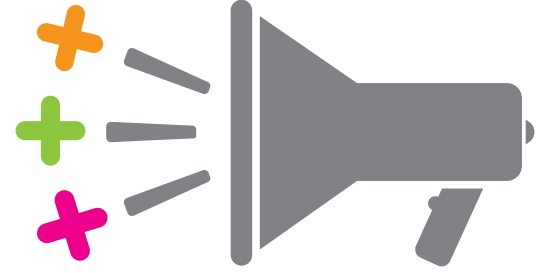




The Leumi Group Corporate Social Responsibility Report 2013

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Message from the President & CEO and the Chairman of the Board



We are launching the fifth Corporate Social Responsibility Report of Leumi in the midst of a period of significant changes both at home and abroad, a period in which values from the world of corporate social responsibility play a more vital role than ever. The changes experienced by Israeli society and the economy in the last two years prompted us to examine vision, the Bank's values, and business strategy, and adapt them to today's reality.

The process of change began with the formulation of a vision that describes how we perceive our role in the new era. We have made it our commitment to conduct **proactive and innovative banking for our customers**: banking that combines the values of the Bank with product and technological innovation; banking which provides an optimal response to customer needs, maintains the stability of the Bank and produces a proper return for our shareholders.

Our commitment to provide banking services tailored to all our clients

is what motivates us to make the products and services we offer more accessible. We are constantly developing digital tools that allow our clients to perform banking transactions independently, enrich their financial knowledge, and expand their ability to execute banking operations at the time and place of their convenience. At the end of 2012 we began an extensive and challenging process aimed at simplifying the correspondence with customers, by making official bank documents more accessible, while providing information in a

clearer and simpler manner.

In the past year we deepened the development of products and services with socio - environmental value, and expanded our cooperation with social and environmental organizations. We place great emphasis on small and medium businesses which are the core of the Israeli economy and its key growth engine and launched a comprehensive move for dealing with this sector. Small businesses need more than just credit, and we at Leumi have developed specialized services for them - we have set up

“Our commitment to provide banking services tailored to all our clients is what motivates us to act to make accessible the products and services that we offer. We work hard constantly on developing digital tools that allow our clients independent execution of banking operations, enrich their financial knowledge, and expand their freedom to take these steps at the time and place that is right for them.”

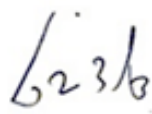
the “Leumi Business Arena” that includes a variety of digital tools, a sharing community on Facebook, a of financial experts forum on “Leumi Blog”, a dedicated business call center, and during 2014 the first class of the “Leumi School of Business Management” was opened.

The processes of change we are going through are also reflected in Leumi’s investment in the community. We seek to leverage the knowledge and tools that are in our possession in favor of the creation of greater value to society and the community.

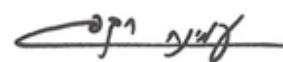
We are proud to be the first financial organization in Israel to currently receive the “Green Label” from The Standards Institution of Israel that reflects the efforts invested and the high standards of environmental quality management

at Leumi.

The perception of corporate social responsibility is becoming a routine part of our business conduct. This Report is a testimony of the long journey we have made in this field, and sets the path we are going towards – in the coming years.



David Brodet
Chairman of the
Board of Directors



Rakefet Russak-Aminoach
President & Chief
Executive Officer



About the Report

This is the fifth Corporate Social Responsibility (CSR) Report of the Leumi Group, written in accordance with the third generation guidelines of the Global Reporting Initiative (GRI) organization for writing corporate social responsibility reports. The Report describes the activity carried out in the Group to reduce adverse impacts and expand positive impacts – economic, social and environmental. In addition to the general guidelines of the organization in order to receive a rating of A+, the Report contains all the items in the appendix intended for the financial sector.

This CSR is in accordance with the principles of the UN Global Compact (UNGC) Initiative. A list of the principles with references to the relevant pages appears on pages 151–166.

Assurance of the reporting was carried out by an external and independent expert, who examined the way in which the Group reported, and testified to the accuracy of disclosures and data and the relevance of the content. Except where otherwise noted, the data in this Report are correct as of December 31, 2013.

Contents of the Report

This Report refers to the activity of the Leumi Group in the areas of corporate governance, the economy, society and the environment in 2013. Apart from the current Report, the Group has so far published Corporate Social Responsibility Reports every two years, and will continue to do so in the future.

Except as otherwise indicated, this Report refers to Leumi Group's activity in Israel as defined in this

Report: Bank Leumi and the four major subsidiaries of the Group in Israel: ai Bank – Arab-Israel Bank, Leumi Card, Leumi Partners and the Trust Company. In the Chapter on “Environmental Impacts” the data refers to the environmental performance of Leumi, the Arab Israel Bank and Leumi Card, which have about 99.6% of all positions in the Group (as defined in the Report) and are a source of about 88% of its income.

During 2013, the merger of Leumi Mortgage Bank was completed and it became a unit within Leumi. Information about the activity of Leumi Mortgage in the areas of corporate social responsibility appear in this Report as part of the information about Leumi, unless stated otherwise.

Terms

We use the term “Leumi Group” or “the Group” when describing the activities of the entire Group, as

defined in this Report. We use the term “Leumi” when describing the activities of Bank Leumi only. We

mention the names of subsidiaries when we describe the activities that take place in these companies only.

Process of defining content of the Report

The Group maintains an ongoing process to define the contents of the CSR report, including mapping the topics that reflect the economic, environmental and social impacts of the Leumi Group, while examining their importance to and implications on various stakeholders of the Group.

At the end of 2012, we conducted a process of analyzing materiality through a survey of our stakeholders (see details on pages 22-23), which examined the substantive issues for them and for the Group. Reporting was carried out according to the materiality of the information and the issues raised in the analysis, and the intention of the Group is to present a balanced and representative Report that will allow all stakeholders to find reference to

issues that are relevant to them in the report.

The content of the Report below is also published on the CSR website of the Leumi Group - Leumi Plus - plus.leumi.co.il.

Note

The CSR Report for 2013 was prepared in accordance with the GRI guidelines. The Report is not part of the financial statements or Immediate Reports or Periodic Reports of Bank Leumi and/or the Group. In case of any discrepancy between the mentioned in this Report and these reports, the version in the financial statements is the binding version.

Contact person

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Manager of the Leumi Group:
Hadas.Eytan@bll.co.il

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





External Assurance

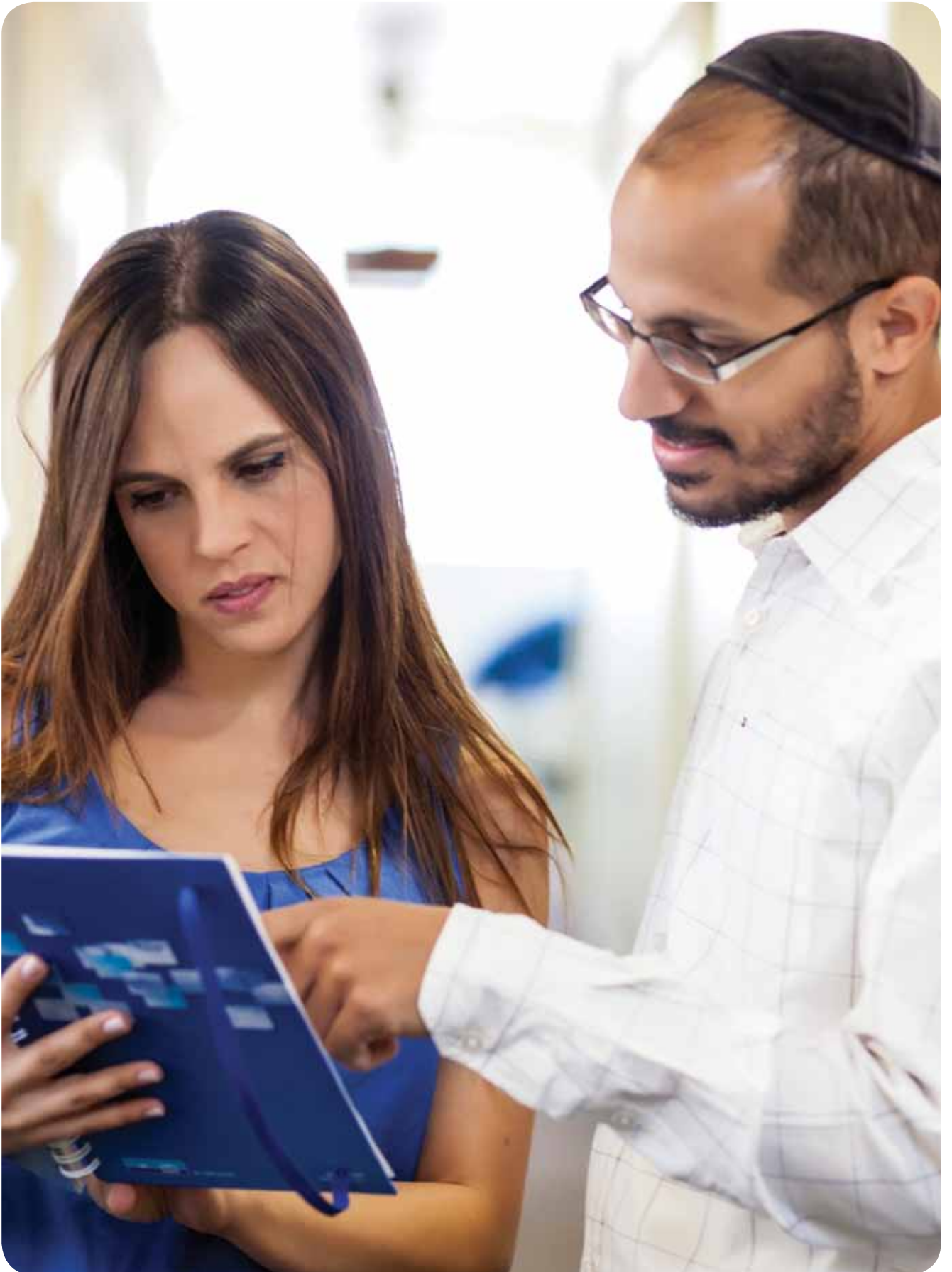
Leumi Group is meticulous in conducting assurance on its corporate responsibility reports published in accordance with GRI directives, and has been doing so since 2009. The Group attributes great importance and value to this process, as one that is instructional, helpful and continuously improves data collection and reporting practices, and in response to the demands of stakeholders for transparency and reliability of the reports.

External limited assurance of the data in the current report was conducted by Somekh Chaikin KPMG.

Assurance was conducted in accordance with ISAE 3000 (International Standard on Engagement Assurance) for conducting engagement assurance other than audits or reviews of historic financial information, which was developed by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). ISAE 3000 emphasizes the comprehensive processes for collecting support data and the independence in conducting assurance. The standard outlines the stages to be performed and the required conditions of the entity conducting assurance, which is permitted to conduct assurance pertaining to conduct, processes or relevant data in the report.

The model of assurance conducted for this report (Limited Assurance) is used in about 80% of the assurance reports on corporate responsibility reports around the world (according to an international survey of corporate responsibility reporting among more than 4000 companies, published by KPMG in 2013)¹.

