribution of grants to encourage savings, and the Read & Succeed project in the Arabic language, which was held successfully for the third consecutive year (see details in the "Community" chapter).

The Ultra-orthodox Sector

23 branches of the bank operate in communities with large observant and ultra-orthodox (Haredi) populations. The bank offers a specialized package of services and products to Haredi sector customers. Branches of the bank operating in the Haredi sector have been

adapted to these customers' needs. Each branch has a reading library, decorated with Judaica pieces and stocked with religious works, which customers can peruse while waiting; pictures on branch walls, videos displayed on screens at the branches, and marketing materials are adapted to this customer segment. Thus, for example, a personal financial planning booklet, a pamphlet for ultra-orthodox students (avreichim), and other materials have been adapted for this sector. The bank operates a website targeted to the Haredi audience at www. bankhapoalim.co.il/bsd. The site serves Haredi and observant customers and is adapted to the norms of these communities. Customers can use the site to access their accounts, receive routine banking information, and execute various transactions. The Read & Succeed program for the Haredi sector operated successfully for the fourth consecutive year in 2013;

Living Wisely - A new project launched in 2013, providing guidance to Orthodox families on prudent economic habits and sensible management of household budgets. Following the success of the Growing Family project in the general sector, the bank decided to expand and adapt the project to the Haredi sector, in collaboration with Hamodia, the leading Haredi daily newspaper. The project, launched in October 2013, addresses all of the unique characteristics of Haredi families' budgets. The five participating families are accompanied by branch managers, a team of expert advisors from the bank and the newspaper, who are providing them with tools and knowledge for prudent financial behavior. This activity has been extensively reported in weekend editions of Hamodia. Each report has focused on a key issue in family economics.



- In 2014, the bank will continue to emphasize the introduction of products and services adapted to the needs and lifestyle of customers in the ultra-orthodox and Arab-Israeli communities, expand its footprint in these sectors, and provide a specialized response to their needs in its activities;
- In the coming years, the bank plans to expand its reach in the Arab-Israeli community by adding about 10 additional branches (4 new branches will open in Arab-Israeli towns in 2014).



Committed to Customer Satisfaction

Customer service awareness at Bank Hapoalim is an expression of our organizational commitment to customer satisfaction. This approach refers to internal customers as well as end users. The approach is broad-based and integrative, and covers the breadth of the bank's operations. Service is a value exemplified across the entire organization and through all processes, beyond direct, immediate interaction with customers. The direct encounter with both internal and external customers is the initial stage in the service cycle, based on the information that is collected and processed. The analysis of this information makes it possible to draw conclusions, learn, and improve, contributing to the development of work processes that improve the level of service. This service cycle enriches the value offer for various customers, creates a flexible organizational framework open to feedback, and expresses the bank's organizational commitment to customer satisfaction.

Service from an Organization-Wide Perspective

The organizational commitment to service and to increasing the number of satisfied customers 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:

- Organization-wide culture level A focus on organization-wide activities designed to foster a culture of service. These activities include formulation of a service philosophy, improved measurement capabilities, organization-wide implementation, and creation of work routines and remuneration methods;
- Division partnership level Divisions of the bank not in direct contact with customers provide support for business activities and back up the activity conducted at the points of contact with customers. Service is perceived as a key pillar of the promotion of an organizational culture supportive of and focused on better business performance. Activities in the area of service are therefore a key route to organizational success;
- Client area level The service philosophy is an essential aspect of the promotion of customer satisfaction and enhancement of customers' relationship with the bank.

Customer service awareness at Bank Hapoalim is an expression of our organizational commitment to customer satisfaction. This approach refers to internal customers as well as end users. The approach is broad-based and integrative, and covers the breadth of the bank's operations

Service activities at Bank Hapoalim are centered on the following three elements:

- The service philosophy, which sets a uniform standard for internal and external service processes;
- 2. Service performance measurement, which allows the bank to collect detailed information from its internal and external customers and use this information to improve service;
- Lateral and vertical implementation of service processes based on uniform standards designed to realize the bank's service philosophy.

2013 in Numbers:

Branch customer surveys: Tens of thousands of customers who received service at the branches were sampled in 2013

Customer surveys at
Mishkan (Hapoalim
Mortgages): Thousands
of customers who contact
Mishkan are sampled
each year

Kavertachles project:

Two sessions of this project were held in 2013, addressing 10 inter-area interfaces, which involved 25 departments of the bank. Each interface was assigned a mentor at the level of a division head from a third area of the bank

Quality of service at branches



The service quality metrics described below are based on a statistical model consisting of parameters from several content areas. The content areas relevant to service at the branches are: caring and concern, professional service, devoting time and attention, banker availability, and wait times. Each content area consists of parameters. Each parameter and each content area are assigned weights, which determine their relative effect on the service quality metric. An external research firm performs the customer surveys for the bank, and provides a quarterly service snapshot of the various service channels.

Service Philosophy

As part of the construction of the bank's service strategy and commitment to improve customer service, an intra-organizational service philosophy was formulated in 2011. This effort involved the construction of processes for instilling the philosophy, creating infrastructure for management in this area, and promoting the formation of a supportive organizational culture. Internal service is being absorbed into the annual work plans of the divisions of the bank, on three main axes: organizational culture including a change in values, perspectives, and organizational identity; processes and measurement - instilling structural changes, job descriptions,

Direct channel customer surveys:

Thousands of customers

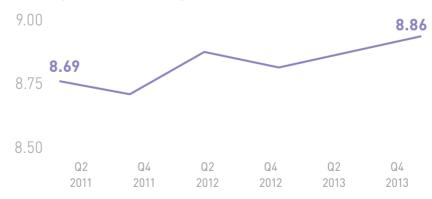
who use the direct channels offered by the bank are sampled each year. Over 90% of users of the bank's website expressed satisfaction with the service, based on a BM service quality survey conducted in June 2013

process improvement, adaptation of metrics, and technology upgrades;" and the **business perspective** - integrating service into core activities, continually improving the quality of services ranked low on the intra-organizational service survey, initiating new services, and regularly examining the mission and roles of each division as a direct function of its contribution to the bank's customers and leadership. The following main processes were carried out during 2013:

Organizational Culture Dimension

- Kavertachles A project designed to translate the internal service philosophy into action. The project teaches behaviors, tools, and processes to be integrated into service interfaces within the organization, strengthening partnership and the attainment of the units' business objectives;
- Israel Internal Service Forum Based on the tenet, "Good service begins on the inside", the bank launched the Internal Service Managers' Forum in 2013, as a platform for studying, sharing, and continuing to develop this important subject. Forum members include VPs for service, human resources, and training at the leading companies in the Israeli economy. The forum was launched at a conference held at the bank; 150 representatives of these companies were invited. At the conference, the bank presented its service philosophy and officially launched the forum, the annual internal service conference, and the monthly newsletter delivered to all forum members;

Quality of service - Happalim Online



The content areas measured with regard to service at branches are: convenience, account information and transactions, and customization.

empower outstanding internal service providers, service representatives who excelled in 2012 were involved in writing the bank's book of service values. In addition, meetings were held with the outstanding employees of each area of the bank to study the meaning of the service values for these employees and their tips for the best ways to implement the values during routine work. These sessions resulted in the creation of a practical guide, which was communicated to the employees of the bank.

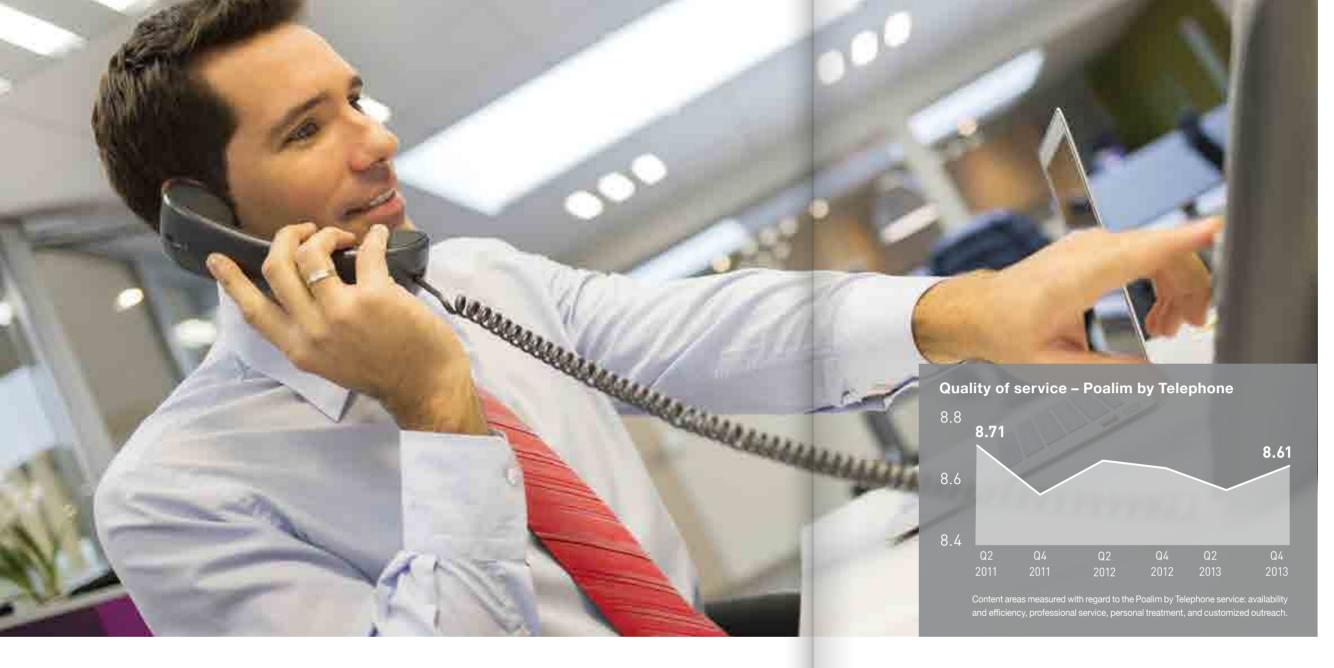
Processes and

Measurement Dimension

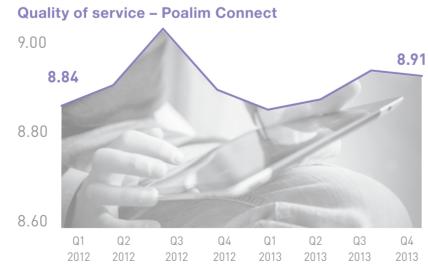
■ Intra-organizational service survey -The survey is conducted once annually,

to give employees and managers an opportunity to provide feedback on about 400 key services provided by the various units. The survey is an important means of learning and improving internal service, and consequently improving service to customers. Results of the survey were analyzed in comparison to the findings of the organizational survey conducted in 2012;

■ Service standardization - In view of the nature and size of the organization and its use of a large variety of communication channels and means, a process has been initiated to establish uniform, appropriate, service-oriented communication throughout the bank. This process focused on the following areas: updating customer inquiry statuses, response times, compliance with schedules, voicemail, e-mail, the telephone directory, office signage, and dress codes.



Part of the service standardization process is setting SLA objectives for key processes at the bank in this area. The process is dynamic and ongoing; quality control is carried out each quarter to examine attainment of the objectives, improvement in response times, and process quality, and to select new processes. As of this writing, an organized and measurable SLA has been established for approximately 120 processes.



Content areas measured with regard to the Poalim Connect service: professional service, caring and concern, banker availability, and Connect applications.

Service Measurement

Comprehensive, extensive measurement was carried out during 2013 in a variety of channels and points of contact with customers:

- Measurement of the service experience according to various parameters -Customers who receive service at branches are continuously sampled for feedback studies, throughout the year;
- Customer feedback is reflected directly to the branch on a weekly basis, with the option to contact the customer again in order to learn and improve;
- Feedback studies are also performed based on the type of service and service channel used by customers of the bank, in order to continue to create customized value;
- In a pilot project launched in 2013, customer satisfaction is polled via text message, a short time after they visit a branch. Platinum clients' satisfaction was also measured.

Instilling Service Values

Employees and managers at the bank were provided with practical tools during 2013, encompassing a range of methods and channels, designed to instill an organizational culture reflecting the bank's Service Compass:

- Hundreds of training days were held at branches, in connection and synergy with business processes;
- Service metrics and service language were integrated into branch routines;
- Service workshops were held at the Poalim Campus, for various ranks of employees;
- Managers were trained to drive service and performance improvement processes and mentor employees;
- An observation and practice process was implemented, for the purposes of learning and personal development;
- Learning and improvement processes were implemented in the processing of customer inquiries;
- Outstanding employees in the area of service were periodically compensated. In order to support the process of instilling service values and emphasize the service aspect of everyday activities, the bank commends twenty branches for outstanding service each quarter. The branches receive appreciation certificates and a gift.

1 0/0 Complaints in the branch network

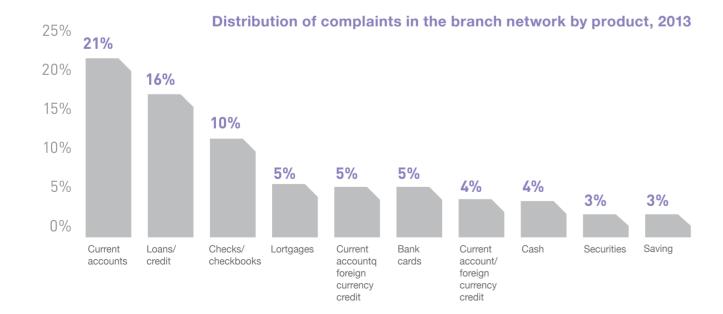
The number of complaints decreased by approximately 11% this year

Responding to Inquiries and Requests

The customer contact center oversees processing of incoming contact (including complaints) from customers through all channels: Internet, fax, telephone, etc. All areas of the bank devote focus to processing complaints, with high alertness and awareness to accurate and appropriate response to complaints, promptly when they arise. The service philosophy of the customer contact center is transmitted to the employees of the bank through courses at the Poalim Campus, intra-organizational communication, and lessons learned in various formats. The service philosophy is based on the following elements:

- The bank sees the inquiry as an opportunity to provide an appropriate response to the customer's needs and improve the customer's trust and satisfaction;
- Inquiries are used as a means of monitoring the quality and professional skill of customer service;
- Inquiries serve as a sensor indicating customer expectations, enabling better preparation for the future;
- Inquiries present an opportunity to learn and draw conclusions for the improvement of performance on the business, service, and operational levels;
- Centralized management of customer inquiries: prioritization according to the type and severity of the inquiry, processing on a predefined schedule, monitoring through specialized software, and more.

All areas of the bank devote focus to processing complaints, with high alertness and awareness to accurate and appropriate response to complaints, promptly when they arise



Inquiries concerning privacy and confidentiality

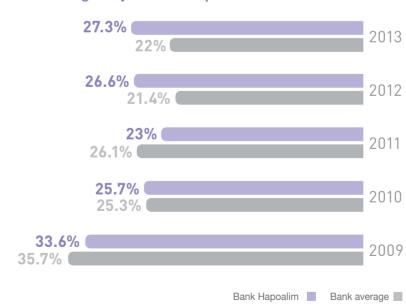
	2008	2009	2010	2011	2012	2013
Number of requests	122	78	92	77	78	30
Number of justified requests	7	15	14	9	10	3
Percentage of justified requests	6%	19%	15%	12%	13%	10%

Processing of inquiries -

from localized resolution to organizational learning

Organizational learning - The customer contact center monitors complaints and inquiries with systemic implications, such as recurring events at various units and problems with organization wide procedures or work processes. These inquiries are presented to the appropriate professionals at the bank for study and potential improvement of the relevant procedures and processes. When an inquiry is classified as systemic, the process and progress of resolution are monitored via a formal procedure. Event analyses of systemic inquiries appear in the service zone on the organizational portal, in order to assimilate the use of inquiries as a driver for learning at the branches. Service inquiries and events are analyzed in branch staff meetings from time to time;

Percentage of justified requests - Bank of Israel data



The data are relative to the average of the five major banks in Israel (Hapoalim, Leumi, Discount, FIBI, and Mizrahi-Tefahot).

Localized resolution - Localized inquiries without implications for the lateral activity of the bank are handled appropriately through a shared process by the customer contact center and the source of the issue. For example at the end of the process, a letter or report summarizing the resolution is sent to both the customer who initiated the inquiry and to the branch. The branch is also issued with recommendations for improvement and instructions for action aimed at avoiding similar incidents in the future.

2013 in Numbers:

approx.

thousand
Customer inquiries: The
customer contact center
processed approximately 25,000
inquiries in 2013 (the decisive
majority were information queries,
while a minority were complaints).
Complaints accounted for only
0.01% annually of the actions
performed through the bank's
various service channels

9%

Percentage of justified complaints: Of the total number of complaints recorded at the bank, only 9% were found to be justified; in these cases, the bank apologized, remedied the error, and compensated deserving customers

Information about Banking Products and Services

The bank is subject to laws that impose transparency and disclosure requirements concerning information to be delivered to customers on banking products and services. Bank Hapoalim strictly adheres to the directives, which apply to all products and services, through designated mechanisms subject to controls and audits. Fundamental principles underlying consumerprotection directives: disclosure duty (transparency) towards customers; protection of customer rights to receive advice and service from the bank.

In this context, as a leading business organization in the Israeli economy, the bank exercises caution in its advertising, marketing, and sales promotion, and applies several levels of rigorous screening and controls. All messages published by the bank conform to the law - the first and most essential level. In addition, the bank consults with experts on the essence, content, and style of its advertisements, according to the service or product and the target audience. The third level consists of internal controls applied by the bank's experts in this field, including further review of the preceding two stages.

Compliance with Laws and Regulations Concerning Marketing Communications

No significant fines or nonmonetary sanctions were imposed on the bank for noncompliance with laws and regulations in the area of marketing during 2013.

LOOKING AHEAD

- Host Units A project planned for rollout during 2014, aimed at improving intra-organizational service by deepening employees' familiarity with the various units at the head office and increasing internal dialogue. In the meetings, the host unit introduces the faces behind the names, as well as its business objectives, work plans, and the nature of its daily work;
- Israel Internal Service Forum The bank will continue to lead the Internal Service Forum in 2014. This activity will include periodic meetings aimed at learning, development, and advancement of internal service; production of a monthly professional newsletter on internal service; and lectures at other organizations on service, in which the bank's service philosophy will be shared;
- Guidance for the areas of the bank Each area of the bank is closely mentored to achieve improvement of the service it provides to its internal and external customers. In 2014, in addition to the routine mapping process at the areas of the bank, this guidance will extend beyond service improvement to focus on adaptation to structural changes and improving efficiency.



Achieving Financial Freedom in 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 service interfaces: an extensive network of branches and a variety of direct channels available at any place and time. Activity in the various service channels is derived from the bank's strategic philosophy of promoting innovative banking services while examining and responding to customers' evolving needs, with an emphasis on an advanced customer experience. Beyond the advantages of convenience and time savings, these services also save travel and fuel, thereby preventing pollution. In 2013, the bank continued to lead the Israeli banking industry in direct services and channels meeting international standards.

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Hapoalim Online

The bank's website offers a comprehensive package of services for its customers. The financial freedom philosophy is the foundation for construction of the package: extensive information and self-service options, designed to provide customers with full control and prudent choices in their banking activity. Services are offered through a uniform, convenient, userfriendly interface, at www.bankhapoalim. co.il. The bank offers a range of secondary sites tailored to the needs of different customer groups: a site for private clients; a site for retail business clients and clients of the corporate banking area; a site in English for business clients; a mortgage site; an international site in English designed for non-residents; a site for global private banking (BHI) clients in English, Spanish, Russian, and French; a marketing site in Russian and Arabic for residents of Israel; and a site designed for the ultraorthodox sector.

Bank Hapoalim's Internet activity is based on the principle of customer advocacy. Customer advocacy is part of an advanced philosophy centered on customers' needs and financial freedom, 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;
- Granting customers complete, easy control in managing their financial activity on the bank's website.

Accessible Website

The bank's marketing site is 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 goal is to enable people with motor disabilities affecting their hands, impaired vision, or cognitive disabilities, as well as people who experience difficulty in using computers and the Internet, to access the website comfortably and to gain the benefits of online banking, saving the inconvenience of visiting a branch.

Hapoalim Online in 2013

Innovations in 2013 included the launch of the following services on the bank's website:

- Walk Me Guides customers on the website in carrying out selected actions, step by step, until the action is complete. Explanations appear in bubbles explaining what the user should do next to complete the process, from beginning to end;
- Digital Voice Chat Presents extensive, comprehensive information to customers on the website regarding their activity using credit cards. The chat is based on customers' behavior on the site and their previous queries on this subject, and is accompanied by a voice explanation;
- Scheduling a meeting with a banker through the website The service allows customers to easily set up an appointment with a banker, by connecting to the banker's calendar. Customers receive a reminder of the meeting by text message.



In 2014, the bank will work to increase lateral use of the Call Me service (requests for assistance from a banker) in all of the digital platforms.



Hapoalim Mobile and Tablet

Hapoalim Mobile is the most significant growth area within the multichannel service. The bank dynamically examines customers' changing needs in order to develop innovative banking solutions for them, using the most advanced technological capabilities, which offer an optimal client experience and maximum availability. Private and business customers can use the range of services and information offered through the bank's applications to manage many aspects of their financial lives, at any place and time, and to benefit from unique services, with an emphasis on:

- User-friendliness, availability, simple use, real-time transaction execution;
- Adaptation to a wide range of operating systems and devices, with an advanced user experience, leveraging the technological capabilities of smartphones and tablets.

Hapoalim Applications

Account management smartphone application (next generation) - In 2013, Bank Hapoalim launched a smart advanced application for mobile account management, offering a unique, intuitive, personalized experience, and replacing the existing account management application. The new project, designed to expand the number of users of the bank's mobile applications and improve the user experience, includes an upgrade and expansion of the mobile account management application and adaptation to current trends in design, language, user experience, and capabilities of new smart devices. Main innovations and advantages of the new application:

- Customization The application is personalized for each customer, and presents the most current and newest information at first glance, immediately upon login;
- Simple interface and access experience Easy, quick access from any screen to all content areas in banking, important financial data, and execution of transactions;
- 3D display The display uses three-dimensional graphical elements and special designs to visually illustrate various account elements such as withdrawals of deposits, negative balances, and more;
- Rapid access to a range of relevant value-added services E.g. a display of Bank Hapoalim ATMs close to the customer's geographical location, with a direct interface to the navigation feature of the smartphone, reconstruction of account passwords, cardless cash withdrawals, and more.

Hapoalim Mobile is the most significant growth area within the multichannel service. The bank develop innovative banking solutions using the most advanced technological capabilities, which offer an optimal client experience and maximum availability

The application promotes more prudent financial conduct, in the spirit of financial freedom, by providing clients with a transparent view of the status of their account. The language of the application is based on the ways in which customers are used to receiving information via social media. The news feed screen shows recent activity in the account according to the customer's individual content areas. For example, credit-card purchases appear in the news feed by the next day, including the name of the business and a list of all transactions with that business. The application also embraces the tagging feature of social-media networks; client actions are tagged by type for easier tracking.

- **HD** iPad application An innovative, smart, advanced application was launched in 2012 for account management via iPad. Account information is presented in a news feed. The bank's advanced trading system was also integrated with the application in 2013. The system enables customers to receive information and trade on the capital market using a specialized interface that makes optimal use of the iPad's unique capabilities. The application now includes a broad overview of the customer's personal investment portfolio and market performance, advanced graphs, comparisons of securities and indices, stock-market news, a stock watch list option, and the ability to send buy and sell orders from any screen within the application;
- Hapoalim Wallet application A new package of services has been launched, expanding and upgrading the range of financial transactions and acquisitions available via smartphone, based on prudent consumerism. The services constitute an upgrade of the Mobile Wallet application offered by the bank in the last three years. The services include:
- Scheduling an appointment at a branch - An innovation allowing customers to schedule an appointment to receive service at a branch, using the application to track their place in line. This service reduces wait times at the branches. The bank has launched an initial pilot of this service, which will gradually be expanded to the branch network nationwide:

- Money transfers to contact persons via smartphone Transfers of funds from a customer's account to a third party. Transfers can be performed without the recipient's bank-account information, using only their mobile number. Recipients can deposit the money in the account of their choice, at any bank in Israel, through the bank's website;
- Location-based CashBack benefits Customers can receive and profit from updates regarding CashBack offers and benefits in their vicinity;
- Mobile check deposits Allows checks of the bank in amounts of up to NIS 10,000 per check to be deposited without visiting the branch, by taking a photo of the check on a smartphone and depositing it directly into the customer's account;
- Payment to businesses and taxicabs Allows payment to a range of businesses via smartphone. The Hapoalim Wallet also offers access to the Taxi Pay application, which allows users to call a taxi and pay for it via smartphone;
- Cardless cash withdrawal from ATMs A service enabling customers to transfer cash from their account to themselves or others, and to withdraw the cash from an ATM, without using a card, through a text message sent to any mobile phone.

Hapoalim Business application - An application for the bank's business clients, allowing business accounts to be managed at any place and time. The application allows users to approve transactions awaiting signature, trade on the capital market, and receive extensive information about their business accounts. The application enables officers of companies and organizations to respond immediately to the everyday needs of their business even when they are not at the office or at a computer, making mobile devices a true work tool. Access is quick and simple, and does not require the USB physical identification component needed to access accounts online. The application was expanded during 2013, so that it now allows approval and signature of foreign-trade transactions. The new service is designed to provide a solution for importers and exporters, making mobile devices into work tools for the management of their banking activity;

Capital market application - The application allows trading orders to be transmitted easily and with great speed, the most important parameter in trading; it also provides a wealth of capital-market information: graphs, up-to-date information on indices and shares, decision-support tools and analyses of market conditions, a display of the portfolio by investment segments, and more, taking advantage of touch-screen capabilities. In 2012, the capital-market trading application was upgraded to add intuitive, convenient trading in foreign securities, along with extensive information from leading stock markets worldwide and new decisionsupport tools, including smart graphs and comparisons of foreign securities and various indices.

Multi-channel banking

Thousand

Number of customers who use the bank's applications

Thousand

Number of customers who use mobile services

Million

Number of customers active on the bank's website

Million

Number of monthly calls at Poalim by Telephone

Thousand

Poalim by

Telephone - number of active accounts

2013 in Numbers:

Outstanding Online Banking Websit

The bank won this title for the ninth consecutive year; it was also named the Website with Maximum Customer Experience in a Multi-Channel World in the prestigious Webi 2013 competition

Champion of Champions

The bank won this award in the Internet and mobile categories of the Webi 2013 competition, held by the People & Computers group. The bank won every mobile category: best mobile application in online banking, and best mobile application in the capital market

Excellence award

Bank Hapoalim won an award for excellence in banking services in the Mobi 2013 competition

The account management application and the **Poalim Voice service** reached the finals in the categories of innovative value offer for customers, innovative customer experience and innovative distribution channels for customers in the Financial World Innovation Awards

Poalim by Telephone

Poalim by Telephone is a service channel offering a wide range of account transactions, including trading in Israeli and foreign securities, as well as support for the bank's website and mobile applications. The service is accessible around the clock, allowing all customers, including those with disabilities, to receive professional service without visiting a branch. In order to offer customers comprehensive service, the authority of Poalim by Telephone bankers was expanded to enable them to provide solutions on the spot, during the call. A voice response system is available 24 hours a day for information and various transactions. Services offered through the voice response system include:

■ Poalim Voice - During 2013, the bank launched an innovative service, the first of its kind in the Israeli banking system, allowing Poalim by Telephone callers to identify themselves and manage their accounts using voice only, without the need to memorize a password or key in numerical menu options. Customers can conduct a simple, convenient, intuitive conversation with the bank to receive extensive information or carry out account transactions, all through speech At this stage, the service is in a pilot phase for customers of six branches; following the pilot, it will be rolled out to all customers;

- Callback This service makes it possible to hold the customer's place in line for the call center. Customers hear a recording offering the possibility of disconnecting the call while the system keeps their place, until the banker returns the call, thereby saving time for the customer;
- Voice response in Arabic The Arabic-language voice system allows Arabic-speaking customers to receive information;
- Voice signature The bank has developed a system for recognition of customers' voices. The identification allows customers to be transferred directly to a service representative without the need to enter identifying information, shortening call times;
- Poalim Speak An automated system that recognizes voice commands, used to receive information and execute transactions through most of the day.