¹ <http://www.kpmg.com/global/en/issuesandinsights/articlespublications/corporate-responsibility/pages/corporate-responsibility-reporting-survey-2013.aspx>

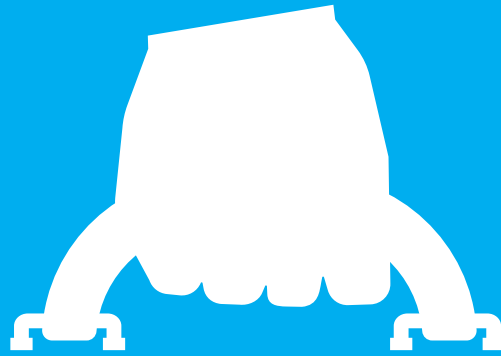




About the Leumi Group

Leumi is the oldest banking corporation in Israel and one of the leading and largest corporations in Israel and the Middle East. Leumi Group operates currently in 274 branches throughout Israel and branches and offices at the major financial crossroads worldwide.

1.



7

business lines specialized in providing banking and financial services to various customer sectors



274 branches nation-wide



52 subsidiaries, branches, agencies and representative offices
15 in countries around the world



Dialogue with stakeholders is conducted through digital tools, conferences, private meetings and phone conversations with customers, employees, suppliers, social and environmental organizations, regulators and investors



Net profit

1,947
NIS Million



5 strategic targets

90.3%

of activity is centered in Israel





Business Profile

The Leumi Group provides high quality banking services to all types of customers, from households, small and medium businesses, and up to large corporations. These services are provided through specialized business lines, suitable for all customer segments, and are backed up by the highest standards and uncompromising professionalism. The Bank provides additional services through its subsidiaries: 'Leumi Card', the Bank's

credit card company, the 'Arab-Israel Bank' and 'Leumi Partners', the Group's investment banking arm. Together with 'Leumi Mortgage' and 'Leumi Trust Company', customers enjoy a wide range of banking services and products.

The activities of Leumi and the principal subsidiaries reviewed in this Report represent more than 95%² of the total activity of the Group in Israel. The Group owns additional subsidiaries that

supplement the spectrum of services offered to customers, such as: 'Leumi Finance Co.', 'Leumi Real Holdings', and 'Leumi Capital Market Services' in Israel, and 'Leumi USA', 'Leumi UK', 'Leumi Luxembourg', 'Leumi Romania' and 'Leumi Private Bank' (Switzerland) overseas.

In addition, Leumi has holdings through its investments in non-banking corporations, as detailed in the holdings chart (see page 13).

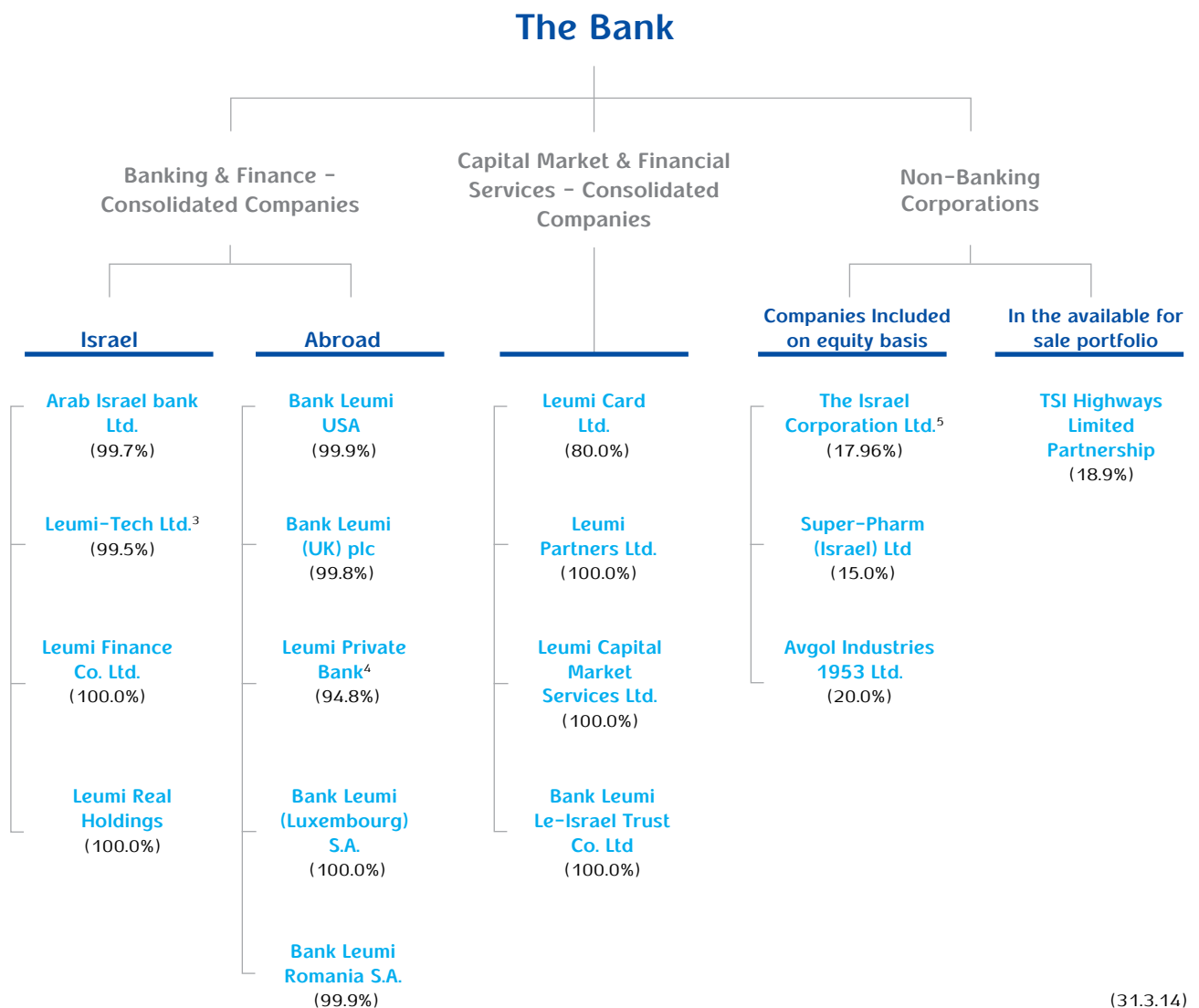


² By contribution to the net profit of the Group

Ownership Structure

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

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



Significant Changes During 2013

On January 1, 2013, the subsidiary Leumi Mortgage Bank was merged into Bank Leumi. At the end of 2013 and the beginning of 2014, the representative offices in Australia and Hong Kong were closed. At the end of 2013, a decision was made to close the Group's representative offices in France, Chile and Toronto. As of January 1, 2014, the Corporate and the Commercial Divisions were merged into a single division - the Corporate and Commercial Division. More information on the activities of the additional subsidiaries and investee companies, branches, agencies and representative offices of the Leumi Group worldwide can be found on the Leumi website: www.leumi.co.il.

³ Formerly Leumi Leasing & Investments Ltd.

⁴ 98.6% in voting rights

⁵ 18.13% in voting rights



Bank Leumi's Business Lines

Bank Leumi operates in Israel through specialized business lines providing banking and financial services to various customer segments. This specialization allows the Bank to provide professional services tailored to customer needs. Headquarters units of Leumi provide support to the core business divisions. The subsidiary companies in Israel and the offices abroad are allocated to the relevant business line in accordance with the nature of their activities and the characteristics of their customers.



7 specialized business lines

providing banking and financial services to various customer segments, allows the Bank to provide professional services tailored to customer needs.

Retail Banking

Provides comprehensive banking services to private customers and small businesses through some 240 branches located throughout the country. This business line also manages Leumi's innovative digital services ('Leumi Digital'), including the Bank's direct banking channels: the Bank's website, the 'Leumi Call Center', for smartphones apps and tablets, Leumi's 'Total Digital' account and the digital stations located at Bank branches.

Corporate Banking

Provides comprehensive financial services to Israel's largest businesses and multinational corporations, including construction and contracting companies involved in large scale real estate and infrastructure projects. Among others, Corporate Banking deals with customers who have structured business operations, global operations or whose business operations are managed in the Bank's overseas subsidiaries.

Commercial Banking

Provides banking and financial services to middle-market companies. The organizational structure of this business line is unique in the banking system and enables the Bank to provide a comprehensive "one stop shop" to its customers.



Capital Markets

Offers financial services to institutional customers and foreign banks, manages Leumi's dealing rooms (Israeli Securities, Foreign Securities, Forex and Derivatives) and provides capital market services to the Bank's customers.

Mortgages

Offers loans for purchasing a residence, collateral loans and loans to purchasing groups through representative offices located throughout the country. 'Leumi Mortgage' offers a full range of services, including mortgage planning, accompanying the customer through the mortgage process and recycling existing mortgages.

Private Banking

Provides customized financial services to high-net-worth individuals, through unique Private Banking centers in Israel which are designated for Israeli and foreign residents, and through the Bank's subsidiaries in Switzerland and in Luxembourg.

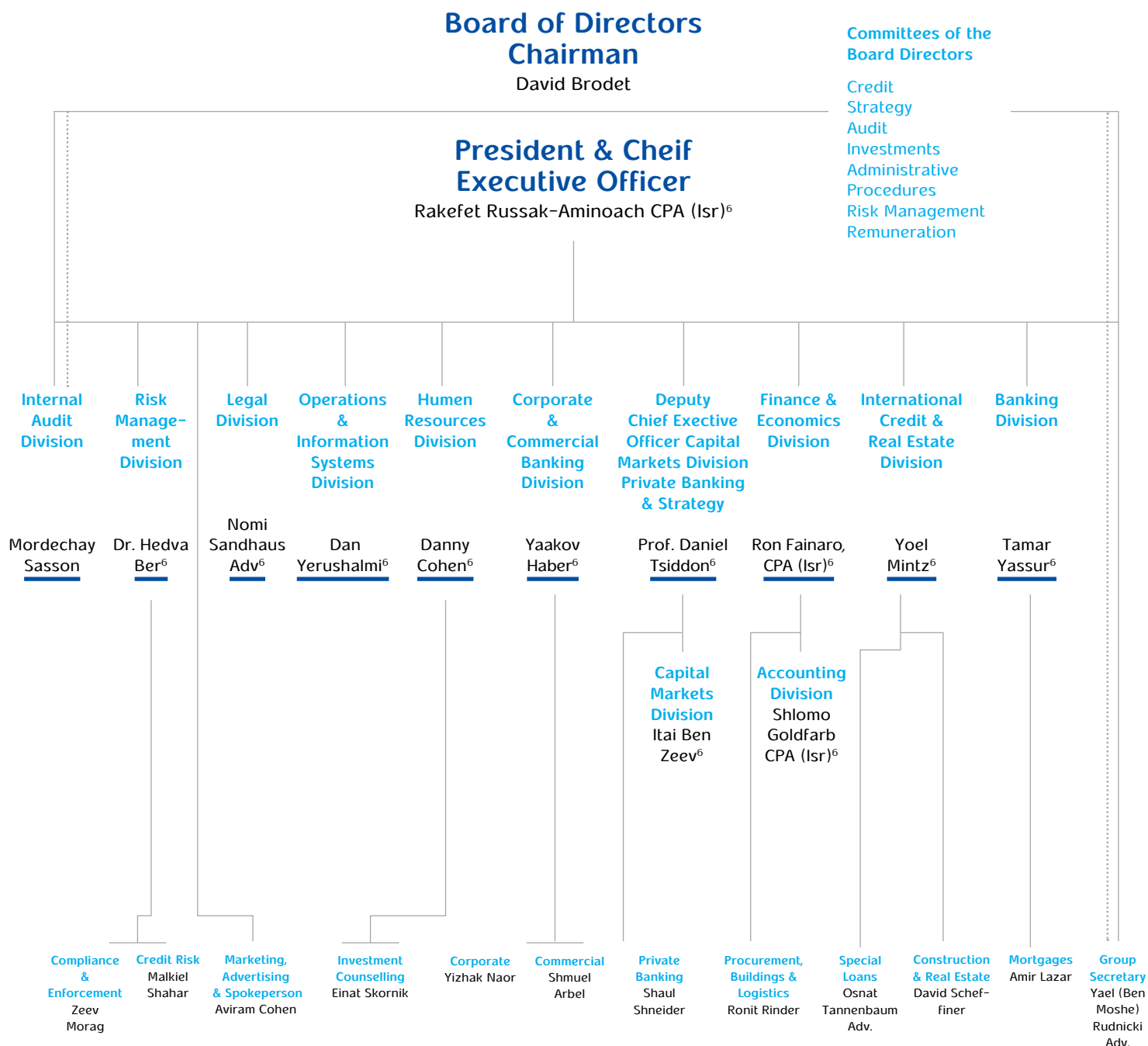
International Banking

Provides commercial banking services to private customers and Israeli companies operating in international markets. This includes the Bank's offices in the U.S.A., United Kingdom, and Romania. In 2014, the Leumi representative office in China was opened.



Bank Leumi Le-Israel B.M. Organizational Structure

Chart updated to 31.3.2014 (organizational changes and changes in office holders to be updated in the design version).



⁶ Member of Management

Bank Leumi's Subsidiary Companies



Arab Israel Bank Ltd.

The banking arm of the Group catering to the Arab population in Israel. The Bank operates through 36 branches located in the Arab sector in the North of Israel and the Northern Triangle. The Bank is a private company with 99.7% of the share capital owned by Leumi and 0.3% owned by 40 shareholders from the Arab sector. The Bank reported with a net profit of NIS 106.5 million in 2013 compared with NIS 103.1 million in 2012. www.aibank.co.il



Leumi Partners Ltd.

The investment banking arm of the Leumi Group that provides non-banking growth solutions, such as investments in companies, underwriting, research, mergers and acquisitions, and the raising of capital or debt of any kind. Leumi Partners integrates its diverse capabilities through a unique merchant banking platform. In 2013, the company reported net profit of NIS 226 million, compared with a loss of NIS 43 million in 2011. www.leumipartners.com



Leumi Card Ltd.

Engaged in issuing, clearing, and operating credit cards, and provides payment solutions and financial products. By the end of 2013, Leumi Card issued more than 2.2 million credit cards, from the Visa and MasterCard brands, including banking cards in cooperation with Leumi and the Arab Israel Bank, and non-banking cards for customers of all banks. Leumi Card provides clearing services for some 40,000 businesses throughout Israel, offering them financial solutions such as loans, discounting vouchers, and pre-payments. 80% of its shares are held by Bank Leumi, and 20% by the Azrieli Group. The company ended 2013 with a net profit of NIS 200 million, compared with NIS 180 million in 2012. www.leumi-card.co.il



Bank Leumi Le-Israel Trust Company Ltd.

Provides a variety of trust services, allowing its customers to enjoy sophisticated customized solutions, both for business and private needs. In the capital market area, the company operates as a trustee for ETN's and bonds. In 2014, the company was granted a license to serve as a mutual fund trustee, and it intends to penetrate this market as of the second quarter of 2014. The net profit of the company in 2013 amounted to NIS 2.4 million, compared with NIS 3.9 million in 2012. www.trust.co.il

Global Network

In Israel, the Leumi Group operates 274 branches spread throughout the country. 90.3% of the Group's activity is concentrated in Israel and 9.7% is conducted outside Israel⁷. The Head Office of the Group is located in Israel.

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

Leumi Group operates in 15 countries, including the most important financial centers worldwide: New-York, London, Zurich, Luxembourg and Shanghai. Activity is carried out through a network of 52 subsidiaries, branches, agencies and representative offices.

⁷ According to the balance sheet of local and overseas





The Leumi Vision

The evolving business, economic and social environment have led the Leumi Group to review and restate its vision and its core values, in a manner that reflects the change the Group has gone through in recent years. In a cross-organizational process – with the participation of managers and employees – the Group's vision was rephrased into one sentence:



To Conduct Pro-active and Innovative Banking For the Customer

We aim to design a dynamic business environment combining the values of the Bank with product and technological innovation. An environment that will be, for our customers, a place where they can find the best and the most appropriate answer to their financial needs, while striving for adequate profitability, maintaining the stability of the Bank, and creating a balance between the needs of employees and shareholders. As a financial group with a major impact on business and public culture in Israel, we see our commitment to community as a social and value-driven point of reference that we will continue to cultivate.



Core Values



Customers are the core work

They expect professional, quality, courteous and efficient service, so that at the moment of truth we will be there for them attentively with appropriate and useful value propositions.



Sharing

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



Excellence

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



"Yes, we can"

Is a worldview which offers new ideas the possibility of taking shape and materializing. This is a worldview that honors and respects those dealing with challenges and that focuses on action, but also may involve possible errors, out of recognition that only he who dares, wins.



Modeling

Each and every one of us is a role model for someone. We must aspire to ensure that in every activity we do, we shall be a personal example to those around us.



Prizes and Awards in 2013



Professionalism

- + **The Best Bank in Israel** – by “World Finance magazine”, for the third consecutive year
- + **Foreign Exchange Provider in Israel / The Best Sub-Custodian Bank in Israel / The Best Trade Finance Bank in Israel** – by Global Finance magazine



Innovation and Technology

- + **The Most Innovative Bank in the Middle East** – by the magazine “The Banker” (from the Financial Times Group)
- + **The Best Banking Website in Israel** – by “Global Finance magazine”
- + **IT Excellence Awards 2013 by “People and Computers magazine”:**
 - + In the category of application infrastructures and core systems for the “Mobile Check Deposit” service
 - + In the category of improving business processes, for handling accounts with insufficient funds in Leumi
 - + In the category of technology infrastructures, for the chat-based service in the Leumi Call Center
- + **The IT Awards 2013 in the category of competitive advantage** was awarded to Leumi for the unique “Talking ATM” Service. The judges noted that this is “an impressive project of major social significance, in addition to its business value”. The service is designed to assist blind and visually impaired customers who use of the Bank’s ATM services and enables them to hear all the information that appears on the ATM screen through a headphone.



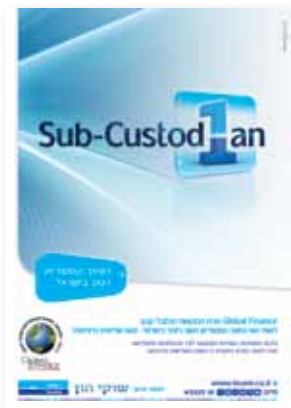
Innovation and Marketing

- + **Leumi Trade:** “Champion of Champions” Internet Award – Webi Awards 2013
- + **Leumi Mobile App:** Award of Excellence in the Mobi Awards 2013
- + **Leumi’s Card:** Prize for the Best Internet site for Credit card Holders, Private and Business Customers – Webi Awards 2013
- + **Leumi Card’s Digital Wallet App:** First Place in Finance Category of in the Field of Mobile Apps Development – Mobi Awards 2013
- + **Leumi Card’s “Digital Wallet” App:** Award for The most Innovative Marketing Activity of the Year – in Innovate 2013 Awards



Corporate Social Responsibility

- + **The Maala 2013 Rankings for CSR for** – Platinum Plus Leumi, Arab Israel Bank and Leumi Card (the highest ranking)
- + **BDI and The Marker Survey** – “The Best Place to Work in Israel in 2013”, third place for Bank Leumi and 19th place for Leumi Card
- + **IT Awards 2013 by “People and Computers” magazine** – Accessibility Award for the “Talking ATM” service
- + **The Standards Institution of Israel** – ‘Diamond Label 2013’ awarded to Leumi’s operations complex in Lod. This is the highest quality stamp of approval granted for compliance with seven strict measures determined by The Standards Institution of Israel.
- + **‘Reserves Medal’ on behalf of the Ministry of Defense** – in recognition and appreciation of Leumi being a workplace that allows for balance between reserve duty and the workplace





CSR Management at Leumi

Corporate Social Responsibility in the Group is managed based on an overall concept, strategy and policy, led by the Leumi Board of Directors. In accordance with a Board resolution in 2008, the Resources Committee (formerly the Administrative Committee) of the Board of Directors is also the Committee for Corporate Social Responsibility. It is in this capacity that it discusses annually the corporate social responsibility management strategy of Leumi and the Group, and makes its recommendations on the subject to the Board of Directors of Leumi prior to its discussions on the overall strategy of Leumi and of the Group.

Prior to the publication of the Corporate Social Responsibility Report, the Resources Committee discusses the Report and makes its recommendations to the plenary session of the Board of Directors on its publication.

Until the end of October 2013, the Head of Marketing was in charge of corporate social responsibility. From November, the field of corporate social responsibility is managed by the Training and Organizational Sub-Division in the Human Resources Division. The Corporate Social Responsibility Manager of the Group is a full-time manager. In this role, she is responsible for

carrying out integration between all relevant parties, and works in full cooperation with the managers of the units where professional leadership takes place in this field and with those in charge of corporate responsibility in the subsidiaries and Leumi offices worldwide.

At the beginning of 2013 the Management of Leumi was presented with the recommendations of the team had that examined during the previous year Leumi's treatment of the topic of corporate social responsibility. Management was presented with a comprehensive materiality

analysis, from which was derived a detailed and reasoned prioritization of issues to be dealt with in the coming years.

Furthermore, as part of bank-wide strategic planning processes, a team was established, headed by the Head of the Human Resources Division, that was designated to the subject of organizational culture and corporate social responsibility. This team led to the formation of a new vision and core values and in which discussions were held on corporate social responsibility and community investment strategy.

Materiality matrix

In 2012 a materiality matrix was formulated, in collaboration with major stakeholders, which reflects the importance attached by the stakeholders of Leumi to various corporate social responsibility issues.

The process of building the materiality matrix included formulating a list of relevant issues and conducting a survey of stakeholder groups, the Leumi Board of Directors, Leumi Management, some 400 employees, about 500 customers, suppliers and social and environmental organizations on the importance they attach to each of the subjects listed.

At the same time, Leumi's performance was analyzed in the various subjects listed, and was cross-referenced with significant test results. In this manner, issues were identified where there is a large gap between the degree of importance attached by the stakeholders and the manner in which it is currently handled, and a list of recommendations was formulated on the issue. These recommendations were presented to Leumi Management at the beginning of 2013, and were taken into account during the building of the work program in the area of corporate social responsibility.