Poalim Connect

The customer base of Poalim Connect expanded in 2013. The service makes a personal banker at a contact center available to customers, in addition to their branch banker, who is familiar with their needs, serves as the contact person for all of the customer's requests, and can be reached during extended business hours. Customers can contact their personal banker through a range of different channels (e-mail, chat, text message, website, telephone). The personal banker also proactively initiates continuous, routine contact with the customer. Through Poalim Connect, the bank provides its customers with comprehensive solutions, combining the experience of personal service through the direct channels with continued service through a branch. This comprehensive response also relies on an advanced online interface, presenting all of the important information about the customer's account on a single, central, innovatively designed screen, adapted for laptops and tablets.

Hapoalim Branches

Bank Happalim branches serve as an anchor and point of origin for all of the services offered and for all customers interested in face-to-face service. The branch channel offers customers of 286 branches, in the most broadly-deployed nationwide network of the Israeli banking system. Bank Hapoalim has branches throughout Israel, from city centers to remote regions. Although most of the services provided in the branches are also available through other means of communication with the bank, the physical encounter has a meaningful contribution, mainly in the following areas:

■ The human dimension - Fostering a relationship of trust between the banker and the customer, listening to customers and providing support at the highest level;

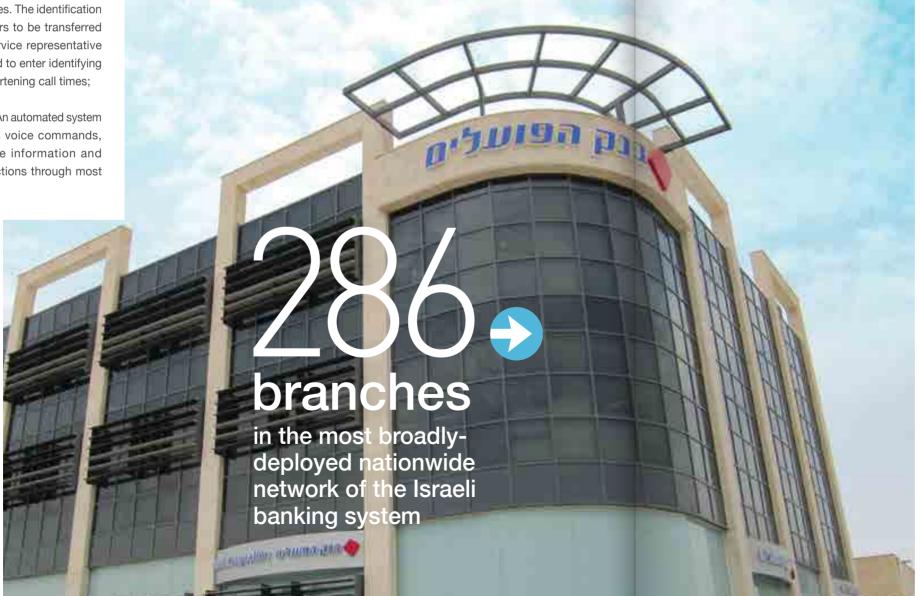
- Clarification of needs and addressing complex information and execution -The personal meeting between the customer and the bank supports an orderly, in-depth discussion to understand the customer's needs and present appropriate solutions, with the assistance of the bank's information systems and experts;
- Customer relationships Face-toface meetings help nurture bonds with customers by maintaining the continuity of the relationship and improving the level of service provided by the bank.

The branch channel offers customers of 286 branches, in the most broadly-deployed nationwide network of the Israeli banking system. Bank Hapoalim has branches throughout Israel, from city centers to remote regions

Network Deployment

In 2013, the bank continued to manage its branch network in accordance with the following principles:

- Expansion of services provided to customers through the conversion of Express Branches to traditional branches - Better congruence of the branch concept with customers needs, a wider range of services provided at the branches, and solutions for a broader segment of the population;
- Expansion of branch distribution in the Arab-Israeli sector - Bank Hapoalim is already the leading bank in terms of its deployment of branches in this sector. In order to adapt to future changes and demographic growth, and in order to continue to offer its customers leading banking services close to home, in the coming years Bank Hapoalim will emphasize further expansion of its reach in these communities;
- Extensive automation and operations external to the branch - Channeling resources to improvement of customer service at the branches through an increase of the volume of transactions and services delivered via self-service stations, and through the transfer of technical operations that do not require the customer's presence to a central back office.

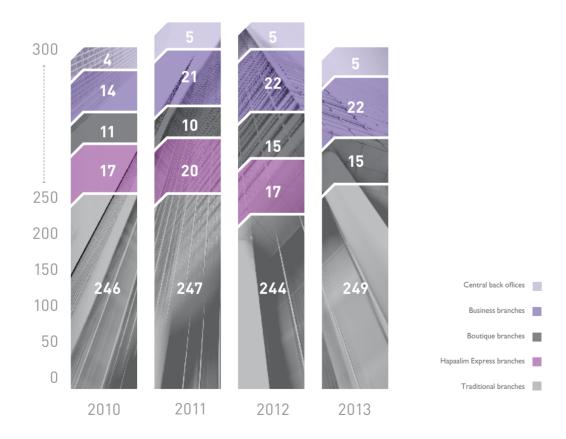


The specialized branch approach has given rise to several types of differentiated branches:

Boutique Branches - Designed to serve private banking customers, these branches provide consulting and private banking services, with an emphasis on comprehensive financial solutions encompassing investment advice as well as a range of credit solutions and additional services. The branches offer extensive self-service solutions while stressing personal connections;

Business branches - Specialized branches have been established exclusively for mid-sized and large business clients as part of the Bank Hapoalim branch network, as another element of the service package provided by the bank's corporate banking area. These branches provide a skilled, high-quality service experience across all aspects of routine banking activity, offering professional solutions and improving response time and availability to customers. The service offering created by the bank at these branches focuses on personal service customized to client needs, full availability including opening hours suited to business clients, professional service by experts, and updates and initiatives for clients. The service package was constructed based on a comprehensive process of learning from customers about their needs and expectations. The branch network sets a new standard for innovative, excellent, proactive service, responsive to each business client's unique needs, and for the connection of all systems serving the client.

Distribution of the branches of the bank, 2010-2013 $350\,$



As part of the process of expansion of the services offered to customers, Express Branches were converted into traditional branches during 2013; these branches therefore appear in the traditional branches category and are not listed separately for 2013.



Promoting accessibility

As part of its service philosophy and corporate social responsibility values, the bank sees accessibility for disabled persons as an essential issue and business obligation, and endeavors to fulfill every disabled customer's basic right to receive the full range of its services as independently as possible, or with support, while maintaining their dignity. Disabilities may involve mobility, vision, hearing, cognition, or the weakening of various functions, as a result of old age or a permanent or temporary incapacitation. The bank has the duty to adapt and create specialized solutions for various types of needs and disabilities, and to customize services to ensure that customers with disabilities are served in an optimal manner, consistent with the service offered to the general public. This duty is grounded both in regulations and in the standards the bank has set beyond its regulatory obligation it applies to both physical and virtual service channels.

Over the years, the bank has continually and consistently worked on a systemic, integrated accessibilization process, including physical accessibilization of its buildings and branches, to customers as well as employees; technological and virtual accessibilization; and adaptation of its service philosophy to customers with disabilities. This process has been conducted based on dialogue with the relevant stakeholders and professionals, and with the guidance of the Access Israel foundation. The bank routinely reviews relevant legislation and advanced options available for accessibilization, and strives for improvement and adaptation.

Accessibilization at Bank Happalim

Accessibilization of branches and buildings

The effort includes a thorough examination of all obstacles and barriers that customers with disabilities face when entering the branch from the street and inside the branch, and finding solutions for smooth, continuous movement and accessible service. This begins with wide reserved parking spaces, and continues with ramps to bridge height differences, wide entrances to the branch, sufficient space for movement inside the branch, appropriate signage, a wheelchair-accessible service station, comfortable access to a desk, comfortable waiting seats with armrests and restrooms adapted for disabled persons, and more. An accessible service station is available at each of the accessibilized branches, offering comprehensive service. These stations are staffed by employees who can provide service to customers in the full range of the bank's products and services.

As part of its service philosophy and corporate social responsibility values, the bank sees accessibility for disabled persons as an essential issue and business obligation, and endeavors to fulfill every disabled customer's basic right to receive the full range of its services

116

Accessible branches

As of this writing, 116
branches have been
accessibilized and have
earned the Access Israel
accessibility seal. Step
Hear, Call Hear, and
Inductive Loopset systems
have been installed at all
of these branches

2013 in Numbers:

316

Accessible ATMs: As of this writing, the bank has 316 accessible ATMs at 248 of its branches, or a total of 87% of the branches, and at 23 Customer Courts. Step Hear systems have been installed in 215 ATMs in branches of the bank

Accessibility tutorial: A tutorial launched at the bank during 2013 helps users gain a better understanding of customers' needs and provide adapted, appropriate service. The tutorial will be mandatory for all employees of the bank.

The following devices are available at the branches to facilitate service for customers with various disabilities:

- Step Hear: The Step Hear active voice guidance system provides voice instructions for persons with visual impairments, to help locate branch entrance doors and accessible ATMs. For example, the base unit of the system may be installed in the doorframe at the branch entrance. The system is based on radio wave broadcasts, and customers with visual impairments can wear a bracelet that serves as a remote control and will vibrate or beep within range of the base unit (several dozen meters). Pressing a button on the bracelet activates a voice message at the base unit, serving as a compass point for the customer;
- Call Hear: The Call Hear system alerts a designated banker responsible for the branch's accessible service station that a customer with a visual impairment or limited mobility is at the entrance to the branch.. When the customer pushes a button, prominently located at the entrance to the branch, an alert light blinks at the accessible service station, and the banker on duty comes to the entrance to open the door (if no security guard is stationed there) and provide all necessary services;
- Inductive Loopset This system is designed to improve dialogue with customers who have auditory impairments, by neutralizing background noises and broadcasting the banker's voice only, on a frequency received by hearing aids. The system makes it possible for a person with an auditory impairment to hear only the banker, through his or her hearing aid, without superfluous background noise.

As of this writing, **Step Hear** and **Call Hear** devices are installed at all accessible branches of the bank. The systems will be standard equipment for all branches that qualify for the new accessibility seal, as well as at all branches that are renovated. Inductive Loopsets are installed at all accessible stations at the branches.

■ ATMs accessible to customers with visual impairments - The bank uses an integrated solution, in which customers with visual impairments can use an earpiece connected to a socket on the ATM as well as the keyboard; customers can use the ATM through voice commands, in addition to the keyboard buttons. Instructions are provided in four languages: Hebrew, English, Russian, and Arabic.

Virtual channels and interfaces

Over time, the bank has worked to integrate and enhance technological innovations in its service offering, to enable customers to receive the full range of its services and products, at any place and time: through the call centers, online via desktop computer, on smartphones of every kind, on tablets, etc., using convenient, advanced interfaces. Beyond the benefits to customers and to the environment

due to savings on travel, time, paper consumption, this approach represents a leap forward in allowing customers with disabilities to use banking services in the way they find most convenient.

The variety of channels and technologies makes it possible to overcome limitations on mobility, hearing, or vision, making all of the bank's products and services accessible to disabled persons. However, accessibilization of service interfaces in these channels for some customers still presents a challenge, such as in the case of cognitive, visual, or auditory impairments (e.g. in a call to a call center representative), difficulties using the mouse, keyboard, or touch screen and clearly identifying information on the screens.

The bank's marketing site is 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 bank plans to accessibilize its personal banking website as well.

During 2013, a page was set up on the portal aggregating all information on accessibility at the bank's buildings. The page provides employees of the bank with basic guidelines for serving people with disabilities, information regarding accessibility of the bank's website, and an explanation of ways of serving people with various disabilities, such as visual, hearing, or cognitive impairments, during routine operations.



65 additional branches are planned to become accessible by the end of 2014, and the process of making the bank's head-office buildings accessible will continue.

Hapoalim Self Service

The self-service stations (ATMs), available throughout Israel, operate independently of branch opening hours and allow customers to execute a wide range of transactions at their convenience. Self-service stations save time, hassle, and resources, and enable the bank to provide better, more advanced service. Customers are increasingly using the self-service channels to perform transactions previously conducted through bankers. Starting in 2010, funds can be deposited for third parties and into savings plans through these stations.

The self-service stations (ATMs), available throughout Israel, operate independently of branch opening hours and allow customers to execute a wide range of transactions at their convenience. Self-service stations save time, hassle, and resources, and enable the bank to provide better, more advanced service

2013 in Numbers:

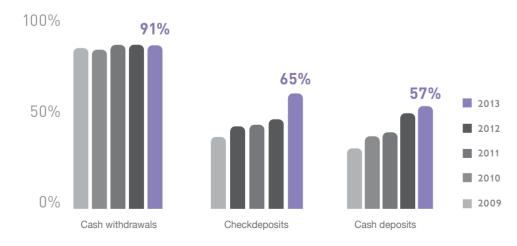
569

ATM distribution: The bank has the most extensive distribution of ATMs in the Israeli banking system, with 569 ATMs - 482 at the bank's branches and 87 in Customer Courts

Envelope-free cash deposits: During the year, approximately 10 older ATMs were replaced with new ATMs allowing direct deposits of cash into accounts, without the need to use an envelope

Dan the Saver devices: 2 machines were added in 2013; the machines accept deposits of coins, in addition to bills. These machines are located in shopping centers and city centers; they are designed to communicate with children, using clear instructions for making deposits.

Self-service transactions as a percentage of total transactions





Distribution of self-service devices



- Adcan machines
- Check deposit machines
- ATM In Customer Courts
- ATM: In bank courts

Adaptation of Self-Service Stations for Additional Uses

ATMs offer cash withdrawals, balance inquiries, cash and check deposits, payments into certain deposits, and more, and are widely and extensively distributed throughout Israel. The bank's relative share of total ATMs in Israel is greater than its market share in the Israeli banking sector. The addition of user interfaces in four languages - Hebrew, Arabic, English, and Russian - to the self service network continued during 2013.

Developing products and services to promote environmental sustainability

Mankind is at a critical crossroads due to the ever-expanding gap between supply and demand. Most environmental resources are being used faster than they can be renewed in nature, and meanwhile increased consumption of nonrenewable resources (such as fossil fuels, metals, and more) is causing severe shortages. In societal terms, the world's population is growing and developing, adopting wasteful consumption patterns, and creating an even greater strain on the existing resources. These and other trends call for a worldwide systemic change, based on several strategic activities:

Development and implementation of resource-efficient business processes, including in the areas of reuse and recycling; Emphasis on highly efficient product manufacturing processes; Incentivization and acceleration of groundbreaking technological innovation in the energy industry; Creation of sustainable consumption patterns and consumer behavior in line with sustainability values; Water: management, transport, recovery, purification, and desalination; Rising o the challenging of producing and supplying food to a growing population while reducing wastage in the process, and more.

billion NIS

As of the end of 2013, the bank had granted credit in a cumulative amount of NIS 8.15 billion for environmental projects and products, an increase of 26% from 2012.

Bank Hapoalim recognizes the strategic inevitability of the necessary change, and the resulting opportunities. Action is therefore being taken on all levels of the activity, both internally and externally. In its outward-oriented activities, the bank is working to impart knowledge to its customers and offer tools for responsible financial planning and management, in order to promote its customers' economic sustainability. In addition to its internal environmental efforts, the bank has set a strategic objective of being a leader in offering financing solutions to its clients for projects that promote environmental concerns: renewable energy (solar thermal energy, photovoltaic energy, geothermal energy, pumped energy storage, cogeneration stations, wind turbines, transition to natural gas etc.), energy efficiency, water, and more. Activity in these areas is conducted alongside traditional banking activity. The new activity follows the accumulation of the necessary professional knowledge and an in-depth examination of goals and consequences.

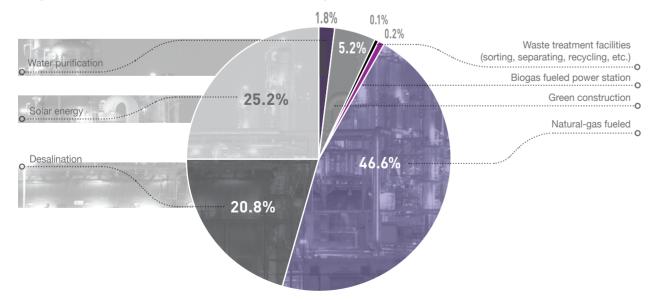
- Promotion of the solar-energy industry in Israel Bank Hapoalim is committed to promoting the new field of solar energy by taking a proactive approach, and has become an active partner in providing momentum to this industry. The bank's involvement in the promotion of the solar-energy industry is based on five key elements: inter-sectoral partnership with the Electricity Authority and Israel Electric Corporation; intra-organizational evaluations of professional and comprehensive service to the range of clients in this sector; product quality assurance; dialogue with and support for the network of suppliers and installers; and raising public awareness of solar energy. The bank continues to offer financing solutions in the solar-energy field to all client segments, based on the arrangements published by the Electricity Authority;
- Gas-Driven Powered Stations Bank Happalim coordinated the credit for the Dorad private power station project, currently being constructed to the south of the city of Ashkelon. The station will be fueled by natural gas as a primary fuel, with the option of diesel fuel-based operation as an alternative. The station, scheduled to begin operating in early 2014, will supply about

The bank has set a strategic objective of being a leader in offering financing solutions to its clients for projects that promote environmental concerns: renewable energy (solar thermal energy, photovoltaic energy, geothermal energy, pumped energy storage, cogeneration stations, wind turbines, transition to natural gas etc.), energy efficiency, water, and more

800MW to the IEC and to major private consumers, accounting for a substantial percentage of total power production capacity in Israel. Bank Hapoalim led the senior debt funding for the project, and organized a syndication for that purpose encompassing most of the commercial banks in Israel and institutional investors along with some of the country's largest insurance companies and pension funds. The institutional financing was organized by the bank in collaboration with Clal Finance;

■ Desalination - The bank is a leader in financing for desalination plants; it has financed approximately 80% of the desalination industry in Israel. The bank financed the desalination project at Palmachim, including its expansions; participated in financing for the desalination projects in Hadera and Sorek; and arranged financing for a desalination project by the water corporation Mekorot, in Ashdod;

Segmentation of credit for environmental products



- Wind Bank Hapoalim is following the progress of regulation in the area of wind energy in Israel. The bank is in negotiations with leading entrepreneurs in this area for the formulation of a financing package for wind energy projects;
- Green construction The bank provides financing to several construction projects based on green construction principles throughout Israel;
- Waste treatment facilities The bank provides financing for several companies that operate facilities for responsible waste treatment (sorting, separation, and recycling). As part of this effort, a waste screening and sorting facility and an RDF (refuse-derived fuel) production plant will be set up at the Hiriya waste dump site. RDF is a green solid fuel derived from waste, used as a combustion material by the concrete manufacturer Nesher. The plant will process about 1,500 tons of household garbage daily about half of the amount received at Hiriya. This quantity can be used to produce 500 tons of RDF per day. In order to achieve maximum recycling, mixed waste will be separated, using advanced technologies, into organic waste and dry commercial waste;
- Water purification The bank provides financing to several operators of sewage purification facilities; the water obtained is primarily used as treated wastewater in agriculture.



The bank intends to continue to examine financing solutions in the areas described above, including the transition of the Israeli economy to the use of natural gas and financing for Israeli institutions and operators in this industry.



Examining environmental risks in financing

Pursuant to the directives of the Supervisor of Banks regarding exposure to and management of environmental risks, Bank Hapoalim 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.

Methodology for Management of Environmental Risks in Financing

The objective of the 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, and 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 Method of the Bank Group

Risk management at the bank is performed based on a global view of its activity in Israel and of its branches abroad, with due attention to the activity of banking subsidiaries. Risks are managed separately by each banking subsidiary in the group, according to policy formulated by each company's board of directors and presented to the board of directors. Some risks are hedged during risk management. Financial and operational risk assessment and control are performed based on a uniform methodology at the level of the group, with guidance from the risk management area, taking into consideration the unique characteristics of each subsidiary's activities.

The objective of the environmental risk management system is to identify, specify, and manage environmental risks in its key areas of activity



In order to protect the bank's business continuity and survivability in the event of a disaster or malfunction the bank maintains continual preparedness based on detailed action plans, working procedures, and periodic drills, as specified in the system of emergency procedures

Even before a general policy had been formulated, the bank began to apply 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. The consultant ensures that the project complies with all of the requirements set forth in the permits granted by government agencies.

The bank's system of environmental risk management in financing currently encompasses the organizational components necessary for efficient and effective management in this area,

including a policy formulated and approved at the level of the board of directors; organizational structure; a model for the classification of the risks, including control thresholds; procedures for transaction approval processes; and control systems. The bank has approved a model for environmental risk management in financing. The model links the various environmental risks, as defined by the Supervisor of Banks, to the business sectors to which the bank's clients belong. The model, which is based on equalization principles, categorizes different sectors of economic activity by risk level (high, intermediate, low). The bank is assisted by an environmental consultant, as necessary, to analyze environmental risks in specific credit applications.

All of the relevant personnel of the bank were given training in this area (a total of 100 senior-level employees, including customer relationship managers). The bank's system for the management of environmental risks in financing is applied to all infrastructure projects and real-estate projects over NIS 50 million, and to credit above NIS 200 million. This activity continued in 2013.

Moreover, the bank combines social and environmental concerns in the investment activity of relevant units and subsidiaries. Social and environmental aspects are taking into consideration during the analysis of the companies and the subjects to the investment.

Business continuity

In order to protect the bank's business continuity and survivability in the event of a disaster or malfunction, in accordance with the Bank of Israel's Directive 355, Business Continuity, and Directive 357, Information Technology Management, the bank maintains continual preparedness based on detailed action plans, working procedures, and periodic drills, as specified in the system of emergency procedures.

As part of its emergency preparedness, the bank performed a lateral process to establish policies, define reference scenarios, map and analyze critical processes and the resources required to ensure such processes during emergencies, and update action plans based on globally prevalent methodologies. In addition, the bank conducts annual emergency drills covering both operational scenarios and complex business scenarios, with the participation of the various units, from the level of branches, administrations, units, and divisions to the level of the board of management of the bank. The bank's business continuity management system has been approved by the Israel Standards Institute as conforming with the requirements of the Israeli standards and the international standard BS 25999;

annual qualification examinations are conducted. Concurrently with the improvement and upgrade of its emergency preparedness in Israel, the business continuity plans of the bank's subsidiaries in and outside Israel and of its overseas branches have also been adapted.



The economic impact of the bank reaches beyond its direct positive value, which is primarily aimed at its shareholders and investors: it also takes the form of taxes, local procurement, and employment. In addition to its routine business, the bank is committed to advancing and empowering the community

Influencing the State and Society of Israel

As Israel's largest bank, Bank Hapoalim is a powerful economic institution with a strong influence on Israel's economy and society. This section of the report reviews the broad economic impact of Bank Hapoalim, and describes its added value and its extensive efforts devoted to promoting Israeli society and communities. The economic impact of the bank reaches beyond its direct positive value, which is primarily aimed at its shareholders and investors; it also takes the form of taxes, local procurement, and employment. In addition to its routine business, the bank considers itself an integral part of the community, and is committed to advancing and empowering the community. The practical expression of this preception is the bank's community investments, on a number of dimensions: a range of community activities, based on dialogue and collaborations with organizations in every sector of society; continual volunteering by employees of the bank; and donations and sponsorships. Through all of these activities, the bank expands its sphere of influence and promotes social and environmental values in society and in the community.

	2010	2011	2012	2013
Profit from financing activities*	7,496	7,884	8,415	8,423
Total income (financing profit + operating income)	12,827	13,083	13,637	13,664
Operating costs	8,291	8,365	8,825	8,965
Wages and related expenses	4,631	4,759	5,012	5,310
Donations and investments in the community	44	47	48	46
Shareholdersid to sh	23,535**	23,819**	26,755	29,060
Dividends paid to shareholders of the bank		270		276
Interest to debt or bond holders	1,627***	1,956***	1,925	2,065
Provision for taxes (tax benefit) on operating profit	1,342	809	1,254	1,298
Provision for doubtful debts	1,030	1,202	987	874

Economic Impacts

The direct economic impacts of the bank are reflected in its annual earnings, as well as in its contribution to the national economy through taxes, local procurement, employment, and community donations. The following table presents key data regarding the bank's financial performance and the added value it generates (based on the bank's consolidated financial statements, in millions of NIS)

The following table describes the financial added value of the bank, which includes gross wages (including related items), taxes, earnings, and more (in millions of NIS). This value reflects the bank's contribution to the Israeli economy, as a large organization in economic interaction with many stakeholders - employees, suppliers, the community, government agencies, etc. Bank Hapoalim pays state and municipal taxes, and receives no financial assistance or support from the state.

A Nationwide Employer

Bank Hapoalim maintains a network of 286 branches (as of the end of 2013), distributed throughout Israel. About 20% of the branches are located in National Priority Areas, and approximately 45% of the branches are outside the Gederato-Hadera central region. Branch employees and managers usually reside in the vicinity of the branch. Recruitment procedures are identical for all branches; consequently, the bank employs an equal proportion of residents of peripheral and central regions.

Bank Hapoalim operates two call centers and a central back office, which provide approximately 1,500 jobs. One of the call centers is located in central Israel, at the industrial zone in the Azor Regional Council, and the other, for reasons including social responsibility considerations, is in the northern town of Nesher. The central back office (Matab) is located outside Tel Aviv, in the Beit Dagan area. The central back office in Beit Dagan also operates through regional offices throughout Israel, located in Beer Sheba, Nesher, Givat Olga, Hatzor Haglilit, and Jerusalem.

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-conomic va	liue of the Ba	ank Hapoalim	Group, in I	VIS millions
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	Breakdown	2010	2011	2012	2013
Economic value created by the group	Total income (including extraordinary income)	12,827	13,088	13,637	13,664
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)	7,576	7,610	8,056	8,226
	Wages and related expenses (within operating and other expenses)	4,631	4,759	5,012	5,310
	Donations and sponsorships (within operating and other expenses)	44	47	48	46
	Provision for taxes (tax benefit)	1,342	809	1,254	1,298
	Dividends declared	-	270	-	276
	Total	8,918	8,689	9,310	9,800
Economic value retained	Difference between the group's income and its operating and other expenses, provisions for	3,909	4,399	4,327	3,864

^{*} Restated, due to the initial implementation of International Accounting Standard 12, Income Taxes.
**Reclassified due to the initial implementation of the directives of the Supervisor of Banks concerning the format for statements of profit



Approx.

98%



of the bank's procurement is from suppliers who are located in Israel and employ workers there

Responsible Supply-Chain Management

Profile of the Bank's Supply Chain

As a banking organization, Bank Hapoalim bases its operations on a supply chain consisting of suppliers of goods and of services. Bank Hapoalim's pool of suppliers encompasses thousands companies in fields such as logistics, technology, and consulting. In 2013, the bank conducted business with 1,300 of the suppliers in this pool. The bank's suppliers include businesses of various sizes (large, mid-sized, small, and micro-businesses) located throughout Israel as well as in other countries. Approximately 98% of the bank's purchasing is from suppliers who are located in Israel and employ workers there.

The five main categories in the bank's supply chain, which together account for 84% of its total annual purchasing, are:

- 1. Construction, estate and maintenance of properties;
- 2. Procurement and maintenance of technological infrastructures and execution of technological and communication projects;
- 3. Manpower, consulting and professional services;
- 4. Transportation and cash delivery;
- 5. Office furniture and equipment, printing and mails to customers;

In addition to the five main categories, there are other procurement categories ("Other"), such as advertising, security and more. The volume of purchasing in each of these additional categories does not exceed 5% of the total.

Procurement at Bank Hapoalim is managed by the corporate procurement unit, which serves as the integrative administrator of all purchasing activities and manages interfaces with the bank's supply chain. The complete procurement process consists of the following stages: identification of needs and specification of requirements, publication of a call of bids, examination of bids and selection of winners, execution of the contractual engagement, and payment of suppliers.

The process is defined, uniform, and orderly; clear parameters are established to examine the quality of the purchased items; separation of authority is practiced in the critical stages of the procurement process (such as establishing demand, selecting suppliers, and payment); authorizations are set up on the bank's information systems; and information and decisions in each stage of the process are documented on these systems. All of these practices are aimed at improving the efficiency and quality of procurement management, allowing control and conclusions, and preventing conflicts of interest.