The Materiality Matrix is weighted according to the degree of importance of the subject in the view of Leumi (Management and Board of Directors) and the various stakeholders (customers, employees, suppliers, social and environmental organizations)



Topics Index:

	pages		pages
1. Prevention of bribery and corruption	38	13. Reducing paper consumption and recycling	142-143
2. Accessibility to customers and employees with disabilities	64-65	14. Developing financial products and services with social and environmental value	108-111, 145-146
3. Providing simple and clear information to customers	57	15. Combining social and environmental considerations when investing in companies	145
4. Fair and on time payment to suppliers	72	16. Combining social and environmental considerations when selecting suppliers	72-75
5. Code of Ethics for conduct with all stakeholders	41-42	17. Encouraging employees to volunteer in the community	124-127
6. Maintaining rights of outsourced employees	74, 90	18. Conducting a dialogue with stakeholders	22-25, 58-63, 66-67, 73, 95-97
7. Assistance to disadvantaged populations for better financial conduct	66-68, 128-129	19. Reporting to the stakeholders on social and environmental impacts	6-7, 140
8. Investment of resources in employees training	91-94	20. Combining social and environmental considerations when granting business loans	145
9. Informing employees about opportunities for advancement and development	92-94	21. Reducing energy consumption	138-139
10. Maintaining the health, safety and welfare of employees	98-102	22. Reducing fuel consumption	138-139
11. Recruiting employees from diverse populations	86-88		
12. Donating funds for the community	108-123		



Dialogue with Stakeholders

Leumi attaches great importance to maintaining an ongoing dialogue with its various stakeholders, and devotes many resources to the continuous expansion of channels of communication to strengthen the dialogue existing with them.

The existence of a transparent, open and mutual dialogue allows the Bank to understand the needs and desires of stakeholder groups and enables it improve itself for them and to offer them targeted and accurate solutions.

Dialogue with the stakeholders takes place through digital tools, conferences, individual meetings and telephone calls with customers, employees, suppliers, social and environmental organizations, regulators and investors.

Major activities of dialogue with stakeholders in 2013

Customers

(Further information available in chapter on "Economic Impacts")

3,500 personal meetings took place with customers with debts

83,500 satisfaction surveys were conducted among customers

441 columns (posts) on "Leumi Blog"

Ongoing dialogue with hundreds of thousands of users **on the various Facebook pages** of the Group

5,043 enquiries were recorded in the Public Enquiries Bureau

Employees

(Further information available in chapter on "Social Impacts")

Dozens of meetings between Management and the employees' representative body

Performance of employee attitude surveys

14 coffee-break meetings of the CEO with managers and staff

250 conversations between Human Resources Division Managers in Leumi and employees in the **framework of 3 "Open Lines"**

Tours and meetings of the President and Chief Executive Officer and Management in branches and area managements

Suppliers

(Further information available in chapter on "Economic Impacts")

During the course of their work, representatives of the units of Leumi have **regular meetings with the relevant suppliers**

A Suppliers Conference took place with participation of more than 200 suppliers



Social and environmental organizations

(Further information available “Social Impacts” chapter)

Ongoing dialogue with community partners in the area of employee volunteering - voluntary associations, social organizations and welfare departments in local authorities

Collaboration with the Israel Accessibility Organization and the Center for the Blind, in the framework of improving processes and awareness to accessibility to services for people with disabilities

21 “on-site tours” by the “Leumi Tomorrow” Administration and members of the Executive Committee to the various projects of “Leumi Tomorrow”

A meeting of the Social Partners Forum of the Leumi Group

Shareholders and investors

(Further information available in “Economic Impacts” chapter)

Ongoing updating by means of the Investor Relations website, conferences, group and individual meetings, personal conversations and quarterly conference calls on the subject of the financial statements

Regulation

Leumi supports the promotion of a social and environmental agenda, but abstains from political activity. Leumi is invited from time to time to take part in Knesset Committee meetings and in other parliamentary and governmental frameworks, as is necessary and to promote issues which have implications on its ability to give a suitable response to its stakeholders. If necessary, Leumi is aided by external consultants that are experts in these matters.



Participation in ventures in the field of sustainability and corporate responsibility

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

Leumi, Arab Israel Bank and Leumi Card are members of the Maala Organization and participate in the annual Maala Rankings. In the 2013 rankings, the three companies were given the highest ranking - Platinum Plus.



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



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



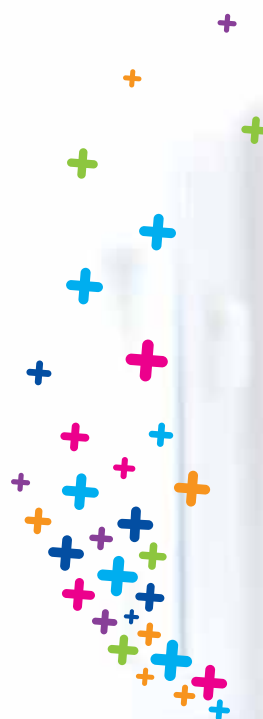
In 2013, Leumi joined the Carbon Disclosure Project (CDP) Initiative. Leumi reports to the Initiative with the aim of measuring and disclosing to the public the direct and indirect impacts of the Bank of climate change.



In 2010, Leumi joined the voluntary system for reporting on greenhouse gas emissions in Israel, led by of the Israeli Ministry for Environmental Protection.



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









Objectives for the realm of Corporate Social Responsibility Management

Performance of Objectives for the year 2013

 Fully Completed
  Partially Completed
  Not Completed

Objectives set for 2013	Degree of implementation	Explanation
 Leumi		
Corporate Social Responsibility Report 2011-2012: Publication of the CSR Report in the spirit of the GRI towards the end of 2013		The CSR Report for the years 2011-2012 was published
Examining the recommendations of the Strategic Team for combining Corporate Social Responsibility principles in the Bank's business strategy		The recommendations were discussed in the framework of the Organizational Culture Team. The recommendations adopted by the Team were formulated into a work plan for the year 2014
Renewed examination of Leumi's principles for investment in the community		An examination was conducted of the community investment policy, and guidelines were examined for community investment in the coming years

Objectives for the years 2014-2015

Leumi	To publish a CSR Report for the year 2013 at the A+ reporting level
	To continue to deal with gaps in significant issues for stakeholders that arose in the Materiality Analysis
	To implement of the G4 Principles and making preparations for reporting under this format
	To initiate and support projects in collaboration with business lines and headquarter units



Corporate Governance

The Leumi Group is committed to compliance with a series of laws and regulations, including, inter alia, the Companies Law, Securities Law, banking laws, directives of the Supervisor of Banks and the Articles of Association of Leumi. These rules govern the operations of all aspects of Leumi, including risk management, capital management and granting of credit, fairness in customer service, proper disclosure of information, the conduct of the Board of Directors and more.

2.

45 Board of Directors meetings
131 Board committees meetings
 were held during 2013



Being responsible for managing other people's money, the Group is committed to act responsibly while minimizing all kinds of risks



The Leumi Board comprises **15** directors among them **8** external directors and **4** women



During 2013 the Leumi Board and management conducted a comprehensive and **in-depth process** in collaboration with managers and employees, to refresh the vision, the ethical code and the core values of Leumi



Once every two years the Board conducts a **self-assessment process** through questionnaires regarding various aspects in managing its work and committees





As a complex financial organization, the Leumi Group requires solid corporate governance and management mechanisms that allow for full coordination and control to prevent violation of laws and rules, to prevent conflicts of interest, and for optimal risk management. The Group has high standards of corporate governance beyond the requirements of the law, deriving from the perception that this field is material for the business success of the Group.

Increased regulation

In recent years, Leumi has been subject, as part of the banking system in Israel and worldwide, to a considerable number of initiatives and new laws to regulate the manner of these activities in a wide range of aspects. These initiatives include, among others, the Zaken Committee for the encouragement of competition, the Concentrations Law - which is expected to lead to changes in the ownership and control of financial and non-financial institutions and the ability of banks to invest in real entities and the reform for the reduction and limitation of distribution fees.

Alongside local regulatory activities, banks are also affected by global regulation which tightens capital adequacy requirements, such as Basel III, U.S. FATCA Law - requiring banks to report the assets and accounts of U.S. customers, and more.



Leumi Board of Directors

Leumi is a limited company under the Companies Law, 1999, a reporting company under the Securities Law, 1968, and a banking corporation. As such it operates according to the law, which includes a long list of laws and regulations, including the Companies Law, the Securities Law, Banking Laws, Directives of the Supervisor of Banks, including Proper Conduct of Banking Business Directive 301 – “Board of Directors” (hereinafter: “Directive 301”) and the Articles of Association of Leumi (www.magna.isa.gov.il).

Pursuant to Directive 301, Leumi’s business and financial strength is the responsibility of Leumi’s

Board of Directors. The Board of Directors outlines the strategy of Leumi, including its risk appetite, and approves the policy that guides it in its current operations. The Board of Directors oversees the activities of Management and ensures that these are consistent with the policy established by the Board of Directors. The Board of Directors verifies the existence of clearly defined areas of responsibility and reporting, and outlines organizational culture, which requires the implementation of high standards of professional conduct and integrity. The Board of Directors ensures that Leumi acts in compliance with the law and regulations.



15 directors serve on the Board of Directors of Leumi, including **8** that are **external directors** as defined in Directive 301, and are also independent, as defined in the Companies Law, of which **3 are external directors** under the Companies Law

Appointment, Composition and Committees of the Board of Directors in Leumi and the subsidiaries

As of June 2014, 15 directors serve on the Board of Directors of Leumi, including 8 who are external directors as defined in Directive 301, and are also independent, as defined in the Companies Law, of which 3 are external directors as defined under the Companies Law. Directors, including external directors are subject to the provisions of the law, including the Companies Law and Directive 301, the Banking Law (Licensing), 1981 and the Banking Ordinance, 1941, including with regard to their appointments, their qualifications, requirements regarding lack of connections, the majority required for their election, their terms of

office, and more. A candidate for the Board of Directors is required to undergo an examination regarding his suitability, and his appointment is subject to approval or absence of objection by the Bank of Israel.

The composition of the Board of Directors complies with the requirements of Directive 301, pursuant to which, among other matters, the Board of Directors shall have adequate collective knowledge about each type of the substantive activities that the Bank intends to carry out, and at least five directors will have proven banking experience. In addition, the majority of the members of the Board of



Directors have accounting-financial expertise, and the Bank complies with Section 239 (d) of the Companies Law, which determines the right of representation in the Board of Directors for both sexes.

In accordance with Article 96 of the Articles of Incorporation, the Board of Directors elects one of its members as Chairman of the Board.

Full details regarding the members of the Board of Directors can be found in the Leumi's Periodic Report for 2013 on the website of the Israel Securities Authority, Magna System: www.magna.isa.gov.il

Each of the subsidiaries has its own Board of Directors. Corporate governance in the subsidiaries is conducted in accordance with the

relevant laws and regulations and in the spirit of the conduct of Leumi.

As is the case at **Bank Leumi**, at **Arab Israel Bank** and at **Leumi Card**, the appointment of a new director is subject to the approval or absence of objection by the Bank of Israel, and the candidate is required to submit a questionnaire including details of his qualifications, for approval by the Bank of Israel. At **Arab Israel Bank**, the appointment of a new director is subject to the approval of the General Meeting of the Bank, and at **Leumi Card**, the appointment of new directors is to be approved in writing by shareholders holding, in the aggregate, at least 51% of the voting rights in the company.

At **Leumi Partners** and in the **Trust**

Company, candidates for the office of director in the company complete a declaration form, which is submitted for review by the authorized parties at Bank Leumi and at the company. On the receipt of approval by the authorized parties above, the appointment is approved by the Board of Directors of the company.

The Board of Directors of Leumi and the subsidiaries operate, inter alia, by means of standing committees and ad hoc committees, in addition to the committees required by law. Information on the Board of Directors committees, their composition and functions, can be found on the Leumi website: www.leumi.co.il

Data on the Boards of Directors of Leumi Group:

Company	Number of Directors	Number of External Directors	Number of Directors with Accounting and Financial Expertise	Number of Women in the Board of Directors	Principal Committees
Leumi	15	8	14	4	Strategy, Audit, Risk Management, Resources, Salaries and Remuneration, Credit, Investments
Arab Israel Bank	11	4	5	2	Audit / Balance Sheet, Administrative and Credit, Remunerations and Salaries, Risk Management
Leumi Card	9	3	6	2	Audit, Risk Management and Remuneration
Leumi Partners	5	-	5	1	Audit and Risk Management
Trust Company	5	1	3	2	Audit

Full details regarding the members of the Board of Directors can be found in the Leumi's Periodic Report for 2013 on the website of the Israel Securities Authority, Magna System: www.magna.isa.gov.il

Activity of the Board of Directors of Leumi and the subsidiaries

During 2013, the Board of Directors of Leumi and the Boards of Directors of the subsidiaries continue to carry out their duties including, but not limited to, formulating strategy, approval of financial statements, approval of policy in various areas and more. During 2013 there were 45 plenary meetings of the Leumi Board of Directors and 131 meetings of the committees of the Board of Directors.

Raising items for the Agenda of the Board of Directors and the General Meeting

The agenda of the meetings of the Board of Directors of Leumi is determined by the Chairman of the Board of Directors, in coordination with the President and Chief Executive Officer of the Bank, taking into account the relevant regulatory obligations. Pursuant to the Companies Law, the agenda of the General Meeting of the Shareholders is determined by the Board of Directors. Certain shareholders may request the Board of Directors to include other matters on the agenda of the General Meeting.

The Audit Committee of the Board of Directors approved a procedure regulating mechanisms for reporting by employees of exceptional activity, inter alia, to the Chairman of the Audit Committee, as well as mechanisms to protect the identities of those reporting.

Leumi Card, Arab Israel Bank, Leumi Partners, and the Trust Company are private companies controlled by Bank Leumi. Directors serving on behalf of the shareholders are entitled to request the convening of a meeting of the Board of Directors and to raise matters for discussion. At **Arab Israel Bank** there is an enquiry call center through which

employees can make proposals for the agenda of the Board of Directors. Employee enquiries are presented to Management and if necessary and applicable are passed to the Board of Directors at **Leumi Card**. Proposals and recommendations of the employees are presented to management of the company, which decides if and how to pass them to the Board of Directors. **Leumi Card** encourages employees of the company to report on various matters, such as the company's compliance with the

provisions of the law applying to it. In addition, it makes available to its employees the option of reporting anonymously ("whistle blowers").

At **Leumi Partners** and the **Trust Company**, company employees are entitled to raise matters for discussion on the agenda of meetings of the Board of Directors by means of the relevant office holders.

During 2013 were held:

45
Board of Directors
meetings

131
Board committees
meetings





Prevention of conflicts of interests

Leumi and the subsidiary companies operate in accordance with the legal regulatory provisions regarding conflict of interests, inter alia, the provisions of the Companies Law, including sections 254 and 270 of the Law and Directives 301 and 312 of the Supervisor of Banks. In accordance with the provisions of the Companies Law, a director of the Bank owes a fiduciary duty to the Bank and must act in good faith and for the good of the Bank. Pursuant to these provisions, no person shall serve as a director of the Bank, if their business or current

occupations create a permanent conflict of interests between them and the corporation. Bank procedures determine mechanisms for avoidance of situations of conflicts of interest (even when they are not conflicts of interest of a permanent nature), such as the prohibition on providing background material and prohibition on participation in discussions and decision-making of the Board of Directors and its committees. In addition, procedures are set forth for handling situations where such situations are created.

Accordingly, at the time of appointment and periodically, each director is asked to provide details related to positions held and / or holdings in corporations by them and by their relatives, which may be considered a conflict of interests.

In addition, the Chairman of the Board of Directors of Leumi does not serve as a manager in the Bank, and the chairpersons of the Boards of Directors of the subsidiaries in Israel do not serve, as a rule, as managers in those companies.

Monitoring Performance and Risk Management in Leumi

The Board of Directors oversees the activities of Management and monitors these actions by means of several mechanisms, including, among others:

- + Every 6 weeks, the Board of Directors receives a monthly report on the Bank's financial position, submitted in writing by Leumi's President and Chief Executive Officer, and discusses it.
- + Every 3 months, after receiving the recommendation of the Audit Committee, the Board discusses and approves the financial statements of the Bank.
- + Every 3 months, the Board of Directors discusses the

financial position of Leumi on the basis of a quarterly report, which includes, among other things, a report on performance compared with targets, and discusses the Risk Exposure Document, in which reference is made to the various types of risk exposures embodied in the operations of Leumi and the Group, including market risk, credit risk and operational risk. In addition, each new significant product requires the approval of the Board of Directors.

- + Every half year, the Board of Directors discusses the report of the President and Chief Executive Officer of Leumi on the implementation of its decisions.

- + The Board of Directors has various tools for maintaining proper supervision, including, among others, products of the internal audit and control functions (such as Internal Audit, Risk Manager, Compliance Officer), and external functions (such as the external auditors).
- + The Board of Directors has defined a list of exceptional events in relation to which it requires that a report be made to it. In accordance with the work plan determined with the approval of the Board of Directors, the Internal Audit Division, in the framework of audits carried out at the determined, also examines implementation of the

resolutions of the Board of Directors as decided regarding the matters examined and the process for monitoring decisions of the Board of Directors.

- + Any material deviation from limits approved by the Board of Directors is brought to the Board of Directors for approval.
- + The Board of Directors maintains supervision and control mechanisms over controlled corporations in the Leumi Group.

- + The Risk Management Committee of the Board of Directors receives regular periodic reports on issues relating to the subject, among others, from the Chief Risk Officer, and submits its recommendations on these issues to the plenary of the Board of Directors. In addition, the Chief Risk Officer reports on an immediate basis to the Committee, and if required also to the Board of Directors, on any issue, finding, or deficiency in areas of his role and powers

that could materially affect the risk and / or business management of Leumi. The Chief Risk Officer may decide on other issues that are to be brought for discussion and closer examination by the Risk Management Committee.

Evaluation of the performance of the Board of Directors

Once every two years, Leumi carries out a self-assessment process of the Board of Directors through questionnaires relating to various aspects of the management of its work and its committees, including responsibility for Bank and Group strategy, the delegating of tasks to the committees, issues relating to the Management, remuneration policy and reference to corporate social responsibility. In addition, the Board periodically updates the working procedure of the Board of Directors, which is also based on the provisions of the law that apply to the Board of Directors. This

procedure stipulates, inter alia, the duties of the Board of Directors and its powers, and the committees of the Board of Directors, the working methods of the Board of Directors and its committees, including regarding the reports presented, as well as matters and transactions that are to be brought for approval by the Board of Directors.

At Arab Israel Bank and Leumi Card, a periodic self-assessment process is also carried out on the performance of the Board of Directors.



Once every two years, Leumi carries out a **self-assessment process of the Board of Directors** through questionnaires relating to various aspects of the management of its work and its committees, including responsibility for Bank and Group strategy

Remuneration of Directors and Senior Management

All the directors serving on the Board of Directors of Leumi, excluding the Chairman of the Board, receive remuneration and reimbursement of expenses exclusively in accordance with the law regarding remuneration for an external director. The terms of employment of the Chairman of the Board of Directors were approved by the Audit Committee, the Board of Directors, and the Annual General Meeting - 2010.

Leumi had a long-term bonus program for the Chairman of the Board of Directors, the President and Chief Executive Officer, and Members of Management that was approved by the Board of Directors in 2010 and that ended in 2012.

In February 2014, the General Meeting of Bank Leumi approved a compensation policy for office-holders of the Bank (after the approval of the Board of Directors and in accordance with the approval and recommendations of the Remuneration Committee). The remuneration policy is based on the provisions of Amendment 20 of the Companies Law regarding conditions of service and employment of office-holders of the Bank and the provisions determined in Proper Conduct of Banking Business Directive No. 301A concerning remuneration policy in a banking corporation. The remuneration policy is designed to remunerate officers of the Bank in accordance with the Bank's performance and profitability over time, including according to the objectives of the Bank

and the Group in the long term, and according to their actual contribution of office-holders in achieving these performance goals. Remuneration policy includes, among other things, a reference to the salary component, related terms, retirement conditions and the component for annual bonuses.

The Remuneration plan gives a score to the achievements of the manager according to the BSC (Balanced Score Card), which is a scorecard for the manager. This scorecard was determined according to the objectives of the Bank's work plan in the area of the manager's activities and which also includes goals in the areas of community and the environment as relevant to the manager's area of activity. In addition, a personal qualitative score is given based, inter alia, on projects in these areas.

The remuneration of directors at **Arab Israel Bank** is carried out in accordance with the recommendation of the Administrative Committee of the Leumi Board of Directors, the Audit Committee of the Board of Directors of the Bank, and the approval of the Board of Directors and the General Meeting as recommended by Leumi.

At **Leumi Card**, the members of the Board of Directors are paid salaries as prescribed in the regulations in respect of remuneration of external directors. Members of management of the company receive, from time to time, a bonus that reflects their contribution to the financial results of the company. Entitlement to

the bonus is conditioned on the company meeting its profit targets, as specified in the work plan. The principles for awarding the bonus are approved by Board of Directors. In 2012, a Senior Officers Remuneration Policy was approved by the Board of Directors that defines the remuneration program of the Chief Executive Officer of the company and members of management that refers to meeting profit targets and indicators at set in the annual work plan. In 2013, the Board of Directors approved a remuneration plan for members of management of the company, after receiving the recommendation of the Audit Committee and the Remuneration Committee. The company began formulating a new remuneration policy in accordance with the new directives of the Banking Supervision Department.

Further information on the remuneration policy of office holders can be found on page 243-248 of the financial statements of Leumi for the year 2013.



Compliance and Enforcement

Leumi Group is subject to a wide range of laws, orders and regulations, including directives of the Supervisor of Banks, the Prohibition of Money Laundering and Financing Terror Authority, the Israel Securities Authority, and the Antitrust Authority. In accordance with the organizational culture of the Leumi Group, compliance with the provisions of the legislation is incorporated in the various work processes.

The Chief Compliance Officer of Bank Leumi serves as the Chief Compliance Officer of the Group, and is also responsible for the prohibition of money laundering and financing of terrorism, and is responsible for the enforcement of securities law. The Chief Compliance Officer assists the Board of Directors and Management in discharging their duties, to comply with and keep the provisions of the legislation regarding consumer directives, including the prohibition of money laundering and financing of terrorism, securities law and international regulations, in the area of the FATCA provisions (taxation of U.S. customers) and 'declared money' policy (the aim of which is to deal with risks deriving from the possibility that funds deposited in the Bank derive from tax evasion in the source countries), and is a partner in formulating working procedures, new product development, and advising on aspects of the prohibition of money laundering and financing of terrorism in complex transactions.

The compliance officers are responsible for prohibition of money laundering and financing of terrorism, and those responsible for enforcement in the subsidiaries in Israel and in the overseas offices, report on a professional basis to

the Chief Compliance Officer and act in partnership with him. Leumi Group has a series of procedures and mechanisms to implement compliance and enforcement of regulations and laws, including, among others, Group compliance policy, operating procedures, an internal compliance program in the field of securities law, periodic compliance surveys, computerized support systems and carrying out training and implementation.

In Arab Israel Bank, activity is continuing as required for implementing the provisions of legislation on the subject of

prohibition of money laundering and financing of terrorism including the improving of data, developments and improvements in the computerized systems and carrying out training activities to increase awareness of the subject among Bank employees.