Responsible Procurement

In recent years, the bank has formulated a work plan for the integration and management of CSR aspects of the supply chain. As part of this process, a policy has been approved, and the following principles and guidelines have been established for relationships with suppliers:



The implementation of the policy has been adapted to the customary processes of contractual engagement at the bank and to the nature of the various suppliers:

Responsible procurement policy

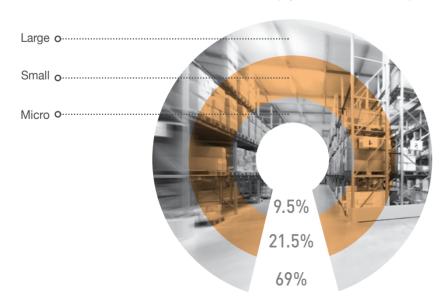
Mandatory

Binding criteria for all suppliers (required norms of responsible conduct Binding criteria adapted to the unique nature of each purchasing category

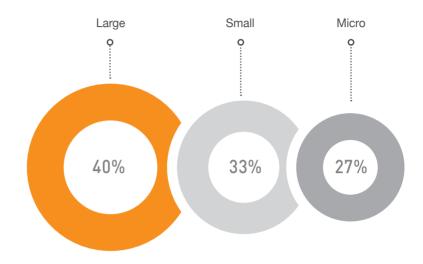
Voluntary

Preference criteria (additional quality parameters) used to evaluate bids in significant contracts

Breakdown of Procurement extent (by size of business)



Breakdown of the bank's suppliers (by size of business)



Activity in 2013

The process of formulating mandatory requirements and criteria for supplier's evaluation was completed during 2013. The goal is to include these requirements and criteria in contracts with suppliers and in bid evaluation processes. This process consisted of several stages:

- Contracts in the purchasing categories at the bank were reviewed. Gaps were identified and lateral consistency was applied to the terms of the contractual engagements in the different categories;
- 2. A list of requirements was created, encompassing general requirements to apply to all suppliers and adapted requirements to apply to certain suppliers, depending on the content area in which they operate. The requirements are based on existing sections of the contracts as well as on new phrasing, in accordance with the bank's policies. The list was formulated with reference to trends in this field in the international banking sector, developments in this area in Israel, new legislation, and future legislative trends;
- 3. With the aim of expanding the bank's sphere of influence in the area of CSR, a list of criteria was formulated to grant preference to suppliers, such as the existence of an ethical code at the organization, implementation of an environmental management system, promotion of diverse employment by the supplier, etc. These criteria make it possible for potential suppliers to gain extra points when their bids are evaluated:

Ethical Code for Suppliers

In 2013, the bank created and distributed an ethics for its suppliers. The code draws its values from the bank's vision, and is based on the values and norms described in the bank's Code of Conduct. The code is designed to provide a clear, simple explanation of the bank's expectations with regard to the conduct of suppliers that have working relationships with the bank. The code serves to continue and expand the bank's activity in this area over the last few years. Two years ago, the bank produced and distributed an ethical code specifically for contractor employees who work on the bank's premises (see details below).

Promoting Small Businesses in the Supply Chain

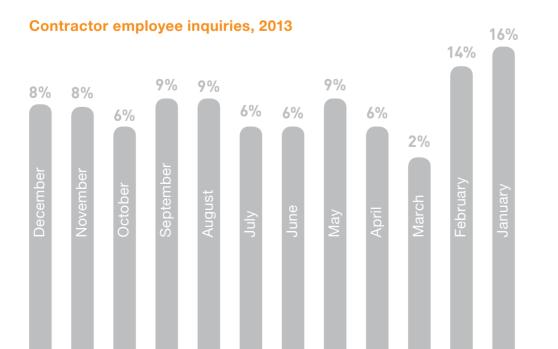
Bank Hapoalim recognizes the importance of small businesses for a thriving Israeli economy, and promotes these businesses through its procurement activities as well. The bank engages small-business suppliers whenever possible, in view of its size and nationwide network. Over 30% of the bank's purchasing is from small and micro-businesses, which constitute approximately 60% of the suppliers working with the bank.

As part of the process of implementing corporate social responsibility, the bank created an ethical code, in collaboration with its contractors, for supervised contractor employees working in the areas of security, the cafeteria, and cleaning on bank. The content of the code is distributed in Hebrew. Russian, Arabic, and Amharic premises

Protecting the Rights of Supervised Employees Working on the Premises of the Bank

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 all other rights granted to workers in Israel under the labor laws; social benefits; prevention of harmful employee turnover, and due disclosure to their rights. This infrastructure was created in order to prevent harmful employment, and has been in place at the bank for years as part of its CSR approach.

In 2012, with the implementation of the Law for Increased Enforcement of Labor Laws, 2011, based on the existing processes at the bank, the infrastructure was adjusted to the provisions of the law, which took effect in June 2012. This move included updates of the bank's procurement contracts, the establishment of a system for inquiries by supervised employees at the bank's human resources division, and the appointment of a supervisor responsible for ensuring the protection of the employees' rights and response to their inquiries during their employment on bank premises. During 2013, all of the manpower contractors under contract with the bank were reviewed (approximately 15 suppliers).



Ethical Code for Supervised Employees

As part of the process of implementing corporate social responsibility, the bank created an ethical code, in collaboration with its contractors, for supervised contractor employees working in the areas of security, the cafeteria, and cleaning on bank premises. The content of the code is communicated to all contractor employees employed at the bank's facilities. These employees receive and read the code, and sign the code document. The bank receives a report on the completion of this process from the company employing the workers, signed by the company's general manager. The content of the code is distributed in Hebrew, Russian, Arabic, and Amharic. As of 2011, all new and existing suppliers are required to communicate the content of the new code, annually, to every employee assigned to the bank, and the process is noted in the employee's personal file. Suppliers are required to submit an annual report on the number of employees who have received and read the code, for control purposes.

2013 in Numbers:

Inquiries

The Human Resources
Division system processed
64 inquiries from
supervised contractor
employees in 2013.



The process of integrating the additional requirements into all of the bank's contracts with its suppliers, in accordance with the supplier's activity and the criteria formulated, will begin during 2014.

In its efforts to promote sustainability and CSR values, the bank works to expand its sphere of influence to Israeli society and the public arena by implementing social and environmental values in ever-widening circles. The bank is guided by two essential principles: dialogue, and the creation of shared value. The bank conducts dialogue with stakeholders in order to understand their needs, provide accurate and appropriate solutions, and optimize its activity, with the aim of influencing a wide variety of population groups within Israeli society and contributing to the public good. Based on this dialogue, the bank has initiated a broad range of programs and projects, with inter-sector collaboration, to promote various causes in Israeli society and create shared value for the bank and for stakeholders in the social, environmental, and economical spheres. Selected initiatives of the bank in 2013 are described below.

In its efforts to promote sustainability and CSR values, the bank works to expand its sphere of influence to Israeli society and the public arena by implementing social and environmental values in ever-widening circles. The bank is guided by two essential principles: dialogue, and the creation of shared value

The Social-Environmental-Economical Project for Collection and Recycling of Electronic Waste with Employment of Persons with Disabilities

Bank Hapoalim initiated a pioneering social program for systemic treatment of the collection and recycling of electronic waste, metals, and appliances, in collaboration with municipalities throughout Israel. The program includes design and development of collection receptacles made in Israel and supplied by the bank to the municipalities; placement of the receptacles in city centers; organization of collection and recycling processes, and publicizing the program to residents. Collection from the receptacles and disassembly of the waste are carried out by Ecommunity, which employs disabled workers. The bank thereby creates shared value and responds to both an environmental and a social needs.



Economical-Environmental-Social Value

The program is designed to provide a solution for the collection of electronic waste from city centers and to generate multiple economic, social, and environmental benefits for the various stakeholders:

- Improved environmental quality in and around the city;
- Prevention of the emission of greenhouse gases and other toxic gases released during improper recycling of electronic waste;
- Reduction of the volume of urban waste (savings on transportation costs and waste burial levies);
- Green positioning and promotion of the municipalities' agendas, based on a vision of protection of the environment and of quality of life;
- Active community involvement;
- Promotion of a national social goal employment of people with disabilities;
- Manufacturing the containers and operating of the project through local Israeli companies;
- Education of the public and of youth on environmental values;
- Positioning the bank as a leading business-social-environmental organization.

Creating a Comprehensive Systemic Solution

Based on conclusions drawn, the bank created a comprehensive solution encompassing a complete value offer for collaboration with municipalities in Israel, based on several elements:

- Specialized receptacles Designed and developed in collaboration with the Segev plant in Yavneh, with an emphasis on design and on high-quality materials and manufacturing. The receptacle clearly communicates its purpose, and contributes to the urban streetscape, to the implementation process, and to the involvement of residents in waste collection. Another consideration in planning of the receptacles was to reduce the likelihood of theft and to increase resistance to weather and other damage:
- Location of receptacles To ensure maximum exposure, accessibility, and convenience, the receptacles were placed in commercial centers and in neighborhood centers, so that residents can make a quick stop to drop off waste; central locations for the receptacles also reduce the risk of theft;
- Creation of a plan for absorption of the project Electronic waste is not collected daily like ordinary garbage; it is necessary to develop awareness of the collection of this type of waste in the household, separation from other types of waste, and transfer to the municipal receptacles, which are not adjacent to residents' homes. The plan relies on a launch in various media channels, with high investment in messages and design; the launch of the project is supplemented by maintenance of this message, with the participation of community members, green organizations, and educational institutions;
- Collaboration with a business to collect and responsibly treat the waste The value of the waste will finance the collection and recycling process. Ecommunity,



850
Thousand residents



The program is now available to a total of 850,000 residents

the organization chosen to dispose of and recycle the waste, is located at Kibbutz Yasuur in the Galilee, a peripheral region of Israel. The program thereby contributes to the promotion of the fourth sector, social businesses, and the national goal of employing workers with disabilities;

■ Full financing - The solution is fully financed by Bank Hapoalim, which has also contributed its business and professional experience, in a desire to benefit the infrastructures of its surrounding community.

Implementation of the Plan

Twenty collection receptacles were placed in the city of Holon in early 2012, in full collaboration with the mayor and his leading staff, and the launch process began. During the subsequent months, a learning process was carried out and conclusions were drawn for the expansion of the program to additional towns. Following the program's success, it was expanded during 2012 to the towns of Ashdod, Rishon Lezion, Rehovot, Yavneh, and Shoham; in 2013, the program reached Ness Ziona, and receptacles were added in the participating cities. The program is now available to a total of 850,000 residents.

During 2013, the bank launched educational environmental activities at Holon elementary and high schools, in collaboration with the city, as part of the ongoing absorption process of the program. The goal of this activity is to promote a change in habits and to raise awareness of waste collection and recycling. The activities included a competition between schools for the collection of electronic waste, with information and preparation for students and parents. Classroom lessons preceded the competition, which was advertised at the schools, online, and in the local press. The competition ended on Earth Day, and the four schools (two elementary schools and two high schools) that had collected the most electronic waste won prizes.

Promoting Green Campuses

As part of the drive to expand the bank's sphere of environmental and social influence to the general public in Israel, raise awareness of the reuse of resources, and implement a behavioral change in this area, the bank is participating in a joint initiative with the College of Management and Bar Ilan University to instill recycling habits among students and staff at these institutions. The initiative is based on the principles of dialogue with stakeholders, as reflected in the ongoing relationships of the bank with various academic institutions in connection with CSR and sustainability, and proactive initiatives to generate shared environmental and social value.

As part of the collaboration in 2013, various recycling facilities were placed in campus buildings and courtyards at both academic institutions, providing solutions for collection and recycling of beverage bottles and cans; paper recycling carton bins in offices; and collection of electronic waste, metal, appliances, fluorescent bulbs, and used clothes using individual receptacles. The bank financed the installation of the receptacles and consulted on the comprehensive solution for waste recycling, which encompassed academic knowledge, operational knowledge, communications and advertising, etc. The activity was publicized through the various media channels of the academic institutions, including social media. The recycling receptacles designed by the bank were installed for use by students, staff, and visitors at the schools; they are available to 50,000 potential recyclers in this environment.

President of Bar - Ilan University, professor Daniel Hershkowitz, chairman of the board of the bank, Yair Seroussi and Head of Corporate Social Responsibility of the bank, Avraham Bar-Ilan, at appreciation ceremony



Financial Freedom for Managers of Non-Profit Organizations and Social Ventures

The first academic course for CEOs and managers of non-profit organizations and social ventures opened at the Faculty of Management of Tel Aviv University during 2013. The goal of the course is to provide rational management, business, and financial tools for these organizations' progress towards financial freedom. The bank is involved in developing the course program, sponsorship, and financing for participants. The course combines relevant, current academic knowledge with practical tools for day-to-day management, through presentation of theories and models from various fields and examples based on the participants' experience. The course program offers the CEOs an opportunity to develop their organization, network with colleagues, and potentially create collaborations between different organizations – as occurs daily in the business arena. The idea for the course stemmed from an understanding of the current situation in which managers of non-profits dedicate themselves to promoting a social cause, while routine management, including operations, strategy, finances, etc., falls by the wayside.

The Bank Hapoalim Guide for the Protection of the Environment

Within the drive to promote CSR and sustainability values and encourage prudent financial behavior, the bank published a guide for protection of the environment and energy efficiency, offering a wide range of ideas for efficient household management. The guide, available on the bank's website and on the organizational portal, provides employees and the general public with practical professional knowledge, to assist with household expense reduction and to contribute to protection of the environment. The guide contains three sections: energy, water, and recycling. Each idea is presented in a brief, user-friendly format, describing the recommended action, the reason for the action, and the resulting savings and environmental benefits.

Promoting Diverse Employment

The Poalim Campus hosted a course for organizations in the field of employment of people with disabilities. The Ze Oved Coalition comprises commercial organizations, including Bank Hapoalim, non-profit organizations, and government agencies, working to promote the inclusion of workers with disabilities in the private market. Within the bank's participation in the coalition, in December 2013 the Poalim Campus hosted a course on the development of employer relations, designed for placement coordinators at organizations for the employment of people with disabilities. The course offers practical tools for dialogue with the business world, such as sales skills, identifying the target audience's strengths, transmitting a marketing message, client retention, and more, based on content of the bank in the areas of sales, service, and presentation. The four-day course was attended by 22 placement coordinators at employment organizations from all parts of Israel, including Midgalor, Eshnav, Shalev Ubanav, Shekulo Tov, Enosh, Beit Eckstein, Reut, Hakeren Lemifalei Shikum, and ALUT. The course was moderated by the Poalim Campus, in collaboration with Tevet - Joint Israel





The recycling receptacles designed by the bank are available to 50,000 potential recyclers in this area

The bank conducts a varied and extensive range of community-oriented activities in the form of social involvement, monetary donations, and large-scale volunteer activities with the participation of both management and employees

Poalim for the community

Committed through Our Strategy and Vision

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. This involvement is implemented through Poalim for the Community (Registered Non-Profit Organization), as part of an advanced managerial approach. The bank holds that an organization that operates within the community - and draws both its employees and customers from within it - should take a leading role in the advancement and improvement of conditions for all members of the community, especially those who are underprivileged. In the spirit of this business philosophy, the bank conducts a varied and extensive range of community-oriented activities in the form of social involvement, monetary donations, and large-scale volunteer activities with the participation of both management and employees. Community activity is an important factor in developing employee pride and cohesion. As noted, the bank's community-oriented activity is organized within the Poalim for the Community foundation. Ms. Shelly Amir, head of community relations at the bank, is responsible for this activity.

Creating Strategic Partnerships

Bank Hapoalim exercises its community involvement through nationwide projects, including projects targeted to geographic, economic, and social peripheries, with expert assistance in the understanding of community needs. These projects strive to realize the underlying philosophy of the principles of sociocommunity development. The distinction between aid and socio-community development is an important one; such development is based on the following principles:

- Focus on a core issue closely related to the bank's essence and crucial to Israeli society;
- Long-term projects, rather than temporary action;
- Measuring the project according to effectiveness in attaining its objectives, with conclusions drawn and implemented throughout the course of the project;
- Strategic partnerships with additional parts of the community, including professional partners, rather than stand-alone projects.

The bank maintains strategic partnerships with a range of leading community organizations. These include collaborations with the ORT network of science and technology schools, museums, the National Parks Authority, the Israel Association of Community Centers, the Batsheva Dance Company, the Israel Philharmonic Orchestra, the Israel AIDS Task Force. The bank also collaborates with a large number of non-profit organizations on unique projects in their respective 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.



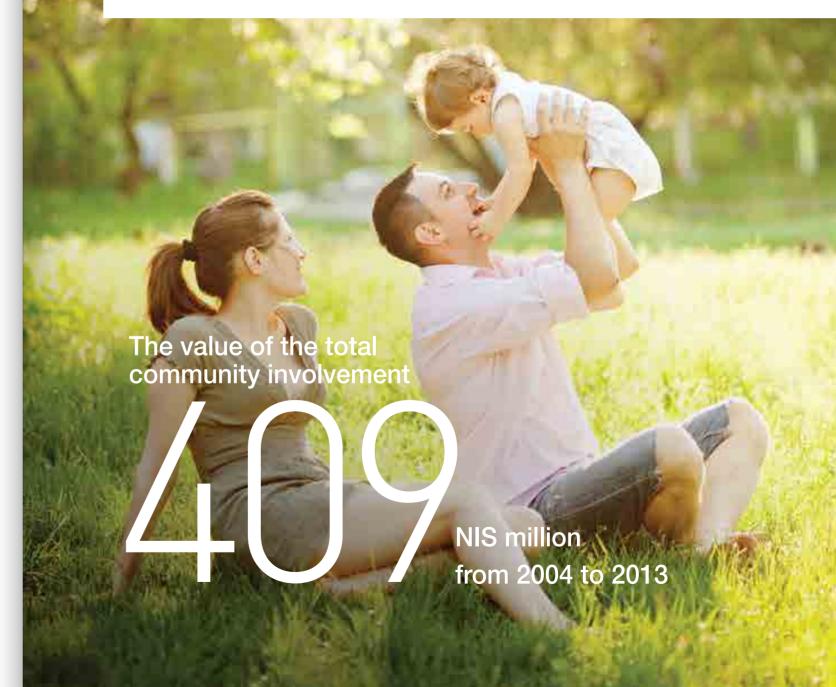
million NIS

Bank Hapoalim's investment in the community amounted to NIS 46 million in 2013

Monetary and Equivalent Community Investments

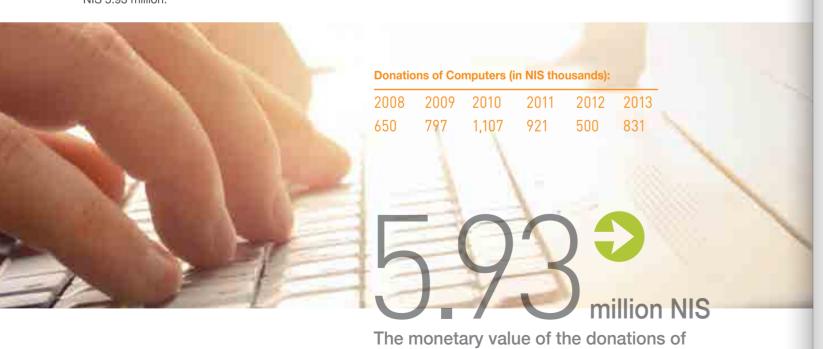
Assistance to the numerous organizations supported by the bank is delivered through the Poalim for the Community Forum. The Forum, which consists of senior executives of the bank, manages all of the bank's donations according to criteria established in the policy of the Poalim for the Community Foundation (Registered Non-Profit Organization). As in previous years, the foundation made contributions in many different areas in 2013, including education in general, and financial education in particular; culture and the arts; welfare and health care; and other social causes. The bank does not donate money or equivalents to political parties, politicians, or political institutions.

Bank Hapoalim's investment in the community amounted to NIS 46 million in 2013. The bank's contribution in 2013 constituted 51% of the total community assistance of the five largest banks in Israel



Donations of Computers

Recognizing the great importance of technological investment for the education and advancement of children and youth, the bank donates computers and related equipment each year. Donations of computers are managed by the technological procurement center. In 2013, the bank donated approximately 1,062 computer systems and auxiliary equipment, at a value of NIS 831 thousand. The monetary value of the donations of computer systems by the bank in 2007-2013 is approximately NIS 5.93 million.



computer systems by the bank in 2013-2007

is approximately NIS 5.93 million

Breakdown of Bank Hapoalim donations budget, 2013 Education Culture and arts 24.5% Health care and welfare Community 50%

Results of Community Investments in 2013

As part of its investment in the community, the bank has updated its examination of the non-profit organizations that receive its support and its mapping of these foundations. The review covered the organizations' areas of activity, goals, target populations, methods, and outcomes (outputs and effectiveness). The purpose of this process is to obtain an understanding of the bank's current influence in Israeli society and in the community, and to create a measurement infrastructure to assist with routine management in this area and support informed decisions regarding the bank's overall investment in the community. The process was conducted through surveys and dialogue with the organizations, and involved the major organizations, which account for about 70% of the bank's annual community investment. The part of the investment not covered by the review reflects small donations to a large number of organizations.

- Main conclusions of the review:
- The decisive majority of the organizations present their area of activity, goals, methods, and participating population in an orderly manner;
- In the context of measuring the outcomes of the organizations supported by the bank, the organizations can be divided into two groups:
- (A) Educational activity Organizations active in this field help participants maximize their individual potential and leverage their abilities for a better future, through education and learning. The review found that all of the organizations operating in this area measure their outputs (the number of participants and the volume of activity), and the large majority also measure the effectiveness of their activities (e.g. improvement in students' scores, dropout prevention, students who continue to college, etc.).

- (B) Organizations in the fields of health care, welfare, culture, and the arts – This group consists of two types of organizations: organizations engaged in remedying essential welfare or health-care problems (such as assistance to distressed and disadvantaged population groups), which contribute to society by offering a venue for appropriate treatment of the problems they have chosen to address; and organizations that promote culture and the arts, and would find it difficult to exist without support. The survey found that organizations in this group primarily measure outcomes, which serve as the key metric for examining the results of their activities.
- Approximately 56% of the organizations reviewed designated the bank's contribution for specific projects or programs within their activities;
- Of the activities and projects reviewed, approximately 42% of the organizations specifically target groups in Israel's geographical and social periphery. Other organizations work with various population groups, according to the type of activity, throughout Israel, including peripheral regions.

The central focus of the bank's community activity is education.

The bank invests in several long-term projects, along with projects aimed to support education in schools, academic institutions, and informal settings

Promoting Education and Financial Education in the Community

The central focus of the bank's community activity is education. The bank invests in several long-term projects, along with projects aimed to support education in schools, academic institutions, and informal settings.

In 2013, the bank invested in dozens of non-profit foundations and community organizations in the area of education, working with over 360,000 students – children and adolescents – in hundreds of institutions and dozens of towns throughout Israel. The bank provided aid through more than 600 scholarships to academic institutions for students across the country.

Promoting Education Initiatives and Projects

Main examples of the bank's investment in education are described below.

From Three to Five

Bank Hapoalim, through 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 who take matriculation examinations in mathematics and sciences. The aim of this effort is to help reduce social inequalities. The project includes students in grades 9 through 12 from Israel's Jewish, Arab, Bedouin, and Druze communities.

12%

Nationwide average mathematics scores improved by 12% in 2013, and nationwide average physics scores improved by 17%, among students who received assistance in these subjects 501 students at 23 schools in 16 towns throughout Israel participated in this activity in 2013 Since the launch of the project, 9,400 students in 1,160 groups have participated

Insights in Education

Insights in Education is an initiative formed to provide support for school principals, so that the educational centers under their management become inspiring. The initiative focuses on public schools in the geographical and social peripheries of Israel. It is aimed at helping principals develop a perspective of educational leadership and social entrepreneurship, in order to build up the schools as a central anchor in the lives of students and the surrounding communities, providing appropriate and comprehensive educational, social, and emotional responses. The assistance for the schools includes implementing the use of optimal management tools and creating a network of support for the school's management, in the form of an action committee and volunteers from industry, academia, the military, and other parts of society. Bank Hapoalim participates in this venture through monetary support as well as volunteering by employees, and plans for additional branches of the bank to adopt the schools in their vicinity. Bank employees help school principals by teaching small groups, individually mentoring students, and offering homework help and enrichment courses, thereby contributing to a longer school day, a continuum of treatment, and a safe and protected space for students. Beyond that, branch managers invite students to participate in performances and make reading encouragement programs such as Read & Succeed accessible to the schools.

100%

of high schools that participated in this program in 2013 showed an improvement in the percentage of students who earned matriculation certificates Approximately 7,400 students at 12 schools in 8 towns participated in the program in 2013 12,600 students participated in the program in its first two years

over

360

Thousand students

In 2013, the bank invested in dozens of non-profit foundations and community organizations in the area of education, working with over 360,000 students - children and adolescents - in hundreds of institutions and dozens of towns throughout Israel

FIRST

FIRST is an international non-profit organization dedicated to encouraging adolescents to study science and technology. The organization's flagship event is an annual competition in which participants from all over the world present technological projects created by teenagers, with the guidance of a team of instructors and volunteers from the local community. This is the fourth year in which the bank has supported this initiative, within its ambition to promote technological education in Israel.

Approximately 5,000 children aged 6-18 are involved in the program. The number of participating students has grown from 360 over the last 9 years to

5,000

95% of highschool students who participated in the FIRST program said that it increased their interest in science and technology At the end of the annual program, 94% of participants said they were interested in academic studies, and 81% expressed an interest in studying engineering

A Password for Every Student

As part of its support for the integration of technology into education, in 2011 the bank joined the educational initiative "A Password for Every Student," which combines education and today's technology as a way of acquiring learning and developing abilities. Within its support for this project, the bank has adopted ten schools in communities needing special reinforcement, throughout Israel, for a period of three years. The goals of the project are to create a technological infrastructure allowing all users to work and learn using a central portal, from any location; to implement a view of the school as a computerized organization; and to create a computerized educational environment in the school.

at 200 schools in 42 towns participated in the Thousand students program in 2013

The bank's direct support contributed to the program's work with more than 4,000 students at 10 schools in 6 towns

Read & Succeed

Starting in 2004, the Poalim for the Community Forum has led a focused initiative aimed at changing the reading habits of Israeli children and youth. This project continued in 2013. The Read & Succeed project includes a public informational campaign, distribution of books, funding of story hours throughout Israel, activities during National Book Week, and collaboration with the Children's Channel and other media. As in recent years, the bank continued the Read & Succeed project in the Arab-speaking sector and in the Haredi (ultra-orthodox) sector as well, in formats adapted specifically for these communities. Read & Succeed also includes mobile libraries, operated in cooperation with the Key Books Foundation. This project consists of mobile lending libraries housed in trucks that travel throughout Israel, allowing children and youth to enjoy a wealth of children's theater, creative writing workshops, lectures, story hours, and enrichment classes.

registered at the 8 mobile libraries throughout Israel in 2013, a 130% increase relative to 2012.



Ben Gurion Heritage Institute

An educational institution dedicated to communicating the heritage of David Ben Gurion. The institute works in many areas derived from this heritage: Zionism and Jewish identity, sovereignty, excellence in society, leadership, development of the Negev region, and more. The institute has several units that operate specialized programs for various groups: children and youth, teachers, defense employees, new immigrants, tourists, and the general public.

approx.

Thousand students

The institute conducted educational programs for approximately 30,000 students during 2013

As a result of the bank's support, the institute served approximately 1,500 participants in dozens of different activities

Promoting Financial Education in Society and in the Community

The bank's effort to promote education and its financial freedom perception have given rise to several projects, some unique, designed to advance financial education in the comunity

Financial Education in Secondary Schools at the ORT Network

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 faceto-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.

schools participated students in the program in 2013

Each participating class received 15 annual hours of financial education

Dan the Saver - Teaching Savings

Within the drive for financial education for the bank's customers and for the next generation, aimed at making a better economic future possible for them, based on the awareness that childhood habits become the habits of a lifetime, the bank is leading a financial education effort targeted to children and parents. This project is designed to reinforce and promote the value of savings for parents and children. Activities aimed at parents focus on encouraging savings, by evoking positive nostalgic memories, while maintaining innovation and a value offer to benefit the client. Activities for children focus on creating a positive experience at their first encounter with a bank, and building a beneficial, empowering relationship. The bank maintained and enhanced the Dan the Saver brand during 2013 through an experience-based online children's club, Dan the Saver World, which includes games and educational activities for children (at www.danpoalim.co.il), and through Dan the Saver summer day camps held in more than 20 towns throughout Israel for children from various sectors.

approx.

attended dozens of Dan the Saver day camps during Thousand summer vacation in 2013, in chuldren more than 20 towns

About 50,000 children have attended Dan the Saver day camps over the last four years

Paamonim

A non-profit organization working to promote balanced, responsible financial lifestyles for families. This year, Paamonim helped 16,000 people through workshops and lectures, and served 3,200 families in individual counseling sessions. 50% of the families that received individual financial guidance from the foundation in recent years have achieved financial balance.