Prevention of corruption, embezzlement and fraud

The control and audit systems of the Leumi Group work continuously to detect and handle events of embezzlement and fraud. When this type of event is discovered in Leumi, a process is performed of learning lessons and strengthening the control systems. Events are reported to the Bank of Israel, and if necessary to the Securities Authority and the Israel Police. If there is loss to the customers, the Bank restores the funds in full. During the reporting period, no significant events were detected of corruption, fraud and embezzlement in the Leumi Group.

In 2013, when revising the Code of Ethics, it was decided to focus on the subject, and the document of "Leumi Way – Vision, Core Values, and Ethics" relates specifically to combating bribery and corruption. Reference to the question of conflict of interest is also integrated in the "Suppliers Charter" that was formulated during 2013 (see page 73).

In training and implementation activities of the Code of Ethics, reference is integrated to the procedure on "Prohibition on Accepting Gifts and Favors" and the procedure on "Prohibition on the

Existence of Conflict of Interest."

At **Arab Israel Bank** and **Leumi Card**, embezzlement and fraud risks are dealt with as an inseparable part of the operational risk map of the company. Risks are monitored on an ongoing basis, and once a quarter the status is forwarded to Management and the Board of Directors in the framework of the overall exposure document. In addition, there is an annual management discussion on the subject of fraud and embezzlement and annual refresher courses take place for all employees.



Claims, legal proceedings and fines in 2013

+ In 2013 114 claims were filed against Leumi, of which 97 ordinary claims, 9 class action lawsuits (including one claim related to the antitrust issue) and 8 claims for labor relations. During the year, 3 class actions were ended. Ten claims were filed against **Arab Israel Bank**, of which 2 claims for labor relations. Against **Leumi Card** 58 claims were filed, of which 55 ordinary claims and 3 petitions for the approval of class actions. No claims were filed for labor relations and antitrust. During the year, 2 class actions were ended.

+ A petition for approval of a class action lawsuit was filed against Bank Leumi and other banks in connection with the alleged violation of the Privacy Protection Act.

+ No fines were imposed on Leumi for non-compliance with laws and regulations regarding services and products (Consumer Directives)

+ A monetary sanction was imposed on Leumi Card of NIS 1.2 million, following alleged violations of provisions under the Prohibition of Money Laundering Law, which arose in an audit of the company by the Bank of Israel, which refers to the period between October 2009 and October 2010. In consideration of the cooperation on the part of the company and the actions taken

to correct the deficiencies and prevent their recurrence, it was decided to reduce significantly the amount of the original sanction (NIS 3.4 million).

+ United States authorities, including the United States Department of Justice, the Internal Revenue Service and the U.S. Securities and Exchange Commission ("the U.S. authorities") are conducting investigations against Bank Leumi ("the Group") in connection with the Group's activities with U.S. customers ("the U.S. customers") on suspicion of a violation of United States law, including matters of tax and securities. In this regard, the Department of Justice is examining whether the U.S. customers have breached their obligations under the U.S. tax laws and whether banking services provided by the Group to its customers assisted them in so doing. The Securities and Exchange Commission is checking whether the Group or its representatives have acted in violation of United States securities laws.

In the context of these investigations, the U.S. authorities have issued and are continuing to issue subpoenas for information and documents concerning banking services given to the U.S. customers by the Group.

The Group, assisted by its advisers, is cooperating with the U.S. authorities' investigations, subject to that allowed under the law, including providing information in accordance to the subpoenas subject to the applicable law. In addition, intensive contact is being made between the Group and its representatives and the U.S. authorities in order to reach a resolution. Despite the ongoing contacts, a solution has not yet been formulated and it not yet known what the outline to the solution as aforesaid and when it will be achieved.

The Bank made a provision to cover the Group's anticipated expenses in connection with the U.S. authorities' investigations, including those of advisors, service providers and outside experts. This provision does not constitute an acknowledgement of any claim that might be raised against the Group by the U.S. authorities. For further details see Note 18 K in the 2013 Financial Statement.

In light of the fact that there is still no certainty regarding the amount of expenditure that might be incurred by the Group on this matter, it is possible that the final mount of the expense will be significantly higher than the amount thus far included in the financial statements.



Risk Management

Being responsible for managing other people's money, the Group is committed to act responsibly while minimizing all kinds of risks.

The assessment of risk for Leumi and the subsidiaries, and for any individual transaction carried out, is based on structured methodologies. Some of these are based on expert assessments in each area of activity, and some on the basis of historical data and various types of statistical models. The main tools used in managing risks are the establishment of risk policies and limits, formulating work processes for analyzing and managing risk at the individual transaction level and at portfolio level, periodic reports for evaluating risk based on quantitative and qualitative indicators, while taking into account those changes in the environment in which the Group operates, performing potential scenarios for assessing losses and implications, and others.

The Chief Risk Officer, who is a member of management of Leumi and Head of the Risk Management Division, is responsible for managing the risks of the Group, apart from legal risk management that is under the responsibility of Leumi's Legal Advisor, and reputational risk management that is carried out by the Head of Marketing. The Risk Management Division is an independent entity with an overall perspective that is involved in the decision-making processes on a real-time basis.

Reporting to the Chief Risk Officer are managers of credit risks, market risks, operational risks, return risks, and the Head of Compliance. Risk

Being responsible for managing other people's money, the Group is committed to act responsibly while minimizing all kinds of risks



managers in the subsidiaries in Israel and in offices abroad report on professional matters to the Chief Risk Officer.

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

At **Leumi, Arab Israel Bank**, and at **Leumi Card** there are Senior Risk Committees headed by the Chief Executive Officer, reporting to the Risks Committee and to the Board of Directors. In the framework of the Committee a review is carried out of risk management, examining compliance with risk management

standards set under Basel II and Basel III, and once a year there is a procedure for identifying strengths and weaknesses and building work plans to improve and update risk management processes.

Every year the Risk Committee of the Board of Directors discuss and the Board of Directors of Leumi approve a credit policy documents and market and liquidity risk policy papers as required by Directive 30 1.

As part of Anti-Money Laundering Policy, Leumi Card decided to refrain from clearing vendors in certain risk-intensive sectors, including online gambling sites. The company's decision for the clearing of businesses in these sectors is subject to the approval of the company's management and Board of Directors.

Environmental risk assessment policy

See page 145

Ethics

“Leumi Way - Vision, Core Values and Ethics”

During 2013, the Board of Directors and Management of Leumi led a comprehensive and intensive process in conjunction with managers and employees, to refresh the vision, code of ethics and core values of Leumi. The updating process was based on the findings of surveys and focus groups with the participation of employees and managers from all the units and included examination of trends affecting Leumi's operations, analyzing how banks and leading organizations worldwide define their vision and holding internal workshops and senior forums in Leumi management and in the Board of Directors.

In light of the insights gained in the process, a vision was formulated for the Group, core values and strategic goals were examined and reformulated, and the code of ethics was updated.

The updated document “Leumi Way - Vision, Core Values and Ethics” (link for reference) was launched as part in work conferences and a managers' conference at the beginning of 2014. Organization-wide assimilation processes are expected to continue during 2014.

The document “Leumi Way - Vision, Core Values and Ethics” bind values routinely applied in current activity and defines the required manner for conduct, which applies to all activities with customers, employees, suppliers and stakeholders.

In addition, documents and charters governing the desired behavior in specific areas of activity of Bank Leumi have been developed in recent years, in the spirit of the code of ethics of Leumi and in collaboration with professional units:

+ Code of Ethics for investment advisors (see page 56)



+ Charter with suppliers (see page 72)

+ Pension advice charter (see page 66)

+ Social Media charter

+ Charter for Intranet behavior

+ Reservists charter (see page 102)

Implementing the “Leumi Way”

Leumi employees take part in broad-based activities relating to the area of ethics on an annual basis. At the same time, special activities are held in the various divisions and units.

Ethics representatives have been appointed in each unit in the Bank and entrusted with building an annual work plan and its implementation, Divisional ethics committees were established, headed by the ethics representatives, to discuss intra-divisional ethical issues. Internal ethics committees work in cooperation with other units for purposes of cross-fertilization.

A group-wide Main Ethics Committee meets twice a year. Ethics representatives of units in the Group report to the Main Ethics Committee on dilemmas arising in the units.

In April 2014, there began processes for cross-organizational assimilation of the Vision and Core Values.



Ethics Hotline

The Ethics Hotline is available to employees by phone or email, and they are invited to consult with it, anonymously or openly, on related issues. The Ethics Hotline undertakes to answer the applicant within 24 hours in order to receive more

information about the request.

In 2013, 51 enquiries were received by the Hotline. The main subjects of the calls are conflict of interests and the receipt of gifts from customers and suppliers.



The Ethics Hotline is available to employees by phone or email, and they are invited to consult with it, anonymously or openly, on related issues

Ethics in the subsidiary companies



Arab Israel Bank

The principles of the Code of Ethics guides the activities of the Bank's employees. The Bank operates an Ethics Committee, an Ethics Call Center for inquiries by employees, and ethics trustees were appointed in the branches. There is also continuous activity on the prohibition of conflict of interest, such as the mapping of potential conflicts of interest among employees, consolidating controls in cases where such potential was identified, publishing guidelines and procedures to prevent conflicts of interest, and more. In addition, whenever there is rotation of employees, they are asked to sign a declaration concerning a conflict of interest.

The new Code of Ethics of Leumi was adopted and will be assimilated 2014 also by Arab Israel Bank as a Group Code of Ethics.



Leumi Card

Leumi Card employees participate in cross-organizational activities about the Code of Ethics and the preventing of conflicts of interest on an annual basis, including an annual refresher tutorial on Ethics and "ethical coffee" meetings under external guidance, in which heterogeneous groups of employees and managers participated. The meetings are designed to encourage ethical discourse and dealing with ethical dilemmas. In addition, there are number of channels available to employees for inquiries and reporting on ethical issues, "Whistle blower" - leaving an anonymous message in voicemail, sending an anonymous letter and emailing whistleblower@leumi-card.co.il (this is not necessarily anonymous).



Leumi Partners

The company Code of Ethics is based on the "Leumi Way". The Code was formulated by employees and members of management in the company.



Trust Company

The Company has adopted the Code of Ethics "Leumi Way" and works towards its assimilation among company employees regularly through various means, including meetings for the entire staff of the company and holdings discussions of ethical dilemmas.

Internal Audit

The Internal Audit Division is responsible for auditing all the Leumi Group, its units in the country and abroad, according to a multi-annual work plan. The Division examines work and control processes in the Group, raising findings that might cause damage and recommending procedures and controls to minimize exposures. This is achieved by using advanced methodologies, maintaining high professional qualifications and management of processes for continuous improvement.

The Division operates in accordance with the directives and guidelines of the Supervisor of Banks, including Directive 307 on the internal audit function. Among the roles of the Audit Division are:

1. Checking the integrity of the Bank's operations in terms of keeping the provisions of the law, regulation, Bank procedures, integrity, savings and efficiency
2. Auditing the implementation of the resolutions and directives of the Board of Directors and its committees
3. Evaluating the Bank's compliance with risk policies and reviewing systems set up to ensure compliance with the requirements set forth in law and regulation, the Code of Ethics and the implementation of policies and procedures
4. Reviewing the reliability (including integrity, accuracy and completeness) and availability of management, accounting and financial information
5. Reviewing and evaluating the reliability and continuity of the electronic information systems and e-banking services
6. Specialized testing and handling complaints by employees of unusual activity, risk of damage to proper conduct or integrity




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Objectives for the realm of Corporate Governance

Performance of Objectives for the year 2013



Fully Completed



Partially Completed



Not Completed

Objectives set for 2013

Degree of implementation

Explanation



Leumi

Raising and distributing ethical dilemmas



During 2013, activities took place in the various Divisions, in which a discussion took place of major dilemmas. In addition, in the framework of signing up employees on the subject of conflict of interest, a dilemma relevant to the issue was distributed to all the employees, including giving an answer and examples

Reviewing the updating of the Code of Ethics - in light of the new emphases outlined by Leumi Management and based on "The Customer at the Center"



During 2013, a process took place of examination and strategic thinking in Bank Management, in light of which the Group vision was formulated, core values and strategic targets were reexamined and formulated, and the Code of Ethics updated. The updated document "Leumi Way - Vision, Core Values and Ethics" was launched in the framework of work conferences and the Balance Sheet conference. Cross-organizational assimilation processes commenced in April 2014



Arab Israel Bank

Assimilating the document of designated ethical principles for investment advisors



The Bank implemented the "Code of Ethics for Investment Advisors" of Leumi. Meetings of advisors were held during 2013 on the subject and two specialized conferences held both for investment advisors and clerks

Joining the Group effort of updating the Code of Ethics, by adapting it to the organizational and cultural situation of the Bank



The latest Code of Ethics was published in 2014, and will be assimilated respectively during the year



Leumi Card

Annual refresher course for the employees



85% of the employees of the company completed the annual refresher course through an interactive tutorial about the Code of Ethics






"Ethics Coffee Break" activity for various populations in the organization



"Ethics Coffee Break" meetings were held among heterogeneous groups of employees and managers under external guidance. The meetings were designed to encourage ethical discourse and dealing with ethical dilemmas in the organization

Performance of Objectives for the year 2013 - con.

 Fully Completed  Partially Completed  Not Completed

Objectives set for 2013	Degree of implementation	Explanation
 Leumi Partners		
Updating, discussing and assimilating the new Code of Ethics		The latest Code of Ethics was published in 2014, and will be assimilated respectively during the year
 Trust Company		
Raising ethical dilemmas and holding a discussion on the issue		Two semi-annual meetings were held in which there was a discussion on ethics
Appointing an officer responsible for the area of ethics in the company		The Legal Advisor of the company is in charge of the area of ethics in the company

Objectives for the years 2014-2015

Leumi	Processes for launching and assimilating "Leumi Way - Vision, Core Values and Ethics" to the whole Bank
Arab Israel Bank	Adapting the Group Code of Ethics the organizational and cultural situation of the banks and assimilating it among the employees
Leumi Card	Formulating a new remuneration policy in accordance with the new directives of the Supervisor of Banks
	Updating, discussion and assimilation of the new Code of Ethics
	Refreshing Leumi Card's Code of Ethics in the spirit of the updated Code of Ethics of Leumi
Leumi Partners	Updating and assimilating the updated Code amongst the employees
Trust Company	Continued cooperation with the Leumi Ethics Team and formulating a program for assimilating the new Code
	Holding quarterly meetings on the subject of ethics with the participation of the employees of the company



Economic Impacts

The Leumi Group, as one of the largest banking groups in Israel, has wide-ranging broad economic impacts, both direct and indirect, on the Israeli economy and the stability of the economy.

The Group's business activity **directly** affects Israeli households, businesses, shareholders, employees, and suppliers, and **indirectly** the economy and society as a whole, through the payment of taxes to the State coffers, financing infrastructure projects, accompanying growth sectors (such as small businesses and converting plants to operating with natural gas), involvement in the capital market, services of social and environmental value, and financial donations to the community.

3.



Net credit to the public
in the Leumi Group
amounted to

240.9
NIS Billion



1.391
NIS Billion
paid in state
taxes



25
NIS Billion
credit for
infrastructure



133.5
NIS Billion
credit for
business



69
NIS Billion
credit for
mortgages

7.8
NIS Billion
credit for public &
community services





Our Customers

Operating segments of the Leumi Group:

Households

Banking services to households and individuals

Small Businesses

Banking services to small business and local authorities

Midsize Businesses (Commercial Banking)

Banking and financial services to midsize companies and stakeholders in these companies (Middle Market)

Large Businesses (Corporate Banking)

Banking and financial services to large and international companies in the economy

Private Banking

Financial services and solutions to wealthy Israeli customers and foreign residents

Financial Management and Capital Markets -

nostro activity (equity investments of the Group) and dealing rooms and providing services to institutional customers and foreign financial institutions.

Net credit to the public⁸ in the Leumi Group (In Israel and abroad) amounted at the end of 2013 to NIS 240.9 billion, of which, about NIS 217 billion in Israel alone. In addition to the credit to the public, the Group invests in securities of companies. These investments totaled about NIS 12.8 billion at the end of 2013. Total investments in securities (including securities of government, banks, and others) at the end of 2013 totaled approximately 63.7 billion.

⁸ Total credit granted through the Group to the public (and not to governments and banks) up to 31.12.2013



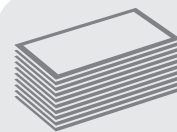
240.9

NIS Billion
Net credit to
the public
in 2013 the
Leumi Group

Of which:

217

NIS Billion
in Israel only



63.7

NIS Billion
Total Investment in
securities (including
securities of
government, banks,
and others) at the
end of 2013



69,422

NIS Million
Net credit for
Mortgages



106,698

NIS Million
Net credit for
Households



238,793

NIS Million
Total Net credit for
Customers



23,603

NIS Million
Net credit for
Industries



25,178

NIS Million
Net credit for
Infrastructure⁹



133,575

NIS Million
Net credit for Small
Businesses



7,848

NIS Million
Net credit for Public &
Community Services¹⁰



1,825

NIS Million
Net credit for
Agriculture



23,005

NIS Million
Net credit for
Commerce

⁹ Infrastructure - Construction, electricity and water

¹⁰ Public and community services - hospitals, sanitation services, social services, educational institutions and universities, community centers, sports organizations, museums and more

Economic Impacts of the Leumi Group by Selected Sectors

Households and Individuals

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

customer needs according to the stages in the life of the customer. The main products supplied to this population segment are checking account services, deposits and savings, household credit, credit cards, mortgages, investment counseling and pension counseling.

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

The total of credit granted by the Group to households and individuals at the end of 2013 was NIS 106.7 billion, of which housing loans totaled NIS 69.4 billion.

Deposits from households and private customers in the Leumi Group at the end of 2013 totaled approximately NIS 153.4 billion.





Small and Medium Businesses

The micro, small, and medium business sector, as defined by the Government of Israel represents 99.3% of businesses in Israel (502,000 businesses)¹¹ and it is one of the growth engines of the economy. This sector provides work for 1.3 million people in Israel and is responsible for 45% of GDP¹². Strengthening the survival of small and medium businesses is important to strengthen the economy and support the young population, the weaker sectors, and peripheral regions.

Small and medium businesses sometimes face bureaucratic difficulties, lack of managerial knowledge and limited access to credit. Many small and medium businesses find it difficult to cope

with conventional credit tracks due to lack of capital or appropriate financial collateral.

In 2013, a Leumi focused on small businesses and initiated a number of measures in favor of this sector, with the main one being the establishment of the “Leumi Fund for Small Businesses.”

Deposits of small and medium businesses in the Leumi Group as at the end of 2013 totaled NIS 74.7 billion

Alongside the range of services and credit tracks, Leumi Group also offers unique tracks and benefits for small business entities operating in the periphery and engaging in social activities (see further details on page 108–109).

The year 2013 was a record year for Leumi Group in increasing activity with small businesses: an increase in credit, investment, and attracting new customers in this sector. Credit to this segment grew in 2013 by 7.2%, a solid rate of growth in relation to the overall growth of the credit granted by Leumi to the other segments.

Total credit provided to small businesses at the end of 2013 was approximately NIS 23.3 billion and the total credit extended to the mid-sized business sector (commercial) was approximately NIS 49.6 billion, for a total of NIS 72.9 billion.¹³

Deposits of small and medium businesses in the Leumi Group as at the end of 2013 amounted to NIS 74.7 billion.



Leumi Fund for Small Businesses

In 2013, Leumi a special fund, in the amount of NIS 3 billion, to provide a response to businesses with good business feasibility, whose collateral and / or equity is not sufficient for credit of the size requested. The Fund grants loans to small and medium business on improved terms. Since it is an independent fund of the Bank, without Government guarantees, it can act with faster response time than other funds for small businesses, and approves loans within 14 business days only from the date of presentation of all relevant documents.



¹¹ Date for 2012, Central Bureau for Statistics, Annual Statistical Report 2013, Table 18.3

¹² As of 2010 from: Periodic Status Report regarding Small and Midsize Businesses in Israel, the Small and Midsize Businesses Authority, July 2013

¹³ This credit does not include off-balance sheet credit and financial instruments.

Large Businesses

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

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

currency risks, interest risks and changes in commodity prices, investment services and capital market activities.

Total credit provided to the large business segment as at the end of 2013 was NIS 60.6 billion.¹⁴

Deposits of large businesses in the Leumi Group as at the end of 2013 amounted to NIS 22.8 billion.

The Capital Market

The Group's activity in the capital market includes investment consulting and pension consulting to retail customers, brokerage in securities and financial instruments, including activities carried out through the foreign currency dealing rooms, and Israeli and foreign securities, and banking and financial services for entities active in the capital market, and brokerage and custody services.

Through the activities of the Capital Markets Division and Leumi Partners, the real investment arm of the

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

In 2013, Leumi Partners Underwriters, a subsidiary of Leumi Partners, participated in public offerings totaling about NIS 16.5

billion, and led about 31 public offerings totaling about NIS 5.6 billion. In the 2013 ranking of underwriting companies of Globes and DUN'S 100, Leumi Partners Underwriters came second among underwriting companies in Israel and was responsible for 19%¹⁵ of the total of large offerings.

Deposits of institutional and financial customers in the Leumi Group as of the end 2013 amounted to NIS 35.1 billion.

Breakdown of businesses by size

	Government of Israel ¹⁶		Leumi ¹⁷		Leumi Card ¹⁷	
	Number of employees	Turnover (NIS millions)	Line of credit (NIS millions)	Turnover (NIS millions)	Number of employees	Clearing cycle (NIS millions)
Micro business	Up to 5	Up to 10			Up to 5	Up to 0.05
Small business	Up to 50	Up to 25	Up to 10	Up to 20	Up to 25	Up to 0.2
Medium business	Up to 100	Up to 100	10–120	20–400	Up to 100	Up to 0.7
Large business			120 and above	400 and above		

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

¹⁵ Ranking of leading underwriters 2013, DUN'S 100

¹⁶ Government Decision No. 2190 from 2007

¹⁷ In general, except for exceptional cases, the definitions of Leumi and Leumi Card for the size of a business referred to in this Chapter are not related to definitions appearing in the rules for fees, but refer to internal business definitions



Economic impacts of the Leumi Group in 2013

Stakeholders		Amount in NIS millions
Customers		
Total Credit		283,793
Individuals	Household credit	106,698
	Of which mortgages	69,422
Businesses (small, medium and large)	Credit	133,575
Issues	Value of offerings	About 16,500
Credit given to different industries		
Infrastructure ¹⁸	Credit	25,178
Industry	Credit	23,603
Trade	Credit	23,005
Agriculture	Credit	1,825
Public and community services ¹⁹	Credit	7,848
Employees		
Payroll expenses		5,174
Shareholders		
Return (net profit attributable to shareholders of the banking corporation)		1,947
Dividends received		0
Society and community		
Taxes paid		1,391
Rate of tax provision to income before taxes (percent)		37.9%
Contribution to the community		25.6

* Further details regarding the Group's operations by operating segment can be found on pages 76-77 in the Financial Statements for 2013, additional details regarding the Group's activities, by industry can be found on pages 279-280 in the Financial Statements for 2013

¹⁸ Infrastructure - Construction, electricity and water

¹⁹ Public and community services - hospitals, sanitation services, social services, educational institutions and universities, community centers, sports organizations, museums and more

How We Do Business

The Israeli customer now expects banking to be fair to him, available, accessible, and transparent. The customer has consumer awareness and is connected to other consumers, especially through social networking. The customer consumes information and services through a variety of digital and physical channels and expects a unified service experience in the various interfaces with the Bank.