Taasiyeda

This non-profit organization works to develop human capital in Israel through exposure to technological fields and an emphasis on the values of industry and on the Israeli economy. With the bank's support, Taasiyeda promotes the Premium Entrepreneurship program, which allows students to experience the process of developing a product, from the idea stage to the construction of an initial prototype, with the help of a factory that has adopted the project. The program includes the development of a business plan for the products designed by the students. As an integral part of the program, students acquire financial management skills that can serve them in all areas of life, while working on the product development task. Students learn basic concepts in the area of finance, which are reflected in the business plans they submit at the end of the process. Students cope with budget management, problem solving, and proper planning through their assignments.

Taasiyeda activities during 2013

The specific project supported by the bank served 700 students at 22 schools in 17 towns throughout Israel

Enriching Parents

Bank Hapoalim has undertaken a goal of working to promote financial education for young children, preteens, and adolescents. Young children in preschool and elementary school are acquiring their first concepts of money, savings, and more. It is therefore important to provide them with the tools for future management of their economic lives. The bank created a presentation and a lesson plan for children aged 5-8 regarding basic concepts for prudent financial conduct, as part of the Enriching Parents project, in which parents teach classes at their children's schools.

The Growing Family

A project initiated by the bank in collaboration with the Yedioth Ahronoth newspaper and the Ynet website, to follow families facing various financial challenges in order to learn how to improve their economic conduct. The families are provided with guidance by the bank's advisors in areas such as personal financial conduct and financial growth, real estate and mortgages, pensions, investments, and more. The project serves as a platform demonstrating to the public, through the stories of five families, how consumer habits, economic habits, and financial behavior in general can be transformed, with the aim of achieving economic balance and growth.



over scholarships

The bank provided aid through more than 600 scholarships to academic institutions for students across the country

Promoting Culture and the Arts

The perception of Poalim for the Community places special emphasis on culture and the arts. The bank provides assistance to outstanding cultural institutions dedicated to leadership and excellence, focusing on institutions that have initiated community efforts to bring culture and the arts to a wide range of different audiences. The bank also works to make cultural events accessible to underprivileged children and adolescents.

At least 35,000 people participated in cultural and artistic activities supported by the bank in 2013. Several examples of the bank's investment in culture and the arts, of the dozens of initiatives and projects in which the bank is involved, are described below.

Poalim for Culture and Nature in Israel

Since 2005, Poalim for the Community has conducted a special project each Passover, in which all Israelis are invited to visit a variety of sites throughout Israel free of charge during the holiday week. In 2013, 50 sites were included in the project. Bank Hapoalim believes that closeness to our heritage and culture is of the utmost importance, and has therefore resolved to make it possible for parents and children throughout Israel to travel during the holidays and enjoy a variety of sites all over the country at no cost, while promoting culture and the arts.

approx. 400
Thousand people

Approximately 400,000 people visited dozens of museums and sites that were open to the public free of charge during Passover 2013, with the bank's initiative and sponsorship

Batsheva Dance Company

The dance company runs a project for morning performances at schools, holding approximately 50 performances each year for students across the country. The performances are organized jointly with Sal Tarbut Artzi (National Culture Basket), an arts education program in which all students in grades 1-12 are exposed to each of the canonical art forms – an inspiring model for bringing a young audience closer to the arts.

approx. 10
Thousand

As part of the effort to promote culture throughout Israel, for a wide range of audiences, the Batsheva Dance Company held 30 morning performances for 10,000 students during 2013

Israel Philharmonic Orchestra

The orchestra runs the Mafteach (Key) program, in which children and adolescents gain exposure to classical music through in-person meetings with orchestra musicians and in concerts, in various locations in Israel.

Thousand

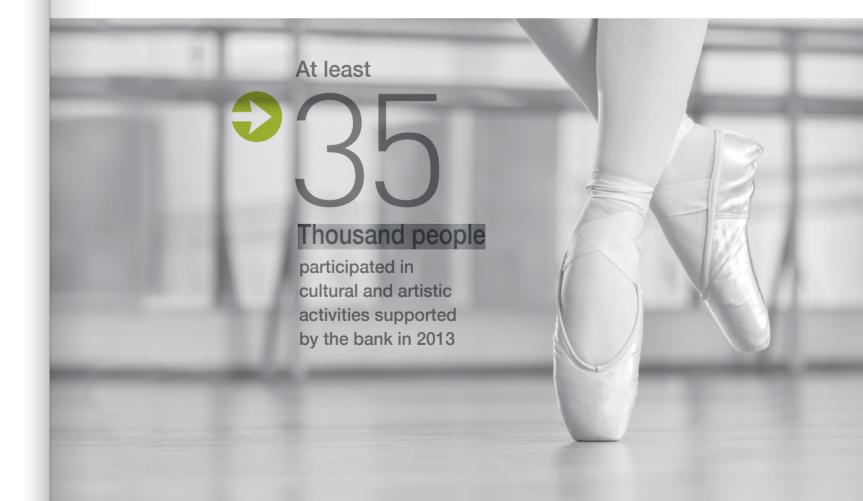
adolescents, and people of all ages, mainly in peripheral communities, participated in this program in 2013

Cameri Theater

The bank's aid to the theater includes tickets donated to various population groups throughout Israel that are usually unable to attend performances, thereby helping to make culture and the arts accessible to all segments of Israeli society.

1,000 invitations

As it has done each year, the theater granted 1,000 invitations to performances for population groups usually unable to attend performances, as selected by the bank



420



received care and assistance in the areas of health and welfare through organizations supported by the bank throughout Israel in 2013

Promotion of Welfare and Health Care

Poalim for the Community is involved in a wide range of community activities through its investment in welfare programs and in aid for health-care institutions. At least 420,000 people received care and assistance in the areas of health and welfare through organizations supported by the bank throughout Israel in 2013.

Israeli Art Exhibition for the Israel AIDS Task Force

The inner space of the bank's head-office building is reminiscent of a museum, with open galleries on every floor. For several years, the bank has organized art exhibitions in this building in order to raise funds for important causes. The exhibitions are professionally curated, so that the building is transformed into a museum for the duration of the show. The bank leverages its network of community and business relationships to draw stakeholders and contributors to the exhibitions. This exhibition, in memory of Leah Rabin, one of the earliest supporters of the battle against AIDS, was held for the fifteenth year at the bank's head-office building. Artwork donated by hundreds of artists was displayed. All of the funds raised through the sale of the artwork at this event are devoted to the Israel AIDS Task Force.

1.5

were raised at the exhibition created by the bank for the Israel AIDS Task Force The Israel AIDS Task Force held over 500 informational workshops for 20,000 adolescents; 47% said their knowledge had improved following the workshops

Ezra Lemarpeh

This non-profit organization, headed by Rabbi Elimelech Firer, has a wide range of activities and services for patients, aimed at enabling both patients and their families to resume their lives and return to work. In addition to medical advice and rehabilitation services, the organization runs activities for children who are sick and for their families, including medical, educational, and emotional support for children and families; the Elder Brother program, which offers home visits and help with schoolwork; birthday celebrations; making wishes come true; and more.

approx.

150
Thousand people

The organization served approximately 150,000 people in 2013, with advice, care, and medical support. The bank's assistance helped over 4,000 people



Latet

An Israeli non-profit humanitarian aid organization, founded to help reduce poverty for the creation of a better and more just society, by assisting population groups in distress, encouraging mutual accountability and giving in civil society, and spearheading a change in national priorities. Programs run by the organization include a nutritional security initiative; aid with food and medications for Holocaust survivors; Latet Youth, developing leadership and social initiative in adolescents; Latet Future, for the development of micro-enterprises among populations living on the borderline of poverty; Hunger Free City; and efforts to raise social awareness and change policies.

200 pprox.

Latet serves as an umbrella organization and collaborates with 150 local nonprofits and other organizations; in 2013, it provided aid to approximately 200,000 people in 95 towns throughout Israel. At least

Thousand people

throughout Israel
participated in
community programs
and projects in
various fields created
by organizations
supported by the bank

Promoting Additional Social Causes

Poalim for the Community also invests in a range of additional areas, fostering various social and environmental values – such as support for organizations that promote equal opportunities, organizations promoting employment in underemployed population sectors, environmental groups, organizations for the empowerment of women, and more.

In 2013, at least 75,000 people throughout Israel participated in community programs and projects in various fields created by organizations supported by the bank. Main examples of the bank's investment in additional community causes are described below.

- Etgarim In 2013, the Etgarim foundation helped 6,600 adolescents and adults with unique needs such as physical, sensory, or mental disabilities maximize their personal potential, expand their abilities, and participate in the community through challenging activities in nature.
- Promoting employment: Olim Behayad A non-profit organization working to reduce unemployment among Ethiopian-Israeli college graduates by offering job opportunities suited to their skills. 260 people participated in this program in 2013. 91% of the program's graduates are currently employed in suitable positions; 83% achieved at least one improvement in their employment status.
- Promoting employment: Be-Atzmi The Mifne-Massar program for unemployed women from diverse population segments (Arab-Israelis and Jewish Israelis, single mothers, and women aged 45+) achieved 67% success in job placement and/or occupational training for its participants, who numbered 370 in 2013. The Employment for Empowerment program for financial guidance and workforce entry as means of emerging from poverty, targeted to families referred by municipal social services, achieved 68% success in placement in jobs and/or occupational training (approximately 1,500 families in the last three years).



■ Non-Profits Exhibition - For the eighth year, the bank invited the Israeli public to buy holiday gifts sold by non-profit organizations that offer products handmade by children, adolescents, and adults with disabilities or special needs. The exhibition is used to develop resources for the organizations, as a platform for exposure of the organizations' activity to various stakeholders and the general public, and as a model that can serve other business organizations seeking to promote community causes. All income from the sale of these products is dedicated to the activity of the foundations. The exhibition was held at the Poalim Campus in Shefayim, with 45 non-profits participating; the proceeds were transferred to the organizations in full.



- Poalim for the Community will continue to focus on education, with an emphasis on financial education and education for prudent financial behavior, while also continuing to promote strategic projects of the bank such as Read & Succeed, the Passover project, the Non-Profits Exhibition, and more.
- In 2014, internet site dedicated to financial education for students of ORT Network will be upgraded and will be accessible through smartphones and tablets

2013 in Numbers:

thousand gift packages

were distributed by 4,000 employees participated in volunteer activities during the holidays, in areas such as childcare centers, elder care, hospitals, and more

1,800

food packages
were distributed to those in
need before Passover, by
more than 400 employees

Volunteering -Bank Hapoalim's community work

The bank has established a nationwide network of volunteers, covering thousands of employees from various parts of the country. The frequency and type of volunteer work vary widely among the units, with weekly, monthly, and quarterly activities, and activities held on holidays. Bank Hapoalim has the widest geographical deployment among the financial organizations in Israel, which enables it to respond according to the needs of local communities and adopt activities on a local basis. In this way, the local branch can become a center for community aid or assistance during various types of crises. Employees volunteer in their spare time, some privately and independently and some with the leadership of the bank, in collaboration with the various foundations. Volunteer work is carried out through integrative management and an orderly organizational structure, consisting of:

- Senior manager Appointed within the bank to hold overall responsibility for management of this area;
- Steering committee Provides strategic support for the new structure by exposing and selecting models and of potential strategic partners in the community; formulates policies for recognition and appreciation of volunteers, marketing of the activities in the organization, and recruitment of volunteers;
- Core social leaders 46 leaders selected by division/region heads, responsible for promotion of the Poalim Volunteers program and its goals and objectives in their division/region, development and management of partnerships and volunteering programs on the regional and local level with community partners, motivation of employees, and management and guidance of the network of social leaders;
- Retiree social leader Leads volunteering by retired employees of the bank, in cooperation with the retirees' union; responsible for involving thousands of bank retirees in routine activity on behalf of the community.

The organizational structure promotes volunteering as one of the bank's core activities and allows for the management, absorption, measurement, control, and guidance of its volunteering system. The activities create a volunteering infrastructure, and better integrate a large number of employees and units into volunteer work and community activities, on the national and regional level, according to community needs. This process also serves as a practical expression of the maximum value created in community-oriented activities through the realization of the bank's core capabilities in the various projects. Promotion and management activities performed in this area include:

- Mapping and diagnosis of community activities currently conducted at the bank;
- Discussion of fundamental questions to formulate the bank's policies on community involvement;

3,200 employees

volunteered regularly in 2013, a 7% increase relative to 2012. 30% of the bank's total employees are regular volunteers

- Formulation of criteria for the selection of headline social issues;
- Formulation of policies on project positioning, including aspects of the public, marketing, public relations, communication to customers, and more;
- Guidance, monitoring, and supervision of activities and development of plans.

Volunteering in 2013

Volunteering to Promote Financial Education

The bank's volunteer activities emphasize financial education, in line with the core activity of the bank. Within this effort, lectures on financial education and household budget management were given by bank employees for a range of population groups in 2013. In addition, hundreds of bank employees taught lessons in schools throughout Israel, on financial and other topics, as part of the activity of the Shiur Acher (A Different Lesson) foundation.

Summer Youth

As part of the promotion of the values of doing and giving, 1,200 children of bank employees aged 15-18 participated in a wide range of community activities during the summer vacation (in accordance with the Youth Employment Law, 1953). The Summer Youth project was an initiative of Poalim Volunteers in collaboration with the employee union, the human resources division, and the Poalim Campus, and was financed by the bank. The project enables employees' children to learn about and absorb the value of giving, through activities aimed at helping various population groups in Israeli society. The participants learn about the underprivileged parts of Israeli society and experience volunteering for one week. Six cycles of six-day sessions of this project were held during the summer. Each session opened at Poalim Campus with an introduction to content areas related to Israeli society and experience-based enrichment, including instruction on volunteering, Financial Freedom values, and managing youth bank accounts, and later progressed to practical volunteer activities.

The employees' children were praised and commended by the foundations and community partners, who welcomed the activity and initiative of the bank's management and the sense of partnership and values demonstrated by the participants. Many of the adolescents expressed satisfaction with the experience and a desire to continue volunteering after completing the program.

Nofar System - Serving Volunteers

As part of the management of the bank's volunteering network, Nofar – a specialized IT system for this network – was established in 2013. The system allows employees who volunteer to input information regarding their activities, which makes it possible to measure the overall volume of employees' volunteer activities. The system also serves as a platform for employees interested in volunteering near their homes, and can be used to find an appropriate volunteering venue through a user-friendly search engine.

Leadership Conference and Outstanding Volunteers' Conference

Social Leadership Conferences were held throughout Israel in 2013. The conferences are aimed at providing enrichment, tools, and mutual inspiration in the area of volunteering. A campaign for Matan, which connects employees' workplace monetary donations with community organizations, was also conducted at the conferences. In addition, an appreciation event was held for 56 outstanding volunteers in January 2014, to commend their activity during the year; the event was attended by Yair Seroussi, chairperson of the bank, Zion Kenan, president and CEO, Yossi Gal, head of the employee union, the board of management, senior executives, and the Social Leaders who guide the volunteers at the bank.



2013 in Numbers:

12

Social Leadership Conferences were held during the year more than

100

education and household budget management were given by volunteers from the bank 400

bank employee volunteers.

Within the Shiur Acher program, 62 courses on financial and other subjects were taught at 32 school by 400 bank employee volunteers more than

3,700 employees

On Good Deeds Day, held for the seventh time in March 2013, more than 3,700 employees volunteered in a wide range of activities such as painting, gardening, running activities and crafts, cleaning beaches, and more

LOOKING AHEAD

- The emphasis in 2014 will be on maintaining the volume of volunteers at the bank at approximately 30% of all employees, and on closer relationships with the group of regular volunteers through instruction, conferences, and visits by Social Leaders to various community partners;
- During the year, volunteer activities in the area of financial freedom for various population groups will increase and extend to additional non-profit organizations, such as Ruach Nashit (Women's Spirit) and Taasiyeda;
- Bank employees will be trained to instruct new drivers at the Or Yarok (Green Light) foundation in 2014;
- Registration of all volunteers and volunteer activities on the new system will be completed during 2014. The system will be used to measure employee volunteering and to integrate this information with the organizational portal.





Human Capital **Approach**

Adhering to Five Basic Principles

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

- Rigorously maintained equal opportunities and non-discrimination;
- Constant dialogue, cooperation, and transparency between employees and management;
- Providing a variety of opportunities for personal and professional development while creating shared values for employees and the bank;

The bank applies longterm considerations of sustainability and social responsibility to the management of its human capital. For the bank, its employees are key stakeholders; its relationship with them is conducted on a firm foundation of true growth and partnership

- Solidarity and collegiality, in cooperation with the employee union while imparting special meaning to the term "colleagues";
- Continual caring for the wellbeing of employees and their families, and support for employees during times of joy and crisis.

Defining a Human Capital Credo

The bank applies long-term considerations of sustainability and social responsibility to the management of its human capital. For the bank, its employees are key stakeholders; its relationship with them is conducted on a firm foundation of true growth and partnership.

The bank promotes a responsible work environment while ensuring compliance with the law regarding the terms of employment of its employees and other workers on its premises. Furthermore, the Bank respects and acts in light of universal norms of securing employment rights listed in the UN Convention (UNGC, UN International Bill of rights, UN int Covenant on Economic, Social and Cultural Rights and UN Guiding Principles on Business and Human rights) and the conventions of the International Labour Organization (ILO), inter alia issues of freedom of association and collective bargaining, prevention of discrimination and inequality and more.

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 devotes attention to employees' enrichment, growth, and empowerment. Working week defined by the bank is shorter than the week allowed by labor regulations of Israel. In addition, the bank ensures that it's employees overtime working hours won't exceed maximum allowed by labor laws. The bank instructs his employees to use all free days that they granted during the year. 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 the bank, 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

In a survey conducted by BDI in 2013 to rank the 100 best workplaces in Israel, Bank Hapoalim placed seventh. This accomplishment reflects the bank's commitment to its employees and its achievements in the area of social responsibility. The Bank has maintained its standing as one of the top ten best workplaces in Israel over recent years.



Presenting Information on Employees

2013 in Numbers:

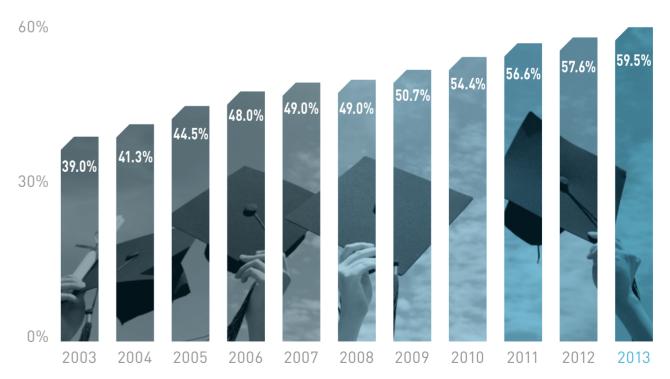
The number of employees of the bank in 2013

9.745 | 95.2% | 93.1%

Full-time and part-time employees: 95.2% of the bank's employees are employed full time, while 4.8% are employed in part-time positions

Collective agreement: The bank recognizes its employees' right to unionize and conduct collective negotiations. The collective agreement applies to the decisive majority of employees of the bank (93.1%), excluding those employed under personal contracts

Upward trend in percentage of degree-holding employees at the bank



The upward trend in the percentage of degree-holding employees continued at a greater pace in 2013. This achievement reflects an ongoing long-term positive trend of rising proportions of degree holders at the bank, due to factors including the bank's encouragement of employees to study towards undergraduate and graduate degrees, through tuition aid and added vacation days for examinations. Overall, from 1997 to the end of 2013, the percentage of degree-holding employees at Bank Happalim rose from about 26% to 59.5%

Distribution of employees by type of employment agreement

		Permanent employees	Temporary employees	Senior employees	Total
2013	Collective contract	80.7%	12.4%		93.1%
	Personal contract	0.2%	5.5%	1.2%	6.9%
2012	Collective contract	78.1%	15.1%	-	93.2%
	Personal contract	0.2%	5.3%	1.3%	6.8%
2011	Collective contract	77.2%	16.4%	-	93.6%
	Personal contract	0.2%	4.9%	1.3%	6.4%

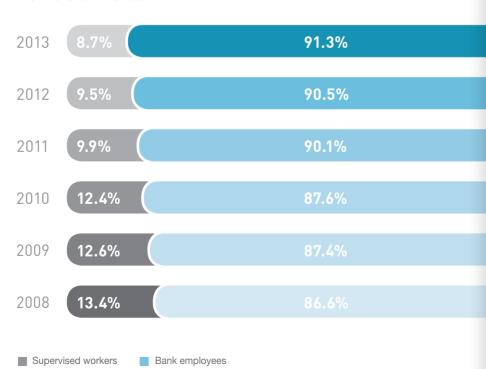
2013 in Numbers:

91.3%

Internal and external employees: 91.3% of employee positions were of the bank, while 8.7% were of Supervised workers

Maternity leave: 568
employees took maternity
leave in 2013, while 546
returned to work following
maternity leave. Employees
returning from maternity leave
usually resume their previous
positions. Any position change
if made, done in coordination
with employee.

Ratio of bank's employees to Supervised workers at the bank





(employee departures)

Year	Age	Female	Male	Total
2013	Up to 30	198	72	270
	31-50	119	81	200
	50+	212	134	346
	Total	529	287	816
2012	Up to 30	181	78	259
	31-50	96	57	153
	50+	84	68	152
	Total	361	203	564
2011	Up to 30	197	81	278
	31-50	96	59	155
	50+	69	43	112
	Total	362	183	545

3,652

EMPLOYEES - QUALITY
OF LIFE AND WELL-BEING

Hiring Supervised workers
employees: In 2013, the bank hired
408 Supervised workers as regular
employees (of whom approximately
70% were women). From 2008 to 2013,
a total of 3,652 supervised workers were

a total of 3,652 supervised workers were hired as regular employees of the bank. The percentage of Supervised workers at the bank decreased from 18.8% to 8.7% between 2007 and 2013

The decrease in number of bank's employees during 2013 mainly resulted from a process of improving efficiency at the head-office units, based on the LEAN (Poalim Baderech Hanehona) methodology and on optimized distribution of the bank's branch network.

59.5%

The percentage of employees who hold academic degrees rose from 57.6% to 59.5% in 2013. 200 employees were enrolled in academic degree programs this year, with

tuition financed by the bank through a joint fund of the board of management and the employee union. Approximately 36.5% of the bank's degree-holding employees have master's degrees or higher. This group constitutes 22% of all employees of the bank

Education and Age

The following table presents a breakdown of the 9,745 employees of the bank in 2013, by age and level of education

Education	No academi	ic	Academic degree		Total	Age group
Age	e degree	B.A.	M.A.	Ph.D.		distribution
18-21	28	-	-	-	28	0.3%
22-30	611	632	94	-	1,337	13.7%
31-40	606	1,318	762	5	2,691	27.6%
41-50	787	952	820	4	2,563	26.3%
51-60	1,631	618	339	3	2,591	26.6%
60+	280	167	86	2	535	5.5%
Total	3,943	3,687	2,101	14	9,745	100%
Education distribution	40.5%	37.8%	21.6%	0.1%	100%	



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 promoting the bank's endeavors through organization-wide communication on all levels: dialogue between managers and employees, and direct communication between the various 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. The bank also works to encourage "the wisdom of the crowd" and a culture of social dialogue by providing a comment section for news items posted on the organizational portal, as well as through surveys, webinars, forums, etc.

Employees become partners in promoting the bank's endeavors through organization-wide communication on all levels: dialogue between managers and employees, and direct communication between the various units. 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

Strengthening Relationship with Employees

■ Management-employee encounters – A series of different types of meetings have been held between the bank's management and employees: breakfast meetings with CEO Zion Kenan, aimed at forging closer relationships with employees and giving management a stronger connection to events on the ground; and Executive Chats -open talks held by members of the board of management with groups of employees from different units of the bank, in a variety of positions, representing a range of the bank's units. These meetings continued during 2013;

2013 in Numbers:

Employee-management encounters: From the launch of this initiative to December 2013, 180 Executive Chat meetings were held by members of the board of management with groups of bank employees (40 meetings in 2013). Approximately 1,800 employees participated these meetings

Employee-CEO encounters:
28 breakfast meetings with CEO
Zion Kenan have been held (4 in
2013). Approximately 960 employees
participated these meetings

Employees instill the vision of the bank

- The project of instilling the bank's vision, initiated in 2010, represents a process of renewal and growth as well as a declaration of the bank's commitment to universal social values, towards its business environment and its community A detailed plan was constructed for leadership of this process by managers and its application to the bank as a whole, from senior management to each and every employee. Following the official organization-wide launch of the vision in 2011, the process of instilling the vision continued in 2013, through various aspects of the bank's activity: instilling the vision at the different units of the bank, integrating the values of the vision into learning and training materials, and communication of the bank's vision to employees and managers;

Activity of the Organizational Portal in 2013

4_{millior}

Number of pages viewed monthly

95 thousand

Employee queries via the portal

96%

Attainment of response targets (24 hours) 500 2

Content expert employees who manage sites within the portal 250

Knowledge items posted on the portal daily

■ The organizational portal - The values of dialogue, transparency, and sharing are put into practice through the bank's organizational portal. Since the launch of the portal in June 2006, it has become a key arena for intra-organizational communication and for conveying messages within the bank. The portal allows management of and access to organizational knowledge (work processes, rights and obligations, information about the employee union, etc.) and professional knowledge (processes, data, and supporting information); a professional desktop - a gateway to business activities through which employees can reach all of the organization's systems and applications; and an infrastructure for organizational sharing and dialogue among employees through forums, surveys, comments, and participatory activities. As a result, the bank has achieved improvement in employees' professional skills, increased synergy between the head office and the units on the ground, stronger organizational identity among employees, and genuine dialogue through the range of tools available on the portal. The bank's organizational portal has earned recognition in Israel as "best practice" in the areas of knowledge management and intra-organizational communications. In 2012, Bank Hapoalim was the first organization in Israel to earn accreditation under the Israeli knowledge management standard SI 25006;

99%

Feedback and evaluation: 99% of the bank's employees participated in an evaluation process in 2013, based on their performance in

2012. Mid-year follow-up talks to check progress on objectives were held with 74% of employees

■ Feedback and evaluation processes – Each year, managers provide feedback to employees on their personal performance at their positions. The performance evaluation process takes the form of a dialogue between the manager and the employee, and supports a number of goals, including employee development, coordination of expectations, and improvement of performance. The process helps empower and nurture employees, and promotes excellence. The performance evaluation process includes an examination of the employee's performance over the last year and formulation of the main objectives for the coming year, including professional as well as personal objectives. Midyear talks to track progress on the objectives are held about six months after the feedback sessions. In advance of the evaluation process planned in 2014 with regard to employee performance in 2013, the process is being revamped and renewed through new shorter and more focused evaluation forms and up-to-date tools;

2013 in Numbers:

In the "I Care" initiative, introduced as part of the innovation drive, any employee in any position who identifies an activity that can be streamlined is invited to formulate a proposal, which is submitted and processed in an organized procedure. A total of 2,170 proposals were submitted by 1,287 employees in 2013. From the launch of this program in 2009 to the end of 2013, 15,000 proposals were submitted by 4,000 employees, of which approximately 7.5% are being implemented

■ Organizational innovation - Innovation is one of the most significant values promoted at the bank. The goal of is to create a culture in which employees suggest initiatives and innovative ideas for products and services, as well as for the improvement and change of operational and business processes, eventually granting the bank a competitive advantage. Furthermore, the process is designed to generate interest and enthusiasm among customers regarding innovation reflected in the interaction with them. The bank is leading an effort aimed at instilling the values of excellence and innovation in its organizational culture at all levels of activity, through a series of initiatives. The innovation drive has been led by the Research and Development Unit of the Strategy Management Center in the Corporate Strategy Area for four years; over 50% of the bank's employees have participated in different initiatives during that time.

In 2013, the Fintech Unit of the bank's Corporate Strategy Area continued to collaborate with the Information Technology Area and with Poalim Capital Markets on an initiative to promote and invest in promising financial technology companies. The goal of this activity is to expose the bank to innovative technologies in the financial industry being developed outside the bank, and to gain a competitive advantage by absorbing these technologies, as part of the value offer for the bank's customers. Representatives of the bank meet with financial technology start-ups and examine

the innovativeness of their ideas and their potential added value for the bank. Companies offering an interesting product are examined in depth, on the business and technology dimensions, and some are selected for practical testing at the bank.

The innovation community, consisting of hundreds of employees of the bank, has continued its work. The Innovation Festival and Innovation Competition were held during 2013, and employees were trained as innovation coaches. The bank's innovation coaches conducted innovation workshops to promote inventive thinking and original enterprise for managers of non-profit organizations and social initiatives, and lectured about innovation for small and large businesses in customer conferences at the branches;



- An organizational event calendar will be launched on the portal in 2014. The calendar will display periodic activities and organizational tasks to employees, at the level of the bank and of the unit:
- An upgrade of the portal's search engine is planned during 2014, with improved capabilities for locating information, to reduce the time needed to find information;
- The upgrade of the IBM PortalWebSphere infrastructure used by the portal to Version 8 will continue during the year, for stability and better utilization of capabilities;
- The structure of the portal's homepage will be revamped in 2014 in order to make knowledge more accessible and personalize the presentation of information, so that each employee can view relevant unit-level information in a box on the main page, without delving into the depths of the portal;

- Information consumption through the organizational portal will continue to expand during the year, due to better accessibility through mobile phones, tablets, and the Portal from Home system;
- As part of the innovation drive, the implementation and absorption of selected initiatives drawn within the bank with added value for its clients will be emphasized in 2014;
- The bank, through its innovation unit, will continue to promote and instill an organizational culture of innovation, through the existing innovation infrastructures: the annual Innovation Festival, the Innovation Competition, business innovation workshops, the Innovation Community, and more, while continually monitoring and improving the effectiveness of these activities.

	Male	Female	Total
Board of directors*	10	5	15
Senior executives	65	24	89
Middle Management	1,194	1,326	2,520
Employees	2,149	4,987	7,136
Total employees	3,408	6,337	9,745

members of Board of Directors are not bank's employees

"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"

Promoting Diversity, Equal Opportunities, and Transparency

Non-Discrimination

From the Bank Hapoalim ethical code:

"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 the responsible parties are addressed by the bank immediately, in order to eradicate such occurrences. No complaints of discrimination found to be justified were filed at the bank in 2013.

Transparency From Step One

The bank provides new employees with information regarding terms and processes related to their work, as well as useful information on all matters connected with the beginning of their employment. New employees are invited to initiation conventions and orientation days to receive an explanation of their designated position and of what it means to work at the bank, and to gain familiarity with the bank's organizational culture and expectations. Beginning in 2013, new employees have been provided with an upgraded comprehensive initiation kit, updated in 2012, in order to allow for a highly transparent and rapid initiation.



Equal Opportunities in Wages and Terms

In general, salaries and terms of employment for bank employees are determined according to a role book. The role book, which is available on the organizational portal, contains information regarding the terms of employment and entitlements granted to employees at each rank. The publication of the role book contributes to transparency in wages and allows control over the terms of the wages. The range of starting salaries at the bank is based on minimum wage or higher.

Equal pay for male and female employees

The basic salary at Bank Hapoalim is defined by a wage system based on position and level which makes no reference to gender whatsoever. Thus, there is full equality in the basic salary paid to men and women at all levels and positions. However, certain differences in the gross salary of different employees in various positions can be found, since salaries are based on personal characteristics of employees such as: seniority, overtime and benefits given to parents.

Equal Opportunities - Gender and Sector

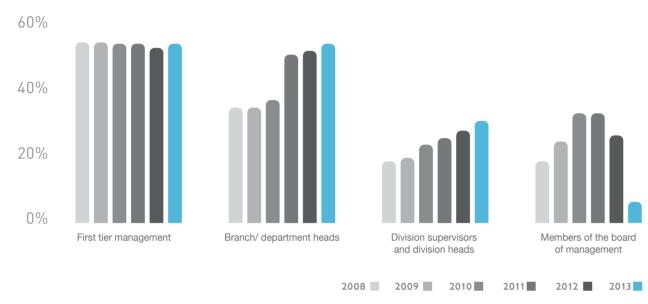
Male and female employees of Bank Hapoalim receive equal compensation for equal positions and ranks. Data on the employment of women at the bank indicate that the percentage of female managers at the bank as a whole is on an upward trend. The pool of female employees with management potential (at the first tier of management) is large, and has a positive effect on the growth of talented female managers and on the rising proportion of women in senior management. The bank strives to promote workplace diversity and hires employees from different sectors and population groups, as part of its recruitment policy.

of executives at the bank are female, versus 34% in the labor market

The bank performed examination of remuneration that exist at all employees` ranks and its findings showed that there is full equality in the basic salary paid to men and women at all levels and positions

An officer responsible for the prevention of sexual harassment in the workplace has been appointed at the bank. Channels for communication with her, as well as the bank's regulations on this matter, are posted on a topic page in the organizational portal.

Proportion of women in management positions, 2008-2013



Adapting Work and the Workplace for Special Needs

The bank invests the necessary resources and carries out any adjustments that are called for in the work environment when new employees with physical disabilities are hired, or in the event of changes in employees' health. Thus, the bank provides disabled employees with an appropriate work environment that enables them to function to their full potential. In some cases, the bank assigns employees to a position in which their disability is not an obstacle, in order to enable them to continue to work at full capacity.

Hiring Employees from Groups Underrepresented in the Job Market

Bank Hapoalim encourages recruitment of employees from population groups that are underrepresented in the job market, as part of its hiring policy. To promote workplace diversity, the bank invests extensively in studying the accumulated experience in this area, in Israel and globally; collaborates with non-profit organizations specializing in the empowerment and integration into the job market of these population groups; and serves as a sponsor for the Israel Forum for Workplace Diversity. The bank is learning from its accumulating experience and drawing conclusions in order to allow for optimal integration, generating value for all of the parties involved.

Bank Hapoalim encourages recruitment of employees from population groups that are underrepresented in the job market, as part of its hiring policy

2013 in Numbers:

65%

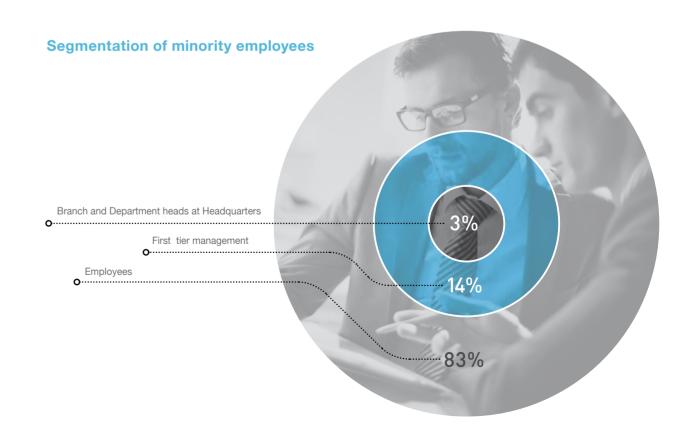
Percentage of female employees at the bank versus approximately 47% in the labor market in Israel 5.3%

Minority employees of the bank's manpower

Hiring of employees
from population groups
underrepresented in the job market:
72 employees from underrepresented

groups were hired by the bank in 2013 (minorities, ultraorthodox employees, Ethiopian Israelis, and disabled persons), constituting approximately 20% of the employees hired by the bank in total. Employees in these population groups constitute approximately 10% of all employees at the bank

Collaboration with non-profit organizations committed to the promotion of population groups underrepresented in the job market: The bank continues its collaborations with the non-profits Kav Mashve – Employers' Coalition for Equality for Arab University Graduates, Olim Beyahad – Leadership and Employment Excellence for Ethiopian-Israeli University Graduates, Mafteach - Ultra-Orthodox Employment Development Centers, Tevet – Fighting Poverty Through Employment, Tech Careers - Computer Training for Ethiopian Israelis, IT Works – Empowering People, and Be-Atzmi (employment programs).



Promoting Workplace Diversity

Activity aimed at the promotion of diversity at the bank continued in 2013, in accordance with the multi-year work plan formulated in 2011, which encompasses a variety of areas. The bank's recruitment process continues to emphasize maximization of the potential found in population groups underrepresented in the job market, by reaching out to non-profit organizations specializing in these population groups and guiding candidates through the screening and training process. The bank has adapted its standard screening processes to the unique

cultural characteristics of candidates from population groups underrepresented in the job market.

Special emphasis has been placed on expansion and growth of the bank's branches serving the Arab-Israeli sector. In addition, the bank conducted a comprehensive examination of recruitment, hiring, and retention processes of Arab-Israeli employees at the Poalim by Telephone call center in Nesher. The operational recommendations formulated following this examination will be applied to the recruitment, training, and initiation of Arab-Israeli employees.

As part of its cooperation with organizations and foundations that promote diversity, the bank hosted conferences and courses on this subject. Representatives of the bank also participated in creating and guiding professional courses in this field, such as a course on the development of relationships with employers for organizations specializing in employment of people with disabilities, within the Ze Oved Coalition. Employees of the bank shared their experience in various forums, including a course for workplace diversity managers, an employers' conference on hiring candidates from the Arab-Israeli community in the business sector held by the Hever Group and the Kav Mashve foundation, and more.



The implementation of the work plan for the promotion of human-capital diversity at the bank will continue in 2014 and in the coming years, through several organizational processes, including the following:

- Instilling the values of accepting differences and diversity at the bank, and imparting skills for relating to diverse populations;
- Creating a structured guidance process for new employees as well as an outline for a mentoring program for selected employees.
- Arab-Israeli and ultra-orthodox colleague teams
- Organization of regular group meetings, for Arab-

Israeli employees and for ultra-orthodox employees, aimed at building a platform for stronger, better relationships between the bank and its employees, between the bank and these communities, and among employees, such as through assistance with recruitment in their segment, improvement of work processes, creation of collaborations with figures in each sector, and more.

Personal Development and Training

The bank cultivates a culture of learning and invests in professional and management training to empower its employees and managers. Most professional and management training is conducted through the Poalim Campus. The Campus serves as the central arena for change-generating learning, leading to personal, organizational, and business growth, with the goal of ensuring professional and managerial excellence for the bank's employees and managers. The Campus consists of the banking school, the management and leadership school, and the training planning, development, and evaluation unit. The Campus is an arena for personal growth, melding employees' desire to learn and develop with the bank's need for high-quality workers. The Poalim Campus promotes an organizationwide culture of ongoing learning. This learning-oriented approach emphasizes the ambition to decentralize learning, from Campus classrooms to the training centers at the regional administrations and further, to each employee's workstation. According to this view, the time invested in employee training does not impede business performance; instead, it serves to enhance and hone professional capabilities, on the path towards better business achievements. In early 2013, as part of an organizational change aimed at consolidating knowledge regarding employee development, two additional units were added to the Campus: the organizational portal and the business development unit.

The Campus is an arena for personal growth, melding employees' desire to learn and develop with the bank's need for high-quality workers

In addition to the activity of the Poalim Campus, several of the bank's units conduct on-the-job training processes and other internal training activities designed to impart specific professional knowledge relevant to the unit and improve employees' capability and performance. These training activities are conducted at the following units:

Central back offices - The central back offices conduct basic training for all new employees, to familiarize them with the range of activities performed at the centers and impart basic knowledge. Advanced training for experienced employees is designed to create specialization in specific knowledge areas. In addition, brief professional training sessions are conducted each year for all employees, to refresh professional content and teach skills needed to work with new software; ■ Call center - New bankers join the call center following basic training at the Poalim Campus. At the unit, they receive additional internal training aimed at imparting knowledge about business processes and new banking products (mortgages, loans, etc.) and refreshing their existing knowledge. In addition, as part of the process of developing human capital at the call centers, training sessions are conducted to improve employees' individual skills.

Poalim Campus 2013

The activities held at the Campus in 2013 included the following:

Absorption of the learning system

- The learning system formulated during 2012 was introduced gradually throughout the bank in the second quarter of 2013. The development of brief computer-based learning items continues, with the aim of eliminating localized knowledge gaps; a work plan is being designed in order to tailor newsflashes for each position at the bank;
- Team leadership The team leadership philosophy has been expanded and deployed nationwide in training programs of the Retail Banking Area;

- Training on UP products The Poalim Campus collaborated with the Retail Banking Area to design innovative training programs for the absorption of UP products (see details in the "Customers" chapter) by all bankers at the retail branches. This service is another step towards the realization of the bank's vision of leading its customers to growth and providing them with tools for sensible financial conduct. The training sessions were conducted by organizational guides,
- for department heads at the branches, who will serve as the agents of change in this process. Emphasis was placed on bankers' learning and on response to needs using interactive materials;
- Afternoon Campus The extension of Campus activities to the afternoon hours continued, beyond regular training hours, for employees' personal enrichment and learning in a range of subjects not related to routine work at the bank. This activity is conducted in collaboration with the employee union. The Campus also conducted training sessions on financial education for employees of the bank in various regions. This effort drew excellent responses from employees. In 2013, approximately 490 employees participated in afternoon Campus classes on Israeli heritage, coaching, languages, mediation, and Adler methods for parenting of adolescents.

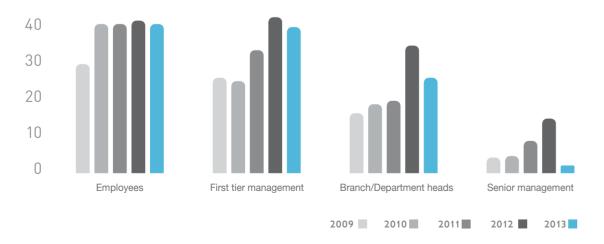
Annual training activities, 2013



46.1

Average hours of learning per employee

Poalim Campus activity - average number of learning hours per employee



A new model launched in the Retail Banking Area in 2012 included training for managers; this training program was no longer needed in 2013. In addition, senior executives of the bank attended several training days during 2012. For these reasons, training figures for management-tier employees in 2012 were high relative to 2013.



Annual training activities, 2013

17%

Percentage of managerial/behavioral training programs

83%

Percentage of position-specific training programs

ADD

Number of course sessions at the

Campus



The execution of several projects at the Poalim Campus will begin during 2014:

- Poalim Restructuring The Poalim Campus is a participant and leader of the implementation of the Poalim Restructuring project. The project is focused on changing the approach to customers and on a transition "from collection to restructuring". Thirty additional branches will join this project in 2014. The branches will receive guidance on changing behaviors as well as training by managers who have already implemented this process at their branches:
- Training needs mapping process As part of the promotion of training for the bank's employees in the field (at branches, etc.), learning processes are being adapted and specialized content is being created. In this process, the various needs are studied in order to achieve retention and reinforcement of high-quality professional knowledge. Focus groups organized by content areas have been used, and the Campus has carried out integrative data analysis adjusted to the process;
- Absorption of the learning system The learning system, which enables employees to learn through their personal computers, will be expanded to the business branches, the central back offices, and the head office units. The development of brief computer-based learning items will continue, allowing employees to learn focused professional content. At the same time, brief focused learning will be instilled as part of employees' routine.



Promoting Appropriate Work Environments

Insurance Policies. Funds, and Benefits for Employees

Bank Hapoalim pays wages to its employees in accordance with personal or collective employment contracts signed with each employee. In addition to wages, 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. In addition to the insurance coverage described above, two additional safety nets are available to employees during times of crisis:

- The Malki Foundation A voluntary fund financed jointly by the bank and its employees, which provides financial coverage for employees in the event of serious illness or similar occurrences:
- The Shared Mutual Assistance Foundation This foundation is financed by the employees' budget and the management budget, and is also designed to assist employees who encounter financial difficulties and family or financial crises.

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.

Performance Rewards

The bank's remuneration policy is consistent with the directives of Amendment 20 to the Companies Law, 1999 (the "Companies Law") and with Proper Conduct of Banking Business Directive 301A, Compensation Policy at Banking Corporations ("Banking Corporation Compensation Directives"). The remuneration policy reflects the bank's ambition to compensate its employees and managers for their work and for their contribution to the bank, and to retain them over the long term, with appropriate incentives and linkage of their best interests with those of the bank and its stakeholders, in congruence with the bank's long-term goals, work plans, and policies. The remuneration policy is consistent with the bank's vision and

Mashab queries:

52,000 queries to Mashab were documented in 2013, from approximately 10,000 employees. Mashab attained the SLA of response to 80% of queries by the end of the following business day during tahe year. Since the establishment of Mashab in 2010, over 160,000 queries have been made by approximately 14,000 employees

strategy and with its work plans and risk appetite. The policy is designed to maximize the bank's value, while emphasizing stability and the balance between risks and rewards.

Objectives of Employees' and Executives' Remuneration Policy

- To motivate employees and managers to create long-term economic value for the bank and for its stakeholders, in a way that strengthens the connection between remuneration and the creation of value for the bank's stakeholders in general and for its shareholders in particular. In accordance with this objective, employees' and managers' pay is derived from a scale of ranks, which offers the possibility of promotion and reflects the authority and responsibility of each level in the organizational hierarchy. Variable remuneration for senior executives consists of components including an annual bonus contingent on the financial performance of the bank, based on profit adjusted for risk, and the bank's cost of capital; the bonus is also determined based on achievement of quantitative and qualitative measurable personal performance objectives;
- To advance the remuneration structure of the bank, taking labor relations at the bank into consideration;
- To adjust remuneration to the nature of activity, responsibilities, and skills of employees and managers, such that remuneration is determined following consideration of the employee's education, skills, expertise, professional experience, and achievements, as well as the employee's position, areas of responsibility, and previous wage agreements. Remuneration for functions of the organization involved in supervision and control is determined based on standards which take the importance and sensitivity of these roles into consideration.

Excellence in Service to Employees

The Mashab Personal Service Center serves as the centralized location for employees' and managers' gueries on various matters related to human resources, aimed at improving satisfaction and strengthening connections. Mashab was established with the aim of bringing human-resource services to the next level. Created in early 2010, Mashab provides service to all employees and managers of the bank. Mashab consists of two functions:

- A service center for online and telephone queries from employees and business partners on matters related to human resources;
- An operational system to support work process derived from queries on matters related to human resources, in areas such as attendance, maternity leave, unpaid leave, monitoring of missing data on employees, employment certifications, visas, eligibility for mobile phones, cafeteria points, daily expense allowances, and more.

2013 in Numbers:

25%

Elah system (self-service loans for employees) - 25% of the number and amount of loans taken out by employees of the bank were processed through the Elah system Outstanding employees - The selection of outstanding employees expresses management's appreciation for these employees' contribution to the accomplishments of the bank. Outstanding employees are chosen for their skills and for a combination of qualities based on a range of criteria, such as striving for excellence, colleague relationships, teamwork, and more

The Mashab Personal
Service Center serves as
the centralized location
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human resources, aimed
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and strengthening
connections

chapter). An application launched for the benefit of employees allows documents such as certificates of employment, certificates of remaining sick days, etc. to be issued instantly using a convenient user-friendly interface, replacing the former lengthier procedure.

Seven workshops on financial knowledge for employees and their spouses were held throughout Israel, free of charge, during the year.

A Live Forum event held in April 2013 provided another channel for communication with Mashab, combining a lecture delivered via telephone and accompanied by a presentation with a specialized forum on the bank's organizational portal, to allow employees to ask questions, consult, and share their experiences on the subject of pregnancy and childbirth. The event was held following a large number of queries in this area, further to the development of the "Pregnancy and Childbirth" pamphlet in 2012. The forum event was highly successful in terms of the number of queries and participants.

In 2013, Mashab launched the Elah (Bank Employees Credit) system, which offers loans to eligible employees of the bank through a quick, simple, user-friendly procedure on the bank's website. Mashab also set up a hotline for contractor workers employed on the premises of the bank, which is routinely operational (for data on queries by contractor workers, see the "Supply Chain" subsection in the "Community"

Creating an Organizational Map at the Human Capital Development Center

Hundreds of employees experience mobility each year at Bank Hapoalim, as they are assigned to new positions or promoted. Employee mobility takes place within a supportive, values-driven work environment that encourages workers to enrich their knowledge and experience, in congruence with the business needs of the bank. In addition to mobility processes, the Human Capital Development Center (HCDC) handles hiring of new employees, through a range of different hiring tracks. The bank is committed to providing a setting conducive to its employees' personal and professional development; the HCDC serves this purpose by creating

a point of contact between the organization's needs and employees' professional ambitions. To realize this philosophy and foster employee growth, development, and empowerment, the HCDC provides a comprehensive, current operational status snapshot of capabilities and skills, while advancing employees through individual instruction and occupation changes.

and job-search guidance.

An Ergonomic Work

a face-to-face meeting with a human-

resources representative and an aid

package, which includes career advice

Several processes were carried out by the HCDC during 2013 in order to improve employee recruitment and mobility. In the area of recruitment, the emphasis on diverse human capital continued, with special attention to recruitment in the Arab-Israeli sector (see the "Workplace Diversity" subsection). Training sessions were held at branches of the bank for psychologists and diagnosticians from the screening institute that assists the bank in hiring employees. Initiation conferences and orientation days were conducted for new employees, as part of the effort to retain high-quality employees and strengthen the relationship between the organization and its employees.

In the area of employee transitions between different units and positions at the bank, tools were improved to help managers effectively absorb employees; individual guidance was provided to employees experiencing mobility by a placement coordinator at the HCDC, including one-on-one meetings, preparation for professional interviews, follow-up after interviews, and support and advice until the completion of the placement process and full absorption in the new unit; and a structured process was created for departing employees, including

An Ergonomic Work Environment

One of the many facets of caring for employees is to ensure a healthy, appropriate work environment. This is achieved through ergonomics. Information on ergonomics is accessible to employees on a page dedicated to this subject in the CSR section of the organizational portal. The page contains professional information and rules for working correctly in an office environment, such as how to sit, how to adjust chairs, how to use accessories, etc., as well as instruction on exercises during work, answers to frequently asked questions, and more.

Promoting Healthy Lifestyles

The bank allocates resources for activities enabling employees to maintain a healthy lifestyle, including through the initiation of competitions, sports events, and other events during work hours; medical examinations; workshops on healthy lifestyles; and workshops on breast health, physical fitness, nutrition, quitting smoking, and more



Caring for Employees during Organizational Changes

As a dynamic business organization in a competitive environment, that includes the drive for efficiency processes, the bank carries out organizational changes and adjustments that sometimes take several months. Such changes are communicated to and coordinated with the various stakeholders. In some cases, not only do units undergo change, but employees are also reassigned to different positions. In these situations, the appropriate training and instruction are provided in order to prepare the employees for their new roles, and support is offered through all stages of the transition and absorption. As a part of the process, in all cases of transfer of employees to a different position, the employee must be given at least one month's advance notice.

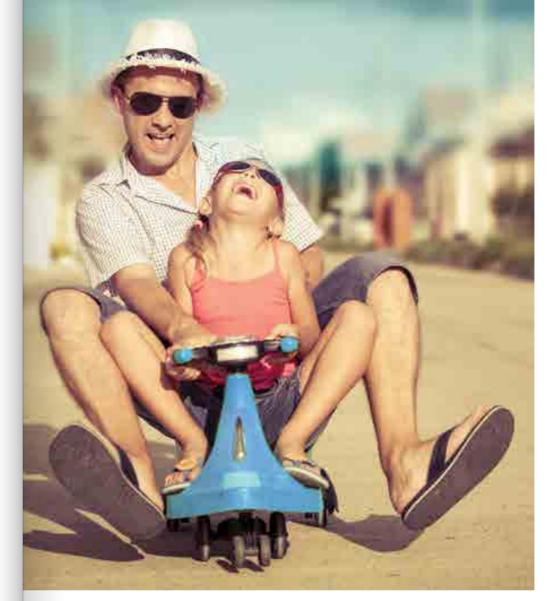
Employee Union

The Employee Union is first and foremost a strategic partner and a key stakeholder. The work of the management with the Employee Union follows a pattern of ongoing dialogue (updates, feedback, and consultations) and partnership in all key actions and processes in the day-to-day running of the bank. The roles fulfilled by the Employee Union include protecting every employee's rights and obligations; developing cultural, instructional, and social activities; and organizing mutual assistance among employees. The numerous activities of the union for the wellbeing of employees include summer day camps for employees'children across 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.

The national union heads the pyramid of local unions, which are organized into regional unions. Branch managers in each region have a regional union as well as representation in the national union. The national union consists of representatives of the regions (including branches and the head office), with representation proportional to the size of the region. The national union operates on the basis of association articles, accessible to all employees in a dedicated section of the organization's web portal.



- Elah system phase II Phase I of the Elah system will be expanded to additional types of loans available to eligible bank employees;
- Coaching days for managers Three coaching days in the area of human resources will be held during 2014 for branch managers and department heads at the head office, with the aim of improving their understanding and capabilities in this area;
- Poalim Health The Poalim Health drive will be launched in 2014 as a joint initiative of the Human Capital, Advising, and Resources Area and the employee union. Activities will be conducted throughout the bank on subjects such as good nutrition, exercise, family health, and preventive medicine. Information about this new project is presented in a dedicated area on the organizational portal; employees can keep current with tips and tools for a healthy lifestyle and receive information regarding the various activities.



These services provide appropriate solutions for a broad range of employee needs, from leisure activities to enrichment for employees and their families to professional assistance in times of personal or family crisis

Caring for Employees' Whole-Person Wellbeing

Wellbeing Services

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, from leisure activities to enrichment for employees and their families to professional assistance in times of personal or family crisis. A page in the wellbeing services section of the organizational portal, set up in collaboration with the employee union, offers employees of the bank a wide range of special offers and discounts. Employees are also offered discounts and subsidies on leisure activities, such as fitness clubs, swimming pools, and the Good Movie Club.

Another component of wellbeing services is a range of benefits in the following areas, offered through a joint fund of management and the employee union: gifts for holidays and special occasions, insurance, financial aid, and tuition aid for employees and their children.

2013 in Numbers:

15

CSR lectures were given for employees at the various units of the bank during 2013, 860 employees participated those lectures

2013 summary:

Caring for elderly parents: As part of the activity of the bank's CSR unit the section of the organizational portal dedicated to caring for elderly parents was updated. This section of the portal presents comprehensive professional information, aimed at assisting with the complex issues confronted by those who are caring for elderly parents. The information offered is designed to provide a better understanding of the issues, suggest practical tools for making the right decisions and saving time and resources, and help parents receive the best possible care

Safe driving manual: In early 2013, the bank introduced manuals for employees on various aspects of safe driving, guidance of new drivers, and purchasing a car. The manuals were also posted on the bank's website, as a public service The In House Art annual exhibition was held for the eighth time, to display a wide range of works by employees and retirees of the bank;

Occupational Wellbeing

The bank's occupational wellbeing unit provides assistance to employees during situations of distress, crisis, or change in their personal lives or in the family or occupational sphere, such as divorce, bereavement, single parenthood, illness, disability, retirement, and more. In some situations, intervention and assistance may also be necessary for the employee's family, or for the family members of a deceased employee. Contact is made through the manager or through a direct application by the employee to the occupational wellbeing staff, which can be performed without notifying the employee's managers, as the service is confidential.

Life Cycle Workshops

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, defensive driving classes, couples' workshops, language courses, courses on Israeli heritage, coaching workshops, mediation workshops, Adler method classes for parents of adolescents, and more.

Poalim Service Center

The Poalim Service Center offers a unique package of services to bank employees and their families, 24 hours a day. Among other matters, the center helps employees contact the police in cases of home burglaries, tows cars after accidents, and provides initial assistance and references to the appropriate professionals for malfunctions of household systems.

Preparing for Retirement and Keeping in Touch with Retirees

The bank's obligations in respect of retirement plans, compensation, and pensions are fully covered by pension plan assets. The bank cares for employees and employees' spouses approaching retirement age by offering preparatory courses and workshops regarding retirement, and maintains continuous contact with retirees. This includes support, financing, and cooperation with the retiree union, which organizes trips and leisure activities and arranges monetary assistance in times of need.



Assistance for employees suffering from prolonged illness - Prolonged illness is a difficult experience that changes the employee's routines and demands adaptation to a new and unfamiliar reality, in which various bureaucratic issues must be addressed alongside medical treatment, leading to pressure on the patient. In view of the importance accorded by the bank to the wellbeing of employees and their families, an aid package has been created for employees suffering from prolonged illnesses. This package will be offered when special difficulties arise as a result of a prolonged illness, in order to assist the employee with the economic, legal, bureaucratic, and emotional aspects of their condition, according to their needs.



The bank involves its employees in this process through internal changes in environmental practices, as well as through the attempt to maximize the impact of all of its environmental efforts in the hope that its employees, who with their families number in the tens of thousands, will become agents of change in their own communities. The bank involves its employees in this process through internal changes in environmental practices, as well as through the attempt to maximize the impact of all of its environmental efforts in the hope that its employees, who with their families number in the tens of thousands, will become

agents of change in their

own communities

Setting Environmental Policy

In recognition of the bank's social responsibility and the importance of sustainable environmental policies, Bank Hapoalim has formulated a comprehensive, formalized policy in this area. The policy was delineated by professional bodies and constitutes an integral part of the bank's strategy.

- The bank views environmental protection as a social value, managed as an integral component of its social responsibility:
- The bank recognizes that natural resources are an asset belonging to 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 environmental protection in its business decisions;
- The bank complies with environmental

regulations and laws, and adheres to the directives of environmental protection organizations;

- 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 measurable targets and monitoring the achievement of its objectives;
- The bank will continually measure its impact on the environment, 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 assimilate 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 creates shared value for the profit line of the bank's financial statements and for the environment;
- A policy of environmental responsibility makes it possible to improve the work environment, contributing to better quality of life for employees at work and higher workplace satisfaction.

Obeying the Law

The bank is aware of its legal duties in connection with environmental protection and prevention of environmental damage, and acts accordingly. No substantial fines or sanctions have been imposed upon the bank for violations of environmental laws or regulations.



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 routine 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, internal professional functions, 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 bank involves its employees in this process through internal changes in environmental practices, as well as through the attempt to maximize the impact of all of its environmental efforts in the hope that its employees, who with their families number in the tens of thousands, will become agents of change in their own communities. Towards that end, the bank strives to supply its employees and their families with information and tools designed to able more environment-friendly behavior, in driving, recycling, saving energy, and more. This effort expands

the bank's sphere of influence, so that its environmental impact expands from the internal environment of the bank to the external public arena.

This section extensively reviews the bank's material environmental impacts (energy consumption and paper use) as well as the reduction of its additional environmental impacts by various means. This approach is implemented through the bank's environmental management system, which was certified under the international management standard ISO 14001 during 2012. The bank is the first financial institution in Israel to attain organization-wide certification under this standard. Bank Hapoalim also takes responsibility for the indirect environmental impact of banking products. The Clients chapter discusses these environmental effects, with an emphasis on services and products that promote sustainable development and generate environmental value for the economy and the general public, while also maximizing financial value for the bank's customers

The central principle in efficient management of electricity consumption by offices is coordinated timing of air conditioning and lighting systems and of computer operation, according to employee presence, to the extent possible. The collection and analysis of as much data as possible allows organizations to identify excessive consumption and find the optimal solution

Power Consumption Management and Energy Efficiency

Electrical power is a key resource used at the bank. The basic assumption is that in enterprises that operate in an office setting, just as in industrial operations, electricity should not be seen as an uncontrollable expense or as a necessary evil. Electricity should be managed as a resource, with rigorous analysis of power consumption over the course of the day, week, and year, and with comparisons among buildings.

The central principle in efficient management of electricity consumption by offices is coordinated timing of air conditioning and lighting systems and of computer operation, according to employee presence, to the extent possible. The collection and analysis of as much data as possible allows organizations to identify excessive consumption and find the optimal solution. Virtually all of the energy consumed at Bank Hapoalim comes in the form of electricity (with the exception of fuel consumption) which supplied by the Israel Electric Corporation. There are no additional suppliers of energy for the bank which produce energy renewable sources.

decrease by Oolo in power consumption compared with 2012



Data on the bank's total power consumption in 2013 indicate a 3.2% decrease compared with 2012

2013 in Numbers:

6,000 telephones

IPT switches: Installed at 105 branches and sites to manage telephony through a centralized computer system, saving employee travel. 6,000 telephones are currently covered by the new technology

2,200 users

Fax2Mail: Expanded to over 2,200 users throughout the bank; 200 new users were added during the year

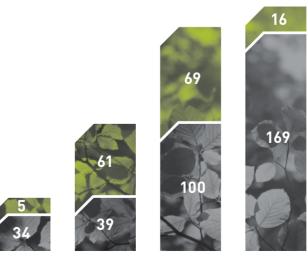
Energy Efficiency

2009

Command and Control Systems

The bank uses computerized command and control systems to monitor and control all of its energy consumption; these systems provide alerts of significant problems, and controls consumption of air conditioning and lighting based on the presence of employees and customers in each building. The systems have been installed at all of the bank's facilities, and are operated based on a fixed regime according to work hours at each branch or building. The systems were installed at all new branches opened during 2013.

Installation of VRF air-conditioning systems

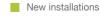


2010

2011 2012

Installation of Efficient Air Conditioning Systems

The bank is installing new chillers with a higher COP (coefficient of performance), as well as VRF (variable refrigerant flow) air-conditioning systems, which will lead to savings of about 38% on energy and maintenance costs (20% of the savings are in power consumption), relative to other systems, for replacements and installations;. The process of replacing the air-conditioning systems (chillers) at the bank's head-office buildings and the VRF systems at the branches continued during 2013.



2013

Existing systems

Energy consumption at Bank Hapoalim

	2011	2012	2013	Change vs. 2012
Total (KwH)	94,058,465	93,600,417	90,616,904	-3.19%
Total (GJ)	338,610	336,962	326,221	-3.19%
Consumption per employee (KwH)	8,299.5	8,367.6	8,493.5	1.5%
Bank area in sq. m.	312,787	312,316	308,909	-1.09%
Consumption per square meter (KwH)	300.71	299.7	294.1	-1.87%

Transition to Energy-Efficient Lighting

Following the success of the installation of LED lighting at the head-office buildings, in terms of return on investment period, low maintenance needs, etc., in 2013 the bank considered installing LED lighting at its branches. A model was created and analyzed, with the assistance of a team of experts, leading to the conclusion that instead of installing all LED lighting at new branches, LED bulbs should be integrated with T5 compact energy-efficient lights. The analysis demonstrated that a transition from T5 bulbs to LED bulbs does not generate the same cost/benefit results as the transition from T8 to T5 bulbs. Accordingly, a decision was reached to create an individual solution tailored to each new or renovated branch.

Volume Sensors

In a pilot project carried out during 2013, volume sensors were installed at the bank's head-office building, to switch off lights and air conditioning when a room is empty. A technical and financial examination determined that due to the high cost and long return on investment period (at least eight years), the installation is not economically justified.

Green IT

The bank also works to achieve energy saving and efficiency by thoroughly examining the possibilities for green information technologies at its branches and offices. Energy efficiency is one of the parameters in the procurement tenders for IT equipment. Equipment with more efficient power usage earn added points in IT tenders, motivating bidders to supply more advanced equipment. In addition, the hardware and communications division does not rely on manufacturers' information only regarding the performance of the various components, and running the necessary tests on server hardware and software, printers, and peripheral equipment at a laboratory set up for that purpose. The tests allow for products to be examined in greater depth, and serve as a preliminary stage to pilots in the field to generate more reliable forecasts. Main activities carried out during 2012 in the area of green IT:

■ IP telephony - The bank is gradually transitioning its landline communications to an IPT system. The transition enhances landline communications management by allowing digital management through a centralized computer system. This connection eliminates the need for local switchboards at each branch and allows internal calls between system users to be performed free of charge, without using the Bezeq network. In addition, the phones allow users to dial through their computers and to access a directory of all telephone numbers in the organization. The transition to an IP switchboard improves the bank's control over its communication system and saves power consumption due to the elimination of local switchboards;

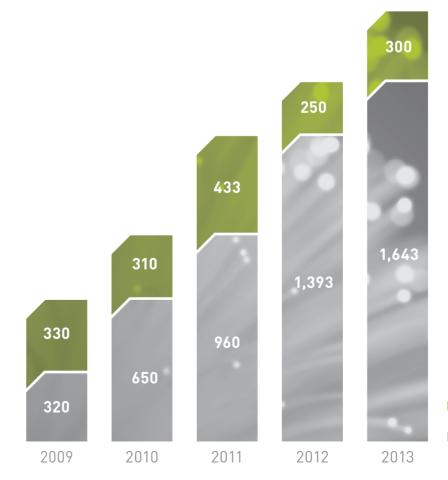
2013 in Numbers:

54

Printing centers: A total of 54 centers have been installed to date, cutting paper and toner use by about half

New air-conditioning systems: The bank continued to install the most powerefficient systems to replace older air-conditioning systems in its buildings during 2013; a chiller system was installed at the Rubinstein Tower headoffice building

Installation of virtual servers



- Reduction of energy consumption at the server farm In 2013, the bank completed the conversion of its physical servers to servers based on consolidation and virtualization technologies. The servers allow savings on power consumption for cooling, optimal utilization of server resources, reduced maintenance, and savings on physical space;
- Transition to printers and printing centers with double-sided printing capabilities - The bank is gradually replacing department printers, fax machines, scanners, and photocopiers with integrated printing centers, operated by an employee card reader, with double-sided printing capabilities. The printing centers generate savings of about 40% on paper consumption and financial expenses; the cost recovery period was found to be one year from installation. In addition, where personal and/or department printers are in place and a printing center is not necessary, the existing printers are gradually being replaced with printers that offer a double-sided printing function.

Additional savings on power consumption in computer use are achieved at the bank through a system that turns off personal computers at the end of the workday and through the use of a fax-to-mail / mail-to-fax application.

New installations

Existing systems



decrease by

O

Average consumption per square meter

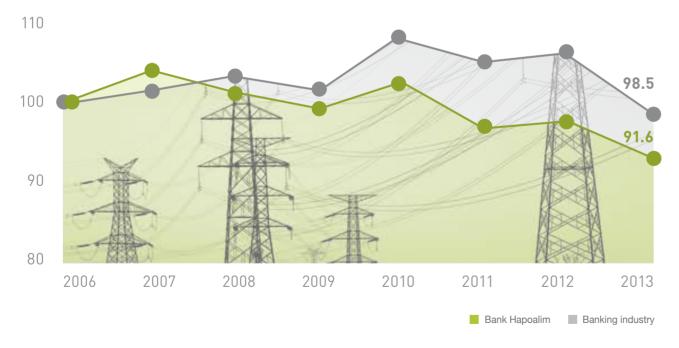
compared with 2012

Management and Measurement of Power Consumption

The bank maintains a power consumption database, which is routinely updated to reflect structural changes in the bank's properties as a result of addition, closure, rental, or change in designation. The database enables the bank to examine the monthly and annual consumption patterns of each property, compare it to buildings of similar size and designation at the bank, and compare multi-year trends in consumption per square meter and per employee. The database also makes it possible to identify trends of improvement and increased efficiency, and to locate properties with a risk of inefficiency or malfunction.

Data on the bank's total power consumption in 2013 indicate a 3.2% decrease compared with 2012. Average consumption per square meter decreased by 1.9% compared with 2012. Power consumption per employee increased slightly, due to the decrease in the bank's headcount in 2013. In addition to the contribution to the environment, the downward trend in electricity consumption in 2013 has financial implications in the form of cost savings, especially given the 5.5% average rise in electricity rates during 2013.

Bank Happalim is more efficient in power consumption in comparison to banking industry*



^{*} Gadir Engineering Ltd. analyzes power consumption at business firms, among other activities. Starting in 2006, the company has issued an index of power consumption in the banking sector. The index presents the relative multi-year change in power consumption at Bank Hapoalim and at other banks; the reference point (100%) is the volume of consumption in 2006. As shown in the diagram, power consumption at the bank has grown more efficient over the last seven years. The index does not factor in changes in the area of the banks' properties or power consumption in buildings shared by the banks with other entities (branches located in shopping malls, or premises shared by banks and government agencies, other businesses, etc.).



- The bank will begin the installation of approximately 150 printing centers in its head-office buildings in 2014. The printers and systems will be connected to a central server, allowing precise monitoring of the quantity printed by each unit as well as the application of uniform print settings, such as secure and double-sided printing, color restrictions, and deletion of unneeded print jobs. The installation will progress over the course of 2014-2015, and is expected to lead to annual savings of approximately 11 million pages (about 40% of current consumption) as well as significant financial savings;
- In 2014, the bank will continue the installation of VRF systems at its new branches and the replacement of old systems with these systems during renovations and refurbishments of branches;
- Outdated fluorescent bulbs in the parking garage of the Rubinstein Tower head-office building will be replaced by LED lighting in 2014.

Data on Bank Hapoalim vehicles

	2008	2009	2010	2011	2012	2013
Number of vehicles in leasing fleet	1,407	1,364	1,324	1,329	1,288	1,238
Annual fuel consumption (in liters)	3,979,223	3,719,817	3,586,759	3,574,235	3,440,152	3,448,047
Mileage in kilometers per liter (based on manufacturer data)	9.8	10.8	10.1	10.1	10.5	11
Number of hybrid vehicles in the fleet	97	115	110	23		

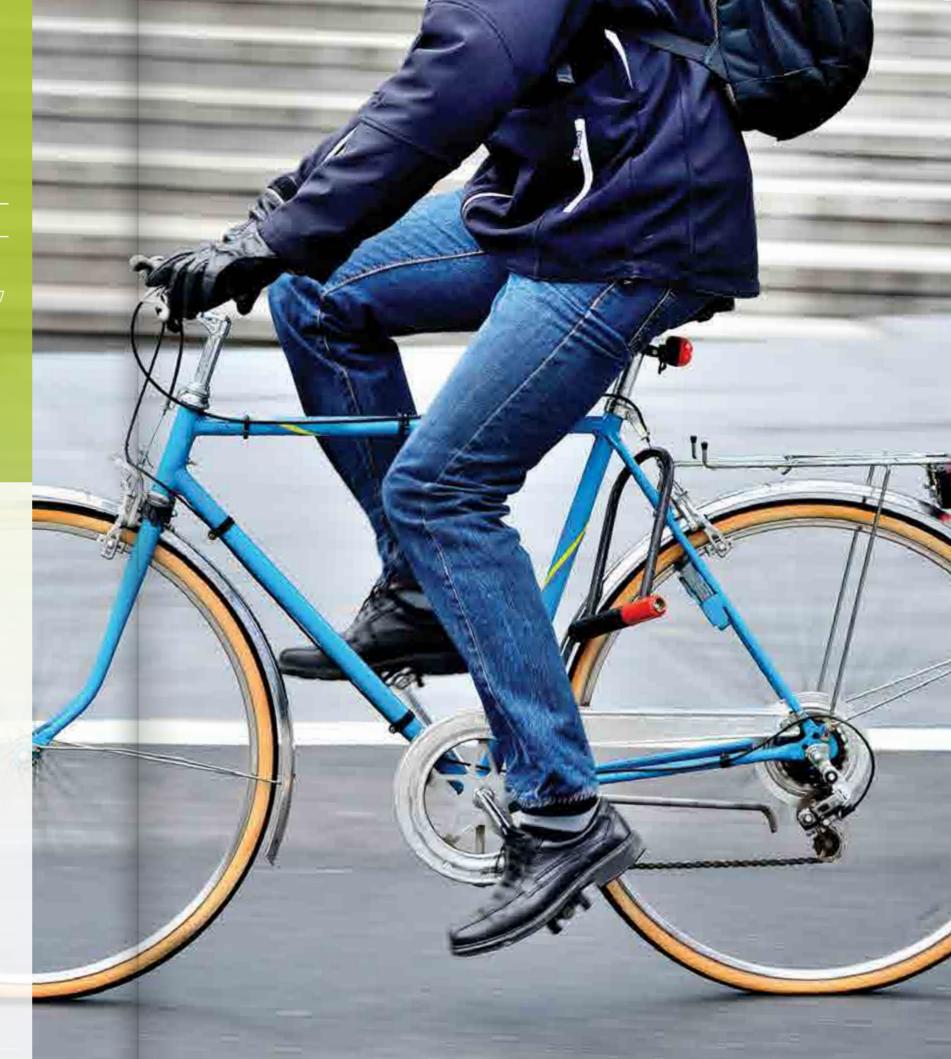
The bank is working to reduce its fuel consumption, and consequently to cut back air pollution, by various means

Reduction of Energy Consumption in Transportation

The direct and indirect environmental impact of Bank Hapoalim in the area of transportation, primarily fuel consumption and emissions resulting from fuel burning, derive from the bank's vehicle fleet and the internal system for transportation between branches and facilities of the bank. The bank is working to reduce its fuel consumption, and consequently to cut back air pollution, by various means. These include:

- Limiting the vehicles chosen for the vehicle fleet to those with a pollution rating of 8; most of the vehicles at the bank, have lower pollution ratings;
- Conducting a dialogue with employees through the organizational portal – publication of articles and recommendations concerning safe, efficient, careful driving;
- Encouraging employees to commute by bicycle The bank encourages employees at the head office to ride bicycles to work, by providing showers and bicycle parking spots;

In addition, a large proportion of banking services are consumed digitally or over the telephone, eliminating the need for customers to visit a branch, which leads to reduced travel and air pollution.

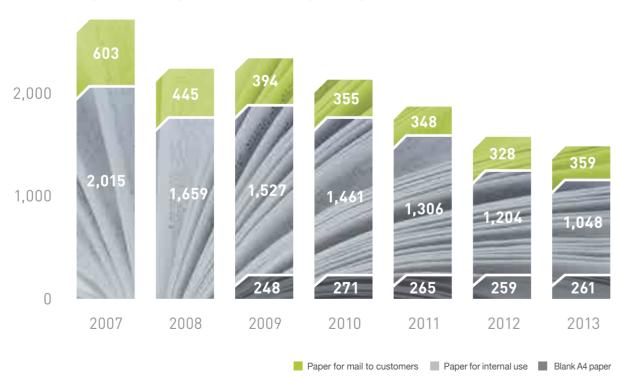


The drive to reduce paper consumption at the bank continued during 2013. Special attention has been devoted to fully maximizing the potential for automation of formerly paperconsuming processes

Management of Paper Resources

Paper is one of the main raw materials consumed during the routine operations of the bank; as such, this resource is managed in an effort to cut back consumption and increase recycling. The drive to reduce paper consumption at the bank continued during 2013. Special attention has been devoted to fully maximizing the potential for automation of formerly paper-consuming processes. This important achievement has primarily been made possible by the Paperless Branch strategic project. The project, which has been led by the LEAN Unit at the Corporate Strategy Area since 2009, entails analysis of the bank's paper consumption and of the possibilities for reduction or elimination of forms and reports, both for internal needs and in mail to customers.

3,000 Paper consumption at the bank (in tons)





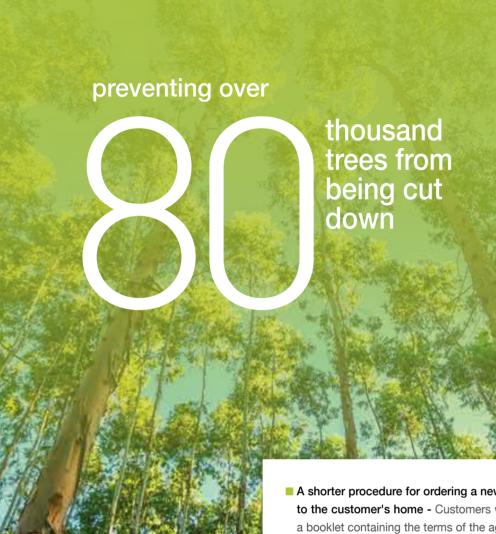
Paperless Branch

The main activities conducted within the Paperless Branch project in 2013 are reviewed below.

■ Digital signatures and touch screen customer service - A digital signature process was developed in 2013 for cashier transactions executed at the branches. Customers who receive face-to-face service from bankers are shown details of the transaction on a touch screen, and they sign the form digitally. When the transaction is complete, the customer receives a printed confirmation. However, the bank intends to stop the current practice of printing and retaining hard copies of these documents; instead, the documents will be retained at the bank in digital format.

This change will save filing time, allow rapid retrieval of documents, and contribute to a paper-free environment, creating environmental benefits as well as financial savings of millions of NIS each year on paper and storage costs. The rapid retrieval capabilities will also make it possible to respond more promptly to customers' queries requiring a search for documents. Touch screens will be used in cashier transactions executed face-to-face, including cash deposits and withdrawals, check deposits and withdrawals, creation and withdrawal of deposits, bank transfers, payment of bills, and checkbook orders and pickups. The annual paper savings are expected to reach approximately 15 million pages annually;

The initiatives of the Paperless Branch Unit have resulted in cumulative paper savings of about 150 million pages since 2009 (equivalent to 750 tons of paper). The full potential annual savings of all of the initiatives are estimated at 280 tons of paper





Cumulative savings in paper consumption, measured since 2007, reached 5,274 tons. This figure is equivalent to preventing approximately 80,500 trees from being cut down for the paper industry

- A shorter procedure for ordering a new credit card and delivery of the card to the customer's home Customers who order a new credit card are given a booklet containing the terms of the agreement and asked to sign just a few pages, rather than the 20 pages printed and signed in the past. Customers sign only one booklet for all of their cards in a particular account, and they can choose to have the card delivered to their home. This allows significantly shorter service times for orders of cards, as well as savings on the resources used to come to the branch in order to pick up the card. The annual paper savings due to this process are expected to reach approximately 10 million pages annually;
- Green accounts Customers can receive a copy of instructions transmitted by fax through the direct channels (Mail-Net, fax, or automatic mail); a copy of the transaction is retained on the bank's systems. This process makes it possible to use a range of distribution channels according to customers' needs, and will lead to savings of approximately 1.5 million pages annually;

- Elimination of paper reports In the course of the bank's routine work, approximately 950 types of paper reports are generated and used by the administrative units and the branches each year, at a volume of 13 million pages. Following detailed mapping of users' needs, the production of most reports has been discontinued, leading to savings of approximately 10 million pages annually;
- Double-sided mailing The bank has transitioned to double-sided printing of notifications sent to customers by direct mail. The structure and content of the notifications is unchanged. Double-sided printing is applied per notification; different notifications are printed separately, adding to earlier drives to consolidate and aggregate several customer notifications in a single envelope. This change will lead to paper savings of 18 million pages annually in notifications sent to customers.

Digital signatures and touch screen customer service

paper savings are expected to reach approximately 15 million pages annually

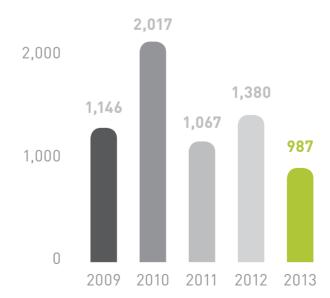
A shorter procedure for ordering a new credit card and delivery of the card to the customer's home

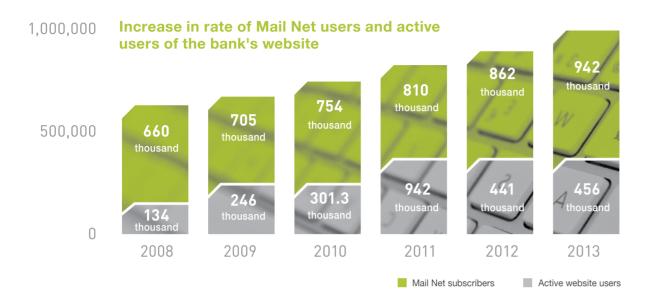
paper savings
expected to reach
approximately
10 million pages
annually
million

Green accounts

paper savings expected to reach approximately 1.5 million pages annually

Collection of paper for recycling (in tons)





2013 in Numbers:

48%

Paper consumption:

Consumption at the bank decreased by 123 tons in 2013 relative to 2012. Since 2007, paper consumption for internal needs has decreased by 48%, and paper consumption for mail to customers has decreased by 40.5%

18

Tons Cardboard recycling:

18 tons were collected by the bank and transferred for

456

Thousand Mail Net:

456,000 customers use this service. The number of users grew by

Paperless Branch:

Selected as the outstanding project in the area of innovation at the IT Awards 2012; won honorable mention in the Banking Technology competition, in the category Best Green IT Initiative by a

Mail Net

Bank Hapoalim aims to streamline and reduce mailings to customers. Under various regulatory consumer protection directives, the bank is required to send mail to its customers, at specified times, containing the details specified by law. Within this requirement, the bank is working to reduce its paper consumption. This effort includes consolidation of messages, reduction of mailings where possible, and environmental mail initiatives such as Mail Net. The Mail Net service enables registered customers to receive account notifications through the bank's website, in a mailbox linked to their online account. Every customer registered for this service contributes to average savings of 45 mailed pages annually.

Paper and Cardboard Recycling

The bank collects and transfers paper waste for recycling: paper no longer in use (documents, forms, etc.) is regularly and systematically collected and transferred for recycling by a specialist external company. As part of this effort, each employee has a bin designated for paper collection. Cardboard containers are also collected at the head-office buildings (Rubinstein, Yehuda Halevy, and Rothschild). Cardboard is collected and compressed, and then transferred for recycling.

Transition to Recycled Paper

At the beginning of 2011, the bank made the transition to green A4 paper for its printers and copiers. The green paper is made in Israel, using a combination of 50% recycled fibers and 50% ordinary fibers (original cellulose).



Digital signatures - The use of digital signatures on touch screens at teller stations will be expanded to most of the bank's branches during 2014. This transition eliminates the practice of printing a physical copy of forms to retain at the bank, which will lead to savings on document filing time, allow rapid retrieval of documents, and contribute to reduced paper consumption and use as well as to financial savings of millions of NIS annually on paper and storage costs.



2013 summary:

Green construction Construction projects carried out by the bank in 2013 used environment-friendly elements such as efficient air-conditioning units, energy-efficient lighting, shading to save energy used for air conditioning, and acoustic ceilings to prevent noise pollution.

The bank manages environmental issues systemically, based on the international standard ISO 14001. The system formalizes organized work processes in the various interfaces used at the bank for environmental management, addressing all milestones and the completion of processes. Controls are applied to ensure compliance with the requirements of the law as well as with norms in this area

Reducing Additional Environmental Impact

Production and service processes in banking have a minor direct environmental impact, as the bank's activity is essentially administrative and the service it provides to its customers is digital by nature. Nonetheless, Bank Hapoalim strives to minimize the additional environmental impact of its activity. The bank manages environmental issues systemically, based on the international standard ISO 14001. The system formalizes organized work processes in the various interfaces used at the bank for environmental management, addressing all milestones and the completion of processes. Controls are applied to ensure compliance with the requirements of the law as well as with norms in this area.

The bank involves its employees in this process both through internal changes in environmental practices and through the attempt to maximize the impact of its overall environmental activities, in the hope that its employees will become agents for change in their own right. In accordance with this worldview, the bank aspires to rigorously manage its direct environmental impact, with employee involvement whenever necessary, after the infrastructure for appropriate environmental conduct has been established. The bank engages employees in these processes, based on the philosophy that their participation is essential for success. In addition, the bank seeks to extend its influence on environmental conduct to employees' communities; with their families, the bank's employees are a force for change numbering in the tens of thousands. Towards that end, the bank strives to supply its employees and their families with information and tools to enable them to be greener, in driving, recycling, saving energy, and more.

Promoting Green Construction

The bank has adjusted all of the purchasing specifications used for the construction of its office buildings and branches to align with green construction principles. It is important to note that a significant number of branches 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. As part of this process, the bank has started to install environment-friendly carpets in several buildings. The carpets are manufactured in compliance with international environmental standards. The bank has made a decision to use environment-friendly carpets in all future installations at its properties.

Turning Waste into a Resource and Preventing Pollution

Environmental trends of recent years have highlighted the fact that one person's waste is another's resource. Population growth creates pressure on ecological systems, making it difficult to meet demands for natural resources such as metals, wood, water, fossil fuels, and more. In addition, without proper treatment, waste pollutes the environment and damages soil, water, and the air, while contributing to global warming.

These and other insights highlight the importance of a methodical approach to the future of the materials and products that we consume, after they have been used. Bank Hapoalim mapped the types of waste generated by its operations, and subsequently examined the most environmentally beneficial methods of treating such waste:

Reuse of a resource or of its components (either in its existing condition, or after improvement);

Recycling of the resource by external parties, who convert it into raw material and then reinsert it into the production process;

Responsible disposal through collection and transfer to a licensed site (prevention of environmental pollution). 15.8 Tons

Electronic waste: 15.8 tons were collected and removed from the recycling receptacles at the bank during 2013, in addition to the centralized removal performed by the bank's corporate procurement unit (see table presenting data of electronic waste disposal)



2013 in Numbers:

 110_{thousand}

Beverage bottles and cans: 110,000 bottles and cans were collected at the bank for recycling in 2013

Batteries: 960 kg were collected and removed from the bank's

Medications: 12 sacks of expired medications were 18,560 | 21,700 | 2,526

Fluorescent bulbs: 18.560 bulbs were collected

Ink and toner cartridges: machines used 21.700 ink

Construction waste: 2.526 cubic meters of waste were removed from construction sites



The bank promotes the collection and responsible disposal of waste through the following activities, among others:

- Collection of electronic waste Bank Hapoalim strictly maintains responsible, orderly disposal of disused computer equipment. Computer equipment not suitable for donation is transferred for responsible recycling and disposal each year. All mobile devices no longer in use are returned to the supplier for responsible disposal. All other disused electronic equipment is transferred to Ecommunity, which specializes in electronic waste recycling and employs workers with disabilities. Head-office employees can bring electronic waste from their homes to the collection center at Rubinstein Towers in Tel Aviv;
- Responsible disposal of construction waste The bank includes a contract clause in its agreements with construction and renovation contractors working at its branches and buildings requiring the responsible removal of waste to a licensed facility. The aim is to fully prevent construction waste originating with the organization from reaching unlicensed sites or open fields;
- Collection of bottles and cans Systematic recycling in collaboration with the ELA recycling corporation. Refunded deposits are transferred to the unit's employee union and used to finance various social activities, donations, etc.

Instilling the Habit of Recycling at the Bank

The bank has developed a series of receptacles for waste collection and recycling at its buildings, with an emphasis on high quality and design. This effort is based on the concept of turning waste into a resource, and on the idea that design sells. The process is being conveyed to employees through intra-organizational communication, in which the bank encourages its employees to collect and recycle waste. The receptacles offer a convenient, accessible destination for removal of waste in the workplace, contributing to manufacturing and reuse processes, in addition to the reduction of environmental

damage. Recycling receptacles are available for paper, electronic waste, fluorescent bulbs, bottles and cans, batteries, used clothes, and medication. The waste is collected and treated by licensed operators.

The bank has developed a series of receptacles for waste collection and recycling at its buildings, with an emphasis on high quality and design. This effort is based on the concept of turning waste into a resource, and on the idea that design sells. The process is being conveyed to employees through intraorganizational communication, in which the bank encourages its employees to collect and recycle waste

	2008	2009	2010	2011	2012	2013
Computers	473	698	258	714	273	496
Monitors	959		354	284	150	168
Printers		405	324	170	151	243
Servers	24	26		104	197	
Keyboards				174	120	
Telephones				120		1,100
Fax machines				30	18	
Routers				26	9	
Hard drives						540
32-46 LCD monitors						50
Scanners						
Other				28	16	18
Total	2,213	1,543		1,650	934	2,278

LIVING WITH THE **ENVIRONMENT**

Measuring the Carbon **Footprint**

Bank Hapoalim recognizes the phenomenon of global climate change, and therefore monitors the key elements that contribute to greenhouse-gas emissions. In 2010, Bank Hapoalim joined the voluntary greenhouse-gas reporting system of the Ministry of Environmental Protection. Since that time the bank has reported to the recording system in accordance with the established methodology. In addition to energy consumption (electricity and transportation), the bank monitors indirect sources of emissions, such as paper production, branch construction, waste treatment, air travel by employees, and more. For a control report on annual carbon footprint data, see page 184.

Emission of Substances that Damage the Ozone Layer

The bank uses five main types of air-conditioning systems: split air conditioners, central air conditioners, VRF systems, cooling towers, and chillers. The older systems use freon gas, which is permitted by law, but may be harmful to the ozone layer. The bank is working to replace these existing airconditioning systems with systems that use only environment-friendly gases. The air-conditioning systems of all of the bank's properties in aggregate contain about 24 tons of coolant gas, of which approximately 65% is the environmentfriendly R-410a. During leak repairs and routine maintenance in 2013, the coolant gas in the air-conditioning systems was supplemented by approximately 2.45 tons.

2013 in Numbers:

72% 11%

Total carbon footprint of Bank Hapoalim in 2013: 94.342 tons CO2eq., decrease of

Reduction at source: The to emission savings of 10,332 source, the bank's carbon

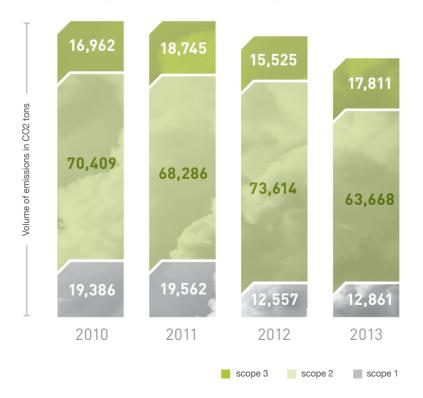
Carbon footprint data (in tons of CO2eq)

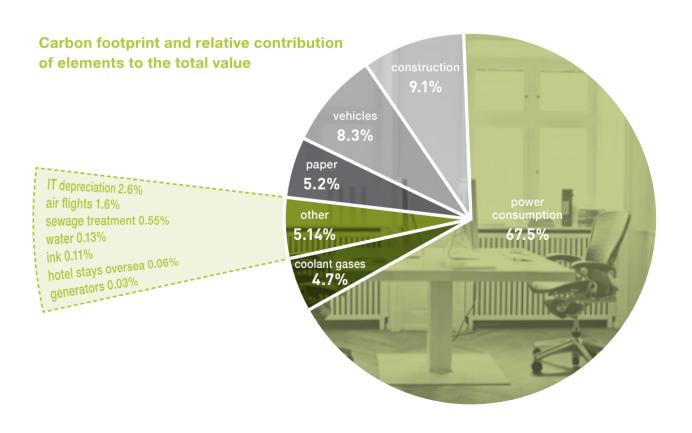
Year	2011	2012	2013	Change vs. 2012
Total	106,593	101,696	94,342	-7.2%
Per employee	10.44	10.05	9.68	-3.6%
Per square meter	0.34	0.33	0.31	-6.2%

LOOKING **AHEAD**

The Bank aims to reduce greenhouse gas emission intensity of its operations, and set a goal of reducing emissions intensity on a scale of 1% each year during the next five years. Moreover, in the future, the Bank aims to keep an 0% increase in GHG emissions intensity of its operations.

Carbon footprint measurement scopes







Bank Hapoalim adopted
an ethical code that
addresses the values of
accountability, trust, integrity,
and respect. The code
defines the relationship
between employees and their
environment - the bank, other
employees, customers, and
the community

2013 summary:

The bank's ethical code was updated during the year. The section on the prevention of bribery and corruption was updated, and the update was communicated to all employees and managers at the bank

A tutorial and video dedicated to this subject were developed during 2013 and integrated into the new learning system

The survey of employees' opinions conducted in December 2013 addressed ethical aspects of the working environment at the bank, among other matters

Employee inquiries regarding ethics were responded to and addressed routinely; 3 inquiries from employees and managers were processed during 2013

Instilling the Ethical Conduct Code

In 2004, Bank Happalim adopted an ethical code that addresses the values of accountability, trust, integrity, and respect. The code defines the relationship between employees and their environment - the bank, other employees, customers, and the community. The ethical guidelines stress employees' respectful behavior towards their environment and the bank's commitment to treat employees fairly and respectfully. In 2009, the bank updated the code, with renewed phrasing and expanded content, and the code became a global ethical code. In 2010, the code was officially launched for employees. The process of assimilating the code was conducted on three organizational levels: the individual level, the level of leading forums, and the organizational level. The process aimed to reinforce the status of the code as a significant element of the bank's organizational culture. The ethical behavior code is divided into four sections:

- My work at the bank Defines the relationship between the bank and its employees;
- Customer relationships Defines the relationship between the bank and its customers of the bank;
- Relationships with external parties, suppliers, and competitors Defines the relationship between the bank and external parties, suppliers, and competitors;
- Promoting the environment, society and community in Israel Deals with the bank's social involvement, environmental responsibility, employee quality of life and welfare services and its customers' wellbeing.

An organizational structure has been established with the aim of promoting a culture of conduct congruent with the ethical code. The structure encompasses work processes and reporting channels in this area. Within the new structure, the head of the Human Capital, Advising, and Resources Division was appointed as the bank's ethics officer. The role includes:

- Management of learning and guidance processes;
- Creation of various reporting channels for employees disposal;
- Discussing ethical issues raised by employees through the various channels at their disposal;
- Discussing cases of violation of the code.

In addition, a head of ethics was appointed at the Poalim Campus, from the Leadership and Organizational Development Unit. The responsibilities of the head of ethics include helping to instill the code. The channels for reports on ethical issues were changed in 2013. Responsibility for this area was transferred to the chief risk officer of the bank, in order to allow a single independent function to oversee all of the reports. To ensure that employees who submit reports are protected and are not harmed as a result of the report, a process and procedure

have been developed and approved by the board of directors in order to maintain these employees' anonymity and protect them. The full ethical code is available on the bank's website.

Prevention of Bribery and Corruption

As a banking organization at the heart of Israel's business and economic community and as a player in the international business arena, Bank Hapoalim is committed to an active role in the international fight against corruption.

Bank Hapoalim recognizes that corruption and bribery are a harmful threat. The bank strongly rejects corruption and bribery. The bank is committed to implementing its policy in this area, from the level of its board of directors and management to the level of each individual employee, including the adjustment of existing mechanisms and work processes

The bank has been proactive in preventing corruption and bribery for many years, in a variety of contexts. The bank has a system comprising content, processes, controls, and procedures designed to prevent corruption and bribery. Key sections on this subject have been added to the bank's ethical code, reflecting its position on the prohibition of corruption and bribery and on receiving or giving gifts or benefits, with the aim of making a clear and unequivocal statement to all of the bank's internal and external stakeholders regarding its policy in this area. No events of corruption occurred at the bank during 2013



- All employees of the bank will study the updated tutorial on the ethical code in 2014;
- The content of the ethical code will be integrated into the various courses on banking.

The Bank Hapoalim Group operates in all areas of banking in Israel through two main units. The Corporate Banking Area serves most business clients. The Retail Banking Area serves households, private-banking clients, and small businesses, through the branch network

The Bank's Profile

Bank Hapoalim was founded in 1921 by the central institutions of the Jewish Settlement ("the Yishuv") at the time - the Zionist Histadrut and the Histadrut General Federation of Hebrew Workers in Eretz Yisrael - and incorporated as a limited company under the Companies Ordinance. The Bank is a "banking corporation" and holds a "bank" license under the directives of the Banking Law. In 1983, within an arrangement formulated between the Israeli government and the banks, the shares of the Bank were brought under state control, and it was fully privatized in 1997, with the controlling interest transferred to the current controlling shareholders and others.

Bank Hapoalim Group Activity in Israel

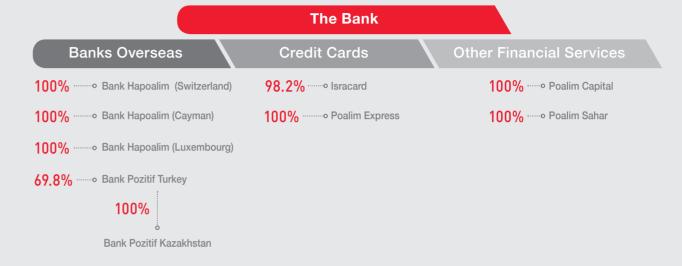
The Bank Hapoalim Group operates in all areas of banking in Israel through two main units. The Corporate Banking Area serves most business clients: large corporations are served by head-office sections specializing in each sector; middle-market firms are served by seven business centers located throughout Israel. All clients of the Corporate Banking Area receive operational banking services through a network of 22 business branches. The Retail Banking Area serves households, private-banking clients, and small businesses, through the branch network; operates services through the direct channels (Internet, telephone, and mobile), and oversees consumer credit and mortgages. The Retail Banking Area operates through 264 branches, providing the full range of banking services.

Organizational and Operational Structure





Chart of the Bank's main holdings*



The chart includes the principal companies held directly by the Bank or indirectly through private subsidiaries under the full ownership of the Bank. The wholly-owned subsidiaries through which the companies in the above chart are held do not appear In the chart. For the purposes of this chart, a principal company Is a company engaged in business operations which in the opinion of the Board of Management of the Bank is a principal company In the Group, and In which the Bank's investment is at least 1% of the shareholders' equity of the Bank, or the Bank's share of whose net operating profit (loss) attributed to shareholders of the Bank exceeds 5% of the net operating profit (or loss) attributed to shareholders of the Bank (similar to the criterion established in Public Reporting Directive No. 662 of the Supervisor of Banks regarding the statement of data on principal subsidiaries in financial statements of banking corporations).

In addition to its banking business, the Bank Group also engages in related activities, mainly in the areas of credit cards and the capital market. In the credit card sector, the Bank Group - through a subsidiary (the "Isracard Group") - issues, operates, and markets credit cards, within and outside the Bank, for use in Israel and overseas, and clears transactions executed using its credit cards as well as externally-issued cards. The Bank Group's capital-market activity includes providing services for the execution of trading transactions in securities (brokerage), securities custody services, research and consulting, services for financial asset managers, investment portfolio management, and issuance underwriting and management.

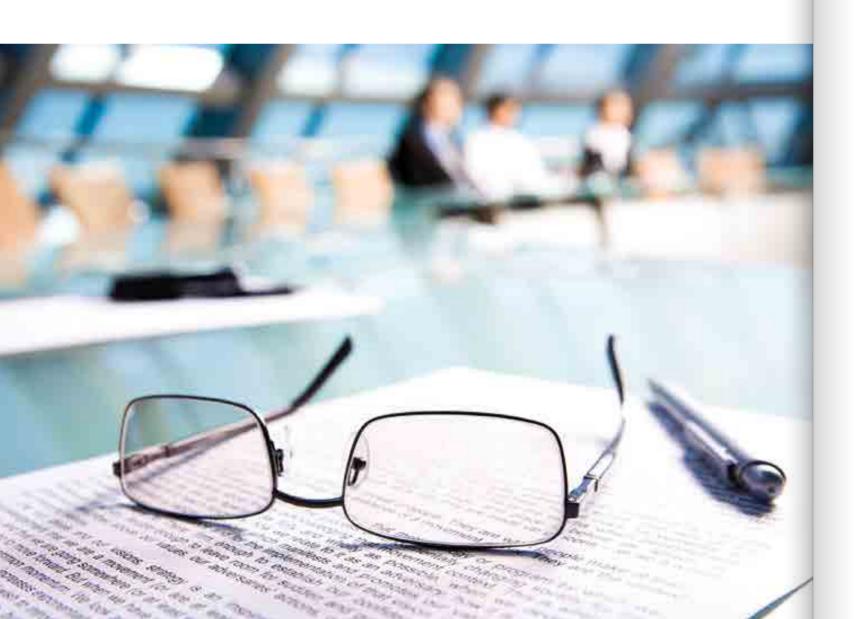
Bank Hapoalim Group Activity Overseas

In addition to its activities in Israel, the bank group operates overseas in the private-banking and corporate sectors, in Europe, the United States, Canada, Latin America, and Asia. Overseas activities are conducted through the bank's branches, representative offices, banking subsidiaries, and asset-management subsidiaries. The bank group also operates in the households sector and in the commercial sector in Turkey and Kazakhstan. In its private-banking business, the bank group provides high-net-worth clients overseas with advanced,

professional products and services, including investment products and global asset management. Corporate banking overseas encompasses credit for local and foreign borrowers, including participation in credit organized by leading foreign banks; credit for borrowers with an affinity to Israel and investments in bonds. Within its international operations, the bank maintains relationships with foreign banks around the world. The key focus of the bank's strategy is the development and expansion of its international activity, in the area of global private banking as well as commercial banking in New York. The bank aims to continue to expand its service offering and improve its capabilities in the areas of products, marketing, and customer service.

Ownership Structure and Legal Organization

The holder of the permit for control of the bank, near the date of publication of its financial statements, is Ms. Shari Arison. Her stake in the bank is held through several trusts that have holdings in the Israeli companies noted below, which own shares of the bank: Arison Holdings (1998) Ltd. holds shares comprising approximately 20.24% of the bank's share capital near the date of publication of the financial statements, which constitute the "controlling interest" of the bank (as defined in the control permit issued by the Governor of the Bank of Israel); Arison Investments Ltd. (a sister company of Arison Holdings), through a wholly-owned subsidiary, holds the entire share capital of Salt of the Earth Ltd., which holds shares comprising approximately 1.30% of the share capital of the bank (for further information on this matter, see the financial statements for 2013, pp.22-23). during last 3 years the bank didn't issued new shares to the public.



Corporate Governance

Governance

As a part of the banking system in Israel, Bank Hapoalim operates in a broad legislative environment including primary legislation, standards, and regulations with which the bank is obligated to comply: the Banking Ordinance, the Bank of Israel Law, the banking laws concerning licensing and customer service, the rules of the governor of the Bank of Israel, directives of the Supervisor of Banks, and more. These factors regulate the bank's activities on various levels, including requirements with respect to its capital and ways of managing capital, exercise of internal and external auditing, and the areas in which the bank is permitted to engage. According to the Companies Act, shareholders can suggest discussion issues for the next general meeting. Employees are able to appeal to the board according to the bank's procedures and legal requirements.

The Board of Directors: Composition, Activity, and Committees

The Bank Hapoalim Board of Directors operates in accordance with corporate governance guidelines established by law, including the Proper Conduct of Banking Business Directives of the Bank of Israel and the SOX Act. The bank implements all of the directives set forth in the legislation, standards, and regulations with regard to preventing conflicts of interest within the board. As part of the separation of duties required between management in practice and the formulation of policy and supervision, the board's chairperson does not serve as an executive at the bank. Directors are selected pursuant to the directives of Israeli law - the Companies Law, 1999, and the derived regulations; the Securities Law, 1968; and the Proper Conduct of Banking Business Directives of the Bank of Israel - as well as the bank's codex. The directors' duties under the law are uniform for all types of directors; the basic duty is to act in the best interest of the company. These duties include: duties of care, fiduciary duties, corporate governance duties, avoiding conflicts of interest, and other duties applicable to boards of directors, by law and pursuant to the directives of the Bank of Israel.

The Bank Hapoalim Board of Directors operates in accordance with corporate governance guidelines established by law, including the Proper Conduct of Banking Business Directives of the Bank of Israel and the SOX Act. The bank implements all of the directives set forth in the legislation, standards, and regulations with regard to preventing conflicts of interest within the board

Directors of Bank Hapoalim are appointed pursuant to the provisions of the law, including the following:

- The Companies Law (section 57) states that the appointment of external directors shall be approved by the general meeting:
- As described in Article 24 of the Periodic Report of the bank for 2012, its controlling shareholders have received a control permit from the governor of the Bank of Israel. Details regarding the appointment of directors pursuant to the control permit are provided in the Periodic Report of the bank for 2007;
- Article 16 of the Articles of the Bank (which were approved by the general meeting of the shareholders of the bank (the "Articles of the Bank")) establishes the procedure for the appointment of directors. Pursuant to Article 16B of the Articles of the Bank, directors shall be appointed by a resolution of the general meeting; however, notwithstanding this article, the board of directors may appoint an additional director or additional directors from time to time. provided that any such appointment is performed in accordance with the directives of the voting agreement between the shareholders of the company who are entitled to appoint directors, etc. (Article 16C of the Articles of the Bank). The composition of the board of directors is subject to the provisions of the Companies Law. Directive 301, the Articles of the Bank. and the Board of Directors Procedures

The financial expertise and professional qualification of directors are evaluated by the board of directors. The range of considerations include the director's education, experience, and knowledge in areas and issues related to the activity of the bank, as detailed in the Companies Regulations (Conditions and Tests for Directors with Accounting and Financial Expertise and Directors with Professional Qualification), 2005. Applications to appoint a director, with a declaration filled out by the director, pursuant to Proper Conduct of Banking Business Directive No. 301, are sent to the Supervisor of Banks for review; the appointment of the director is subject to advance approval by the Supervisor of Banks.

The performance of the board of directors is evaluated in accordance with section 59 of Directive 301 and section 9 of the Board of Directors Procedures. The effectiveness of the work of the board of directors is evaluated every two years, for the board of directors' internal needs. The board of directors has appointed an external attorney to work with the secretary of the bank in overseeing this process and analyzing the findings, in order to evaluate the effectiveness of the work of the board of directors. The board of directors discusses the findings that emerge from the evaluation process.

The Functions of the Board of Directors and the Board Committees

During 2013, the board of directors of the bank continued its work of formulating strategy, policy, and fundamental principles for the activity of the bank in Israel and overseas, while establishing guidelines on various matters, in accordance with the requirements of updates in legislation and in accordance with the new Directive 301 of the Bank of Israel. As part of this process, the board of directors set forth policy for the activities of subsidiaries in Israel and abroad, limits for exposure to various risks, bond issuance, share capital issuance, execution and realization of fixed investments, and the execution of buyout offers and mergers. The board of directors addressed the approval of the quarterly and annual financial statements; dividend distribution policy; the organizational structure of the bank; establishment of policy on manpower, salaries, retirement terms, and the remuneration system for employees and senior executives; update report of the process for instilling the ethical code; and supervision and control over ongoing business operations executed by the board of management and the congruence of these operations with the policies of the bank.

The board of directors receive regular updates and discuss CSR working plans, performances and future activities. These include banking products that promote sustainability, clients service, responsible employment, community investment and mitigation of environmental impacts of the bank, including those that influence climate change. This in addition to all issues covered in a current CSR report. The chairperson of the bank's Board of Directors serves as the director responsible for sustainability and CSR, and is charged with promoting all issues in this area on the strategic level. The bank has a chief CSR officer who is the operational manager in this area, and who interfaces with all of the relevant functions within the organization and reports to the board of management and the board of directors.

The board of directors receive regular updates and discuss CSR working plans, performances and future activities. These include banking products that promote sustainability, clients service, responsible employment, community investment and mitigation of environmental impacts of the bank, including those that influence climate change

The reports and discussions include both status reports on the bank's progress in this area, under its CSR plan, and discussion and approval of future work plans. In addition to the discussions by the plenum of the board of directors, the activity of the members of the board of directors of the bank is conducted through the committees. The bank examines and evaluates the quality of risk management on an annual basis, within the ICAAP. As part of the ICAAP, the bank also works to continually improve the absorption and quality of the risk management process.

Some of the board members have an experience in field of risk management. Among board members there are former risk manager of the bank, expert for credit risks and other specialists. The bank decided to form a board committee responsible for risk management and control on 19.7.2007. the committee consist 6 members and all of them received training and gained a lot of experience during their work at committee. The risk management and control committee of the board of directors receives annual and quarterly reports that are adequate in order to monitor, control, and assess risks, as required by the Proper Conduct of Banking Business Directives. Board's members receive periodically on-going risk trainings. Moreover, they can ask any time to receive additional training on the issue from functionary executive responsible for risk management at the bank.

Concurrently, the bank is working to improve and instill corporate governance processes within the bank group. Selected indicators of CSR field are integrate part of risk management approach of the bank. This expressed in inclusion of these issues in audits and regular reports like: SOX, BSC and more. The board of directors usually meets twice a month. The committees of the board of directors usually convene between these meetings; some committees meet every week. Thus, any critical matter can be discussed at any time. In particularly critical cases, the board of directors is convened to discuss the issue that has arisen. Urgent meetings are sometimes held remotely, in order to conduct an immediate discussion of an issue. Pursuant to sections 98-99 of the Companies Law, 1999, directors are entitled to demand a discussion of a specific urgent or critical matter. Pursuant to section 99 of the Companies Law, such issues are added to the board of directors' agenda. Section 44 of Proper Conduct of Banking Business Directive 301 states that the board of directors' agenda should include, among other matters, any subject that a director or the CEO has asked the chairperson of the board to include in the agenda a reasonable amount of time before the meeting convenes. Similar directives are set forth in Article 19A of the Articles of the Bank.

Pursuant to section 2.14 of the Board of Directors Procedures, the board of directors shall hold a discussion at the earliest possible time of the exceptional events listed therein (outside the regular scheduled reports). Sections 6.3.2, 6.3.5, 6.3.6., and 6.3.7 of the Board of Directors Procedures establish the way to convene a meeting of the board of directors in exceptional and urgent cases. Section 6.6.6 of the Board of Directors Procedures establishes directives for transmitting materials regarding an issue added to the agenda in an urgent meeting. critical matters are raised as necessary and/or at the request of the chairperson of the board of directors / directors / CEO, according to need and the importance of the issue. As important and critical matters are raised routinely, as described above, such occurrences are not counted separately.

Directors' rights to receive information and to consult with various parties in the course of the fulfillment of their duties have been established in accordance with the law, including the Companies Law, 1999 (the "Companies Law"); Proper Conduct of Banking Business Directive 301 of the Supervisor of Banks, Board of Directors ("Directive 301"); and the procedures on the work of the board of directors,

approved by the board of directors of the bank on November 26, 2013 (the "Board of Directors Procedures"). This refers to all materials related to the activity of the bank or the assets of the bank, and to all documents of the bank that the directors require in order to fulfill their duties.

With regard to business matters, directors are entitled to request clarification or additional information in meetings of the board of directors or its committees (section 57 of Directive 301). Directors who wish to exercise their right to receive information required for the fulfillment of their duties as directors shall submit the request in writing through the chairperson of the board of directors. Directors interested in receiving clarification or materials regarding matters discussed, or scheduled for discussion, by the board of directors or any of its committees may contact the CEO or the relevant member of the board of management at the bank, provided that the guery does not concern a business venture or business matters of specific customers, or certain investments of the bank.

Directors also have the right, in special cases, to receive external professional counsel and/or external professional assistance, at the expense of the bank, if the coverage of the expense is approved by the board of directors (section 266 of the Companies Law and section 53 of Directive 301). The plenum of the board of directors, or the appropriate board committee, shall discuss and decide upon the need to engage an external consultant in order to receive professional assistance. Such a discussion shall address the questions of whether the counsel can be provided by internal parties within the bank, the purpose of the consultation, the extent of the work, and the schedule

198 meetings

of the board committees were held in 2013 On February 11, 2014, the general meeting of shareholders of the bank adopted the bank's remuneration policy for officers, in accordance with Amendment 20 to the Companies Law, 1999, and in accordance with Proper Conduct of Banking Business Directive 301A of the Supervisor of Banks of November 19, 2013. The bank, with the assistance of independent external consultants, is currently preparing a remuneration plan for its officers, in accordance with the remuneration policy, as well as a remuneration policy and remuneration plan for other "key employees" of the bank (as defined in the directive on remuneration policy at banking corporations) and for its employees who are not "key employees". Main objectives of the remuneration policy:

- To motivate officers to work for creating long-term economic value for the bank and its stakeholders, in a manner that strengthens the connection between remuneration and the creation of value for the stakeholders in general and for shareholders of the bank in particular. In accordance with this objective, employees' pay is derived from a scale of ranks, which offers the possibility of promotion and reflects the authority and responsibility of each level in the organizational hierarchy. Variable remuneration shall consist, among other elements, of an annual bonus contingent upon the financial performance of the bank, based on risk-adjusted profit and the cost of capital of the bank; the bonus shall also be determined according to the achievement of measurable quantitative and qualitative individual performance targets. 50% of the annual bonus shall be spread over three years, in order to compensate for unsatisfactory performance during that period, if any, and paid in share-based instruments;
- To adjust the remuneration to the bank's vision, to the overall strategic plan of the bank and of its secondary units, and to the work plan derived from the strategic plans. Accordingly, remuneration incentives shall also be matched to the long-term objectives formulated in the strategic plan and in periodic work plans;
- To adjust total remuneration to the risk appetite of the bank. The annual and multi-annual work plans are constructed, among other matters, with reference to the volume and types of the risks that the bank is willing to undertake. The achievement of objectives of the work plan, including capital adequacy targets, and the achievement of a surplus return over the required cost of capital, set the threshold for the distribution of bonuses. This objective is also achieved through a ceiling on variable remuneration, and through postponement of the payment of part of the annual bonus, which is contingent on the bank's performance in future years, so that executives are exposed to the consequences of materialization of the risks that they take, and their remuneration decreases if or when risks materialize.

In accordance with the new remuneration policy of the bank, the total cost of remuneration of the CEO shall exceed the median total cost of remuneration of other employees of the bank by a factor of no more than 33.5 (this calculation was performed in accordance with the principles of the remuneration policy, based on the return on equity for 2012 and data on employees of the bank for 2012). For further information regarding the remuneration of the bank's senior officers, see the financial statements, pp. 243-252,380.

2013 in numbers:

40 meetings

of the plenum of the board of directors and 198 meetings of the board committees were held in 2013 (for further information regarding the activity of the board of directors and the change in the structure of the committees, see the financial statements, pp. 219-224)

As of the end of 2013, the board of directors of Bank Hapoalim consisted of fifteen members, including five external directors, as defined in Proper Conduct of Banking Business Directive 301 of the Bank of Israel, and two additional external directors, as defined in Section 240 of the Companies Law

As of the end of 2013, the number of directors with "accounting and financial expertise" and "professional qualification", based on their education, skills, and experience, in accordance with the requirements of the Companies Regulations, is fourteen and one of directors is a "director with professional qualification". Six directors with "accounting and financial expertise" and "professional qualification" are members of the audit committee of the board of directors, in accordance with the requirements of the Companies Law, 1999, and the regulations. Five women and ten men are on the board of directors (for further information about the members of the board of directors, see the financial statements, pp.225-233).



Compliance and Prevention of Money Laundering and Terrorist Activities

The responsibilities of Bank Hapoalim's chief compliance officer are derived from Proper Conduct of Banking Business Directive No. 308, the Prohibition of Money Laundering and Terrorism Financing Law, and Proper Conduct of Banking Business Directive No. 411. The chief compliance officer unit encompasses the compliance department and the anti-money laundering department, as well as two additional units. The first is the international compliance unit, which is responsible for ensuring compliance and the prohibition of money laundering at the bank's offices outside Israel. Compliance staff at the bank's overseas branches now report directly to this unit, on both the professional and the managerial level. The second unit is an administrative unit (operations, coordination, and control), which assists the chief compliance officer with the execution of systemic and operational assignments.

The Chief Compliance Officer Unit's activity is supervised through three channels:

- The Board of Directors' committee on risk management and control and Basel II implementation;
- The Board of Management committee on compliance, headed by the CEO;
- Quarterly and annual reports to the bank's Board of Directors of the bank, the CEO, and the heads of the areas. The reports include updates on the main exposures and risk areas in the group; progress on work plans and activities executed, including controls, mapping of knowledge gaps, organizational learning, technological and other projects in this field, reports submitted to the Israel Money Laundering Prohibition Authority, violations, and reports of exceptional events.

2013 in numbers:

The Chief Compliance Officer Unit conducted visits to 42 branches (15% of the branches of the bank) in 2013. During the visits, the chief compliance officer reviewed activities relevant to these branches that pose a risk in the area of compliance. The visits also emphasized customers of the branches who pose a high risk of money laundering;

No substantial fines or substantial nonmonetary sanctions were imposed on the bank for noncompliance with laws and regulations concerning products and services (consumer regulations) during 2013 (for details of material legal proceedings to which the bank is a party, see note 19D on pp. 414-419 of the financial statements 0/0 managers and employees

In the annual learning process using tutorials on the prohibition of money laundering, in accordance with the amendments required by law, 90% of the bank's managers and employees completed the tutorial and quiz. In addition, 88% of managers and employees completed an annual learning process using tutorials on compliance

Upon the establishment of the Chief Compliance Officer Unit, the bank's Board of Directors established a new group-level compliance policy for the bank. The new policy sets forth rules regarding all of the component areas of the prohibition of money laundering and compliance with consumer protection directives. The policy emphasizes corporate control and the interaction with subsidiaries and branches outside Israel, based on Proper Conduct of Banking Business Directive No. 308, the Money Laundering Prohibition Law, the Terrorism Financing Prohibition Law, and Proper Conduct of Banking Business Directive No. 411. This policy took effect at the end of December 2010, and was updated in December 2011.

In order to comply with legislative directives and with the group-level compliance policy, several activities are being conducted by the chief compliance officer unit, such as: identifying the main exposures and risk areas; applying process-based, qualitative, and quantitative controls to ensure adherence to the directives that regulate relationships between the bank and its customers and the prohibition of money laundering and terrorism financing; developing training systems and knowledge management on the organizational portal; infrastructure surveys; analysis of new products and services, and development of systems in the area of compliance and the prohibition of money laundering. (For a summary of the main activities of the Chief Compliance Officer Unit in 2013, see the financial statements, p. 186).

In order to comply with legislative directives and with the group-level compliance policy, several activities are being conducted by the chief compliance officer unit, such as: identifying the main exposures and risk areas; applying process-based, qualitative, and quantitative controls to ensure adherence to the directives that regulate relationships between the bank and its customers and the prohibition of money laundering and terrorism financing

GRI Index and Global Compact COP Report

UNGC1:

The UN Global Compact initiative anchors international and corporate partnerships, therefore promoting developing markets, commerce, technology and finance in a beneficiary way for economies, communities and future generations around the world. Joining the initiative is a statement of commitment to promote and implement the ten principles of the UN universal act on human rights, labor, environment and anti-corruption. Below is a list of the 10 principles:

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: The elimination of all forms of forced and compulsory labour;

Principle 5: The effective abolition of child labour;

Principle 6: The elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility; and Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

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

An organization which joins the initiative, agrees to act in accordance to the above principles. So far, business organizations from more than 130 countries around the world have joined the initiative. Participating companies are required to report annually on the progress made in promoting the universal principles in its operations.



Strategy and a 1.1 1.2 Organizationa	analysis G4-1 G4-2			disclosures ²	
1.2					
	G4-2	Statement from the most senior decision-maker of the organization	4-5	✓	NR*
Organizationa	GT Z	Description of key impacts, risks, and opportunities	4-12	~	NR
• · gu = u • · · · u	l profile				
2.1	G4-3	Name of the organization.	162-163	✓	NR
2.2	G4-4	Primary brands, products, and/or services.	162-163	✓	NR
2.4	G4-5	Location of organization's headquarters.	162	~	NR
2.5	G4-6	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	162-163	V	NR
2.6	G4-7	Nature of ownership and legal form.	164	✓	NR
2.7	G4-8	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	162-163	~	NR
2.8	G4-9	Scale of the reporting organization.	113, 78-79, 61	✓	NR
LA1	G4-10	Total workforce by employment type	120, 113-114	V	NR
LA4	G4-11	Percentage of employees covered by collective bargaining agreements.	113	~	1,2,6
-	G4-12	Describe the main elements of the supply chain in relation to the organization's primary activities, products, and services	80-85	~	NR
2.9	G4-13	Significant changes during the reporting period regarding size, structure, ownership or supply chain	There is no Significant changes	~	NR
4.11	G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organization	138-139	~	7
4.12	G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	25	~	1-10
4.13	G4-16	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.	25	✓	1-10
Identified mat	erial aspects an	· · · · · · · · · · · · · · · · · · ·			
2.3	G4-17	List all entities included in the consolidated financial statements or equivalent documents.	The report describes activity of the bank at does not address its subsidiary Isracard	*	NR
3.5	G4-18	Explain the process for defining the report content and the Aspect Boundaries	13-19	~	NR
-	G4-19	List all the material Aspects identified in the process for defining report content.	18	~	NR
3.6	G4-20	For each material Aspect, report the Aspect Boundary within the organization	19	~	NR
3.7,3.8	G4-21	For each material Aspect, report the Aspect Boundary outside the organization	19	~	NR
3.10	G4-22	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	There is no any re-statements1	~	NR
3.11	G4-23	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Reporting according GRI-G4	~	NR
Stakeholders	engagement				
4.14	G4-24	List of stakeholder groups engaged by the organization	11-12	✓	NR
4.15	G4-25	Basis for identification and selection of stakeholders with whom to engage	11-12	~	NR

^{2.} see the Assurance statements pp. 182-183

^{1.} http://www.unglobalcompact.org

G3.1 Disclosures	General Standard Disclosures	Description	A F	xternal ssurance or all assured isclosures	GC Principle
4.16	G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	11-12	~	NR
4.17	G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	11-12	~	NR
Report profile	;				
3.1	G4-28	Reporting period (e.g., fiscal/calendar year) for information provided	7	✓	NR
3.2	G4-29	Date of most recent previous report (if any)	2012-Q1 2013	V	NR
3.3	G4-30	Reporting cycle (annual, biennial, etc.)	annual	✓	NR
3.4	G4-31	Contact point for questions regarding the report or its contents	7	V	NR
3.12	G4-32	Report the 'in accordance' option the organization has chosen Report the GRI Content Index for the chosen option	In accordance- Comprehensive	V	NR
3.13	G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report	Board of directors and executive managers are not involved in this produced in the produced in the produced in this produced in the pro	e	NR
Governance					
4.1	G4-34	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	165-169	~	NR
-	G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	166, 10	~	NR
-	G4-36	Report whether the organization has appointed an executive- level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	166	~	NR
4.4	G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	167	~	NR
4.3	G4-38	Report the composition of the highest governance body and its committees	169	~	NR
1.2	G4-39	Indicate whether the Chair of the highest governance body is also an executive officer.	164	V	NR
4.7	G4-40	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	165-166	~	NR
4.6	G4-41	Processes in place for the highest governance body to ensure conflicts of interest are avoided	165	V	NR
	G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts. ŸŸ	166	~	NR
-	G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	166	~	NR
4.10	G4-44	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	166	~	NR
4.9	G4-45	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	166	V	NR

3. G4-22



G3.1 Disclosures	General Standard	Description	Page	External Assurance	GC Principle
	Disclosures			For all assured disclosures	
-	G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	167	~	NR
4.9	G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	166	V	NR
-	G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	4-5	V	NR
4.4	G4-49	Report the process for communicating critical concerns to the highest governance body.	167	~	NR
-	G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	167	V	NR
4.5	G4-51	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	168	~	NR
-	G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization	168	V	NR
4.4	G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	168	V	NR
-	G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	168	~	NR
-	G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country	168	V	NR
Ethics and int	earity				
-	G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	160-161, 22-24	~	1-10
-	G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	84, 129, 160, 170	~	NR
-	G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	84, 129, 160, 170	V	NR
Economic Per	rformance				
ECMA	G4-DMA		90-105, 78-79	~	NR
EC1	G4-EC1	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.	92, 78-79	V	NR
EC2	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	70-74	~	7
EC3	G4-EC3	Coverage of the organization's defined benefit plan obligations.	128	~	NR

G3.1 Disclosures	General Standard Disclosures	Description	Page	External Assurance For all assured disclosures	GC Principle
Indirect Econ	omic Impacts				
ECMA	G4-DMA		78	✓	NR
EC8	G4-EC7	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	86-109	~	NR
EC9	G4-EC8	Understanding and describing significant indirect economic impacts, including the extent of impacts.	36-43, 45-47, 79, 82-83	~	NR
Procurement	Practices				
ECMA	G4-DMA		80-82	✓	NR
EC6	G4- EC9	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	80	~	NR
Materials					
ENMA	G4-DMA		138-139	✓	7,8
EN1	G4-EN1	Materials used by weight or volume.	148-156	✓	7,8
EN2	G4-EN2	Percentage of materials used that are recycled input materials.	153	V	8,9
Energy					
ENMA	G4-DMA		146, 140	V	7,8,9
EN3 EN4	G4-EN3	Energy consumption within the organization	142	V	7,8,9
-	G4-EN4	Energy consumption outside the organization	Energy consumption outside is not materi	•	7,8,9
-	G4-EN5	Energy intensity	142	V	7,8,9
EN5, EN7	G4-EN6	Reduction of energy consumption	142	V	7,8,9
EN6	G4-EN7	Reductions in energy requirements of products and services	31	V	7,8,9
Emissions					
ENMA	G4-DMA		158	~	7,8
EN16	G4-EN15	Direct greenhouse gas emissions (scope 1)	158	V	7,8
EN16	G4-EN16	Energy indirect greenhouse gas emissions (scope 2)	158	V	7,8
EN17	G4-EN17	Other indirect greenhouse gas emissions (scope 3)	158	✓	7,8
-	G4-EN18	Greenhouse gas emissions intensity	158	✓	7,8
EN18	G4-EN19	Reduction of greenhouse gas emissions	158		7,8,9
EN19	G4-EN20	Emissions of ozone-depleting substances (ODS)	158		7,8
EN20	G4-EN21	NOx, SOx, and other significant air emissions by type and weight	Those emissions are not relevant4	~	7,8
Employment			4.0 1.01 10.014.11		
LAMA	G4-DMA		112	✓	1,2,6
LA2	G4-LA1	Total number and rate of new employee hires and employee turnover by age group	115	~	6
LA3	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	128	~	NR
LA15	G4-LA3	Return to work and retention rates after parental leave	114	V	1,2,6
Labor/Manag	ement Relations	S		<u> </u>	
LAMA	G4-DMA		117, 132	✓	2,3
LA5	G4-LA4	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	132	~	2,3



G3.1 Disclosures	General Standard Disclosures	Description	Page	External Assurance For all assured disclosures	GC Principle
Training and I	Education				
LAMA	G4-DMA		125	~	6
LA10	G4-LA9	Average hours of training per year per employee by gender, and by employee category.	126	~	6
LA11	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	125-126	~	6
LA12	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender.	118	V	6
Diversity and	Equal Opportur	nity			
LAMA	G4-DMA		120-124	~	1,6
LA13	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	116, 120, 169	~	1,6
Equal Remun	eration for Won	nen and Men			
LAMA	G4-DMA		121	~	1,6
LA14	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	121	V	1,6
Supplier Asse	essment for Lab	or Practices			
LAMA	G4-DMA		82-83	V	1,2,6
-	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	84	~	1,2,6
-	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	84-85	~	1,2,6
Non-discrimin	ation				
HRMA	G4-DMA		120	~	1,2,6
HR 4	G4HR 3	Total number of incidents of discrimination and corrective actions taken	120	V	1,2,6
Freedom of A	ssociation and	Collective Bargaining			
HRMA	G4-DMA		132	~	1,2,3
HR 5	G4HR 4	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	132	V	1,2,3
Local Commu	ınities				
SOMA	G4-DMA		86, 90, 106	✓	NR
SO1	G4-S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	79, 87, 95, 101, 102, 104	~	NR
SO9	G4-SO2	Operations with significant potential or actual negative impacts on local communities.	73-74	~	NR
FS13	G4-FS13	Access points in low-populated or economically disadvantaged areas by type.	45-46, 63, 79	~	NR
FS14	G4-FS14	Initiatives to improve access to financial services for disadvantaged people.	36, 45-46, 78	V	NR

G3.1 Disclosures	General Standard Disclosures	Description	Page	External Assurance For all assured disclosures	GC Principle
Anti-corruption	on				
SOMA	G4-DMA		161	✓	10
SO2	G4-SO3	Percentage and total number of business units analyzed for risks related to corruption.	170	V	10
SO3	G4-SO4	Communication and training on anti- corruption policies and procedures	160	~	10
SO4	G4-S05	Confirmed incidents of corruption and actions taken	161	✓	10
Compliance					
SOMA	G4-DMA		170	V	1
SO8	G4-SO8	Monetary value of significant fines and total number of non- monetary sanctions for non-compliance with laws and regulations.	170	V	1
Product and	Service Labeling	9			
PRMA FS15-16	G4-DMA		20, 32-33, 45, 56	~	8
PR3	G4-PR3	Type of product and service information required by procedures	56	~	8
PR4	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling	No significant fines or nonmonetary sanctions were imposed on the bank during 2013	V	8
PR5	G4-PR5	Practices related to customer satisfaction	49-55	V	8
Compliance					
PRMA	G4-DMA		170	~	1
PR9	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	170	V	1
Product Porti	olio				
PRMA FS1-5	G4-DMA		4, 20, 32, 36, 45, 64, 70, 72, 162	V	NR
FS6	G4-FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector.	44	V	NR
FS7	G4-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	39	V	NR
FS8	G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	70	V	NR

^{*} Not specifically required

PROCESS CONTROLS FOR IMPLEMENTATION OF THE CSR PLAN AT BANK HAPOALIM

Process Controls for Implementation of the CSR Plan at Bank Hapoalim

An external control process allows readers of this report to verify the bank's self-report based on independent opinions from professional observers. The bank has decided to expand the control process with regard to the adequacy of the report on sustainability and CSR. The expansion of these processes and the involvement of additional sources of assurance enable the bank to learn from the feedback received from those conducting the process and provide validation of the reliability of the report for stakeholders. The current report underwent four assurance processes, each focusing on a different aspect of the report:

- The CSR and Sustainability Group at BDO Ziv Haft performed routine process controls and examined the CSR implementation process at the bank;
- The quality assurance center for CSR reports at the CSR Institute of the College of Law and Business performed a due diligence examination of the report, in accordance with GRI and AccountAbility directives;
- The Good Energy Initiative examined the quality of the report on the bank's carbon footprint;
- The report was examined by GRI and found to be compliant with the reporting criteria of the GRI-G4 In Accordance -Comprehensive standard, the most comprehensive level within the standard.

BDO Ziv Haft: Process Control for CSR Plan Implementation at Bank Hapoalim

The CSR and Sustainability Group at the BDO accounting firm has guided Bank Hapoalim in the implementation of its sustainability and CSR program for the eighth year. The group's activities focus on monitoring the process² and progress of the program for sustainability and social, economical, and environmental responsibility. BDO consultants' close work with the bank allows a professional review to be provided based on an examination of the processes performed by the bank throughout 2013 and up to the end of the first guarter of 2014. During this period, the bank continued the implementation and absorption of sustainability and CSR values. The results achieved by these activities reflect this progress. Our examination of processes and outcomes demonstrates that progress has been made in several key areas: developing data infrastructures and reporting; learning and implementing processes; and examining the results of activities.

^{2.} Consultants in the group collected the data processed for this report. This review 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 an independent third party, The Center for Sustainability Report Assurance.

Description of the Process

The group performed process controls with regard to the areas of activity of the bank, designed to ascertain that progress is being made in the implementation of the CSR and sustainability plan. As part of these controls, the bank's progress in three strata of activity was examined, as the basis for feedback on the implementation of the plan:

- (A) Update and optimization 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. This included an examination of feedback and learning at the CSR administration with regard to the activity of the various units, concentration of data collection results, and process optimization. In addition, we reviewed the processes of deriving information and processing the information into current metrics for the examination of the bank's performance in the various areas and in comparison to the goals and objectives set by the bank.
- (B) Implementing CSR and sustainability values in core activities and in the various units We examined the process of organizational change that emerged as part of the implementation of CSR at the bank. 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. The control process also encompassed an examination of the method of development and implementation of new issues arising from reports by the various units.
- (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 impact on the Israeli public. The examination we conducted at this stage enables us to complete the circle of process controls, in that it examined the relevance of the information and

metrics generated during the CSR program for each of the issues implemented at the units of the bank, and the effectiveness of the implementation relative to the goals set in advance.

Findings, Conclusion, and Recommendations

The 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 and evaluation of its practices, and to delineate future objectives accordingly. The results measured in these activities reflect this progress. However, we would suggest four areas to be maintained and reinforced:

- Achieving shared value In our examination of the outcomes of development of responsible banking products, we discovered that the development of new responsible and sustainable banking products had been expanded (financing of environmental and social projects). The bank has expanded the business processes that foster the growth and stability of small businesses, worked to promote and expand services in the Arab-Israeli sector, and continued to advance its Financial Freedom drive through the activity of its various units. The bank has also continued to develop infrastructure for future products and services aimed at maximizing social value for various population groups within Israeli society. Through these actions, and others described in this report, the bank achieves shared value for itself and its stakeholders;
- Learning and absorption Outcomes of learning have been absorbed in some units, on a long-term level, as part of their core business operations (implementation of the plan for integration of social and environmental considerations into the procurement system; continued implementation of the multi-year plan for diverse employment, and specialized adaptation by bank units to absorb these hires; systemic promotion of accessibility of the bank's services to people with disabilities; and more). In view of the achievements in the area of learning, progress in this direction should be encouraged further, expanded in units that have carried out the initial stages, and implemented in additional units;

- Strengthening the bank's responsible branding The bank seems to be perceived as a leader in Israel in the implementation of the various levels of CSR. We therefore recommend continuing to creatively promote the brand, in order to encourage its absorption by employees, customers, and the public;
- Strengthening dialogue with stakeholders During the period covered by this report, the bank continued to respond to the demands of the public and of other stakeholders, through innovative savings tools, expansion of direct service channels offering solutions to a wide range of customer needs, proactive efforts to promote financial freedom, planning of purchasing based on environmental and social parameters, encouraging the public to collect and recycle waste, and investment in the community. Further to these efforts, and in view of decisions made during the reported period, we recommend continuing on this path and promoting dialogue with the bank's customers and with the general public through proactive outreach. in order to enhance the understanding of their needs and coordinate expectations. In addition, we recommend stronger measurement of the outcomes of the community organizations supported by the bank.

In conclusion, we see continued progress in the systemic effort to implement corporate social responsibility in the activity of the bank. The plan is backed by ongoing optimization of the organizational infrastructure designed to contribute to effective absorption and 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. Our recommendation to the bank is therefore to continue to follow its current trajectory for this activity.

Dr. Jonathan Menuhin

Director of the Corporate Social Responsibility Department BDO Consulting Group



Report Assurance

Introduction

The Corporate Social Responsibility Assurance (CSRA) center is an academic facility engaged in quality assurance of environmental and social reporting. The center is part of the Corporate Social Responsibility Institute at the College of Law and Business. In April 2013, Bank Hapoalim asked the center to perform a quality assurance process on its 2012 CSR report. The center receives payment to cover the time invested in this process. The quality assurance process was fully independent, neither the center nor the Institute nor Mr. Liad Ortar (who performed the assurance) have business consulting relationships with Bank Hapoalim.

Methodology

The external assurance process for CSR reports is conducted by a third party, which was not involved in the writing of the report. The third party ascertains that the information presented in the report is congruent with the three principles set forth in the Accountability quality assurance standard AA1000APS:



- 1. **Comprehensiveness** Fully addresses the reported subjects and encompasses a wide range of stakeholders;
- Essentiality Addresses the essential subjects in the activity of the company;
- Responsiveness Reports on subjects raised by stakeholders.

The report is also examined for compliance with five additional quality principles specified in the quality assurance standard AA1000AS Type 1 - Moderate:

- Reliability of information Examination of the information sources presented, including calculation methods and supporting documents;
- Clarity Examination of clear and coherent presentation to stakeholders;
- Comparativeness Examination of the ability to compare reported subjects with similar organizations and over time;

- Accuracy Quantitative examination of the data and calculations presented;
- Timetables Chronological congruence between the duration of execution of changes and commitments and the timetables noted in the report.

During the quality assurance process, a draft of the report was examined, several work meetings were held with advisors of the bank to clarify various issues, and a detailed feedback document with comments on the report was submitted. All of the comments were addressed and most were resolved in the report.

Findings

This is the seventh report from Bank Hapoalim. This is the first report in Israel to comprehensively implement the new set of guidelines, G4, from the Global Reporting Initiative. In comparison to the previous generation of guidelines (G3.1), the G4 makes the advance identification of material issues central to the reporting process, requiring more in-depth information regarding these issues, and accordingly, fewer details about issues found to be non-material. Bank Hapoalim has taken this task very seriously, and has conducted a comprehensive materiality study, which is fully described in the report and which constitutes the new reporting framework. I hereby declare that Bank Hapoalim complies with the required scope of reporting and disclosure at this level. Several key issues that arose during the external assurance process of the report are described below.

■ Central themes in the report - Bank Hapoalim has a substantial impact on the lives of millions of Israelis and of thousands of small and large businesses. The key motif of the report is financial freedom. This commitment illustrates that Bank Hapoalim does not merely make financial information accessible to its customers and partners; it also provides them with tools for the achievement of their personal and business objectives. In addition, over the last year Bank Hapoalim has heightened its efforts to expand its sphere of influence, particularly with regard to the integration of sustainability values into its supply chain, and in financing projects with unique social and

environmental added value. These are two important and commendable endeavors;

- Expansion of quantitative reporting The current report contains more extensive quantitative reporting and a greater scope of data in various content areas. For example, an increased volume of data is presented with regard to customer service, investment in the community, financing of environmental products, and more. This helps to increase transparency with regard to these activities;
- Reduction of qualitative reporting The quantity of text in this report has been reduced, relative to previous reports; however, there are still large sections of the report characterized by lengthy verbal descriptions, which may occasionally burden the reader. It would be appropriate to scale back these sections, while furthering the expansion of quantitative reporting;
- Balance and presentation of key events in the reported period Several public events related to the activity of Bank Hapoalim that occurred during the reported period are not mentioned in the report. For example, during the year, an allegation of discrimination against customers in the Arab-Israeli sector was raised; and a tragic shooting incident by a customer took place at one of the branches. The sustainability report serves as the main platform for presentation of the organization's positive achievements, as well as of challenges still confronting it and less favorable outcomes. It would be appropriate to include issues such as these in the report, and to describe how the bank responded to the events as an organization and as a system, and what conclusions it has drawn;

■ Presentation of environmental risks – The approach to the management of non-financial risks is broad, encompassing the identification of indirect environmental and social risks that may arise from the business activity of the bank. Although Israel has advanced regulation in related areas, such as requirements for direct and indirect employers, environmental conditions for permits, environmental requirements for planning and construction processes, and more, it would be appropriate to include social aspects of this approach in the bank's report, in addition to the description of the management of environmental risks in financing.

In conclusion, the commitment to publish annual sustainability reports cannot be taken for granted. In Israel, as in many countries around the world, non-financial reporting is above the compliance threshold and largely relies on the voluntary commitment of corporation managers and of the stakeholders who support this process. Bank Hapoalim has been and remains a groundbreaking organization in Israel in the area of detailed, transparent sustainability reporting. It is my sincere hope that the other key players in Israel's financial arena – not only banks, but institutional investors, private investors, and insurance companies as well – will follow its lead.



The Center for Sustainability Reports Assurance

Sincerely,

Liad Ortar

Head of the Corporate Social Responsibility Report Quality Assurance Center Corporate Social Responsibility Institute College of Law and Business



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 based on 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 April 2013. 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 2013, the bank continued to improve its carbon monitoring and reporting, further to the transition to analysis of its carbon footprint according to the prevalent international standards, effected during 2008-2012, and the reports to the Israel Greenhouse Gas Emission Recording System beginning in 2010.

The total carbon footprint of Bank Hapoalim amounted to 94,362 tons CO2eq in 2013. Greenhouse-gas emissions from the bank's routine operations mainly derive from electricity consumption at the head-office buildings and branches (67.5%), construction (9.1%), and the vehicle fleet (8.3%). The decrease in carbon footprint figures from 2012 to 2013, on a scale of approximately 7,300 tons CO2eq, mainly resulted from a decrease of 10,000 tons in emissions due to electricity consumption. 97% of the reduction resulted from an 11% decrease in the emission coefficient of the Israel Electric Corporation, due to the increasing use of natural gas. An additional 3% stemmed from reduced consumption of electricity by the bank (for full data, see the Environment section).

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, new construction and renovations, employee flights and hotel stays, and water consumption:

The bank monitors and measures the reduction of greenhousegas emissions at source achieved by expanding customers' use of direct banking and by recycling paper, cardboard, ink, electronic waste, and soft-drink bottles;

The reduction of emissions at source through the use of direct 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 bank does not measure greenhouse-gas emissions from employees' travel in private vehicles, production of solid waste, advertising, travel by suppliers and customers, consumption of disposable plastic, gardening services, and cleaning services;

Beyond the activities within the bank, a noteworthy effort is the significant expansion of the project for separation of electronic waste, initiated and operated by the bank, to additional Israeli towns. The National Law for Electronic Waste Collection took effect this year; there is no doubt that this worthwhile project contributed to higher public awareness, accessible recycling, and ultimately to the realization of this legislation.





GRI:G4 (IN ACCORDANCE - COMPREHENSIVE)

Current CSR report was approved by international organization GRI that verified, presented in the report, process for identification and definition of material issues according to new G4 standard. in 2013 the bank reported for the first time according to new reporting standard G4 (In accordance - comprehensive) which is most comprehensive reporting level