Managing customer funds fairly, responsibly and professionally, understanding their needs and listening to their wishes, is the core activity of Leumi. To achieve this goal, the Bank is strict primarily about fairness and transparency. During 2013 too, the Bank continued to take different measures to comply with the principles of:

ensuring transparency and providing all necessary information to customers about the products and services available to them.

maintaining banking secrecy and protecting customer privacy.

fair sale of products and financial services to customers.

maintaining the strictest ethics of the Bank, including in respect of human dignity, protecting privacy and avoiding discrimination and prejudice.

During 2013, Leumi Group continued to offer its customers products and services that create economic value to the customer and value to the community and society as a whole, together with the creation of economic value to the Group, and expanded the range means to create value for its customers.



Customers are the core of our work

They expect professional, quality, courteous and efficient service, so that at the moment of truth we will be there for them attentively with appropriate and useful value propositions.





Code of ethics for investment consultants

Leumi is the first in the banking system that launched, in 2011, a code of ethics for investment consultants. The code, based on the “Leumi Way”, sets clear rules of operation regarding what is permitted and prohibited for advisers and reflects the uniqueness, sensitivity and complexity of the investment consulting profession.

The code helps the advisor to tune the provision of service appropriate to the customer, with sensitivity and caution in managing his money, seeing his specific needs, presenting the full picture, transparency and sensitivity to conflict of interest.



Simplifying customer information

From another aspect of customer orientation and adjustment of work processes in Leumi to the “new consumer”, a process began from the end of 2012 to simplify the information provided to customers in writing. Letters sent to customers were formulated anew, to make them friendlier and clearer. In addition, the project is being conducted to improve the appearance and design of the letters.

Preparing the project infrastructure was carried out during 2013. Application of the process to 34 letters, which constitute about 80% of the mail currently sent to customers, was set as a target for 2014.

Products and services to improve the customer experience

During 2013, a number of innovative services were launched in Leumi Group, aimed at improving service and the customer experience. These services enable households and small business customers to save time and help them manage their accounts sensible and with an awareness of important events in the account. Among the services are mobile check deposits, a business call center, a service for arranging a conversation and to save space in the queue in Leumi Call, a service to help the customer on the website through the steps of executing a transaction selected by him, and more.

Digital products at Leumi Card

During 2013, a number of innovative services were launched in Leumi Group, aimed at improving service and the customer experience. These services enable households and small business customers to save time and help them manage their accounts sensible and with an awareness of important events in the account. Among the services are mobile check deposits, a business call center, a service for arranging a conversation and to save space in the queue in Leumi Call, a service to help the customer on the website through the steps of executing a transaction selected by him, and more.



The Digital Assistant

An innovative service that helps Leumi customers manage their bank account. The Personal Digital Assistant reminds and updates the customer about important events in their account without having to enroll and at no cost, saving time and facilitating management of the bank account.



The Digital Package for Leumi Card Business Customers

During 2013, Leumi Card launched a service package for small and medium businesses, giving them a variety of solutions for clearing and discounting, immediate availability of business data and value-added marketing. The digital package offers a variety of tools and solutions for promoting and marketing the business, including:

- + Building a website and creating a domain free of charge for the first year – through collaboration with WIX
- + A loyalty app that lets you manage and retain customers of the business free of charge for the first year – through collaboration with REWARDY
- + A location-based advertising package (LBS) in the Leumi Card Digital Wallet



Dialogue with Customers

Dialogue with customers in the digital media and social networks

Leumi's activity on social networks and digital media channels is based on the principles of accessibility and availability to the customer, inviting dialogue, openness and transparency. Activity in digital media channels allows Leumi Group to have direct and continuing dialogue with customers, share processes with them, understand what are the significant issues for them and act accordingly. These measures help to increase trust between the Group and the customers.

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

Leumi on Facebook

Every day, content is posted on the page from different financial worlds alongside everyday customer service. In addition to managing an active page, a number of unique applications were developed, including "Leumi Career" – advertising special jobs in Leumi and a customer service app in various fields. Leumi's Facebook page is managed on the basis of the values of dialogue and creating engagement with the clients and users, by raising surveys, open forums and more.

Leumi Card on Facebook

Using the Facebook channel allows Leumi Card to maintain daily contact with customers and users in general. This way the company can deliver messages to users on the website (customers and potential customers), get immediate feedback, and maintain various marketing activities.

The Facebook page allows customers to make inquiries through a service application that gives a quick and efficient response. The customer can see at any time what the status of his inquiry is.



About **22** posts
a month on
"Leumi Blog"
Average of some
17,000
entries per month



3,000
followers on Twitter



Monthly average of
1,000
enquiries from
customers on the
service app of
Leumi Card in Facebook



139,000
friends on the Leumi
Facebook page

188,000
friends on the Leumi Card
Facebook page



Public Enquiries Bureau (Ombudsman)

The Public Enquiries Bureau (Ombudsman), which reports to the Legal Division, helps Management to get feedback on the quality of services provided by Leumi. Enquiries reach the Bureau directly from customers, or via the Bank of Israel, the Israel Consumer Council, the media, the Office of the President of the State of Israel, offices of members of the Knesset and others. Enquiries received by the Bureau are checked in depth and handled with concern and professionalism, alongside

recognition of all the units of the Bank - employees and management - of the importance of dealing with enquiries from the public. The units of the Bank are measured on the way they handle customer complaints and the Bureau works with the aim of helping the branches to give the optimal answer to customers, and raise with the business lines and management those issues that require improvement on a broad basis.

In 2013, the Public Enquiries Bureau received 5,043 enquiries, of which

some 500 were received through the Bank of Israel and the remainder directly by the Bureau. The percentage of justified complaints out of all complaints received by the Bank of Israel and relating to Leumi in 2013 was 21%. The Bank of Israel determined that Bank Leumi's treatment was proper in 98% of the complaints received by the Bank of Israel. This percentage has been stable in the long term.

Enquiries received by the Public Enquiries Bureau in Bank Leumi in 2013 ²⁰



No. of enquiries received



Percentage of enquiries defined as complaints²¹



Percentage of enquiries defined as justified complaints

²⁰ Including inquiries received by the Bank of Israel

²¹ Complaints - enquiries in which an opinion was determined (justified / not justified)



Subjects of complaints received by Leumi Group in 2013

Company	Protection of privacy		Marketing and communications		Services and products	
	Complaints	Complaints Justified	Complaints	Complaints Justified	Complaints	Complaints Justified
Leumi ²²	48	27	3	1	609	248
Leumi Mortgages	5	1	22	0	198	26
Leumi Card	1	0	1	1	54	5
Arab Israel Bank ²³	1	1	102	3	54	10 (of which 3 partially justified)

²² Not including mortgage function

²³ At Arab Israel Bank, there is one complaint still under treatment and so it was not included in the number of complaints



Customer Satisfaction

In 2013, some 83,500 initiated satisfaction surveys were conducted among Leumi customers. The metrics checked in the various divisions to the extent they are relevant, are, for example, the speed of response of the Bank, employee effort in response to customer needs, finding unique solutions, flexibility, understanding and familiarity with the customer, professionalism, availability and initiative.

The Bank monitors and deals with cases where the survey results are less than excellent, through quality control and in the detection of failures and ways to correct them. In addition, branch staff reverts to customers that are not satisfied to understand the causes

of the dissatisfaction and how to improve the service for them. Leumi encourages and strengthens the focus on service and the customer experience through training employees and continuous measurement of the customers' satisfaction with the service.

Subjects of complaints received by Leumi Group in 2013

Unit	2013	2012	2011
Bank Leumi - Banking Division	8.51	8.46	8.54
Bank Leumi - Leumi Call	9.02	8.88	8.89
Bank Leumi - LeumiDirect	8.25	8.30	8.23
Bank Leumi - Commercial	9.04	9.09	9.10
Bank Leumi - Private Banking in Israel	8.35	8.56	8.49
Bank Leumi - Private Banking abroad	9.06	8.84	8.71
Bank Leumi - Corporate (Ex. commercial)	8.74	9.06	9.13
Bank Leumi - Construction and Real Estate	9.32	9.24	8.93
Arab Israel Bank ²⁴	8.45	8.08	8.45

²⁴ Due to changes in the organizational structure, data were also updated for 2011 and 2012



From Customer satisfaction survey at Leumi Card, 2013:

60% 

said the service representative showed very high personal responsibility in handling their enquiry

30% 

said that the service they received was beyond their expectations.

60% of customers indicated that the service met their expectations



Customer Accessibility

Expanding accessibility for people with disabilities

As part of its service concept, Leumi Group works to provide equal service with respect to all customers, including customers with disabilities. During 2013, the Group continued to work for the physical accessibility of branches (elevators, accessible service workstations, ramps, toilets for the disabled and waiting positions), the installation of dedicated accessories, accessibility of information (forms and mail), accessibility to automated devices and training service providers.

In 2013, with the entry into force of the regulations for accessibility to service, a multi-annual work program was drawn up, in accordance with the timetables defined in the law. According to the work plan, by October 2017, all Leumi all branches and banking information services will be made accessible.

Below are the major activities carried out during 2013:

- + Accessibility surveys and gap mapping were carried in some 179 branches²⁶, by means of accessibility- authorized consultants
- + Full accessibility was made in 44 branches (accessibility of bathrooms, customer service workstations, ATMs, informational and directional signs, passageways, etc.)
- + Accessibility for ATMs: a “talking ATM” was installed in 80 ATMs. In addition, a user interface was developed with a clearer display, and the required contrast level, the height of ATMs was adjusted for use by short people and those sitting in a wheelchair, and more.

The “Talking ATM” Service was awarded the Accessibility Award by IT AWARDS (the magazine People and Computers)

The service is based on the most advanced system of its kind in Israel with a dynamic sound engine which converts text to voice in real time (TTS – Text to Speech). The system is operated by inserting a standard headphone jack in the designated plug



- + A pilot was conducted for printing forms with large font
- + Accessibility trustees were trained in the branches of the Bank and accessibility coordinators were appointed from the aspect of construction and from the aspect of service
- + Adjustments were made to procedures and to provisions for providing accessible service
- + Inductive loopset devices were installed, allowing blocking of background noise and the transmission of what the banker says directly to the hearing device of hearing-impaired customers.
- + The Step Hear voice guidance system was installed that serves as a voice signboard in about 110 branches

²⁶ During 2012-2013

Activity for making branches and services accessible was performed, in part, through cooperation and consultation with social organizations such as Access Israel, which accompanies activity for physical accessibility and accessibility of services in Leumi, and the Center for the Blind. For example, in cooperation with the Center for the Blind, in 2013 information was distributed about branches and ATMs accessible to the blind, and hundreds of frames for filling out checks were distributed, in order to facilitate the writing of checks by the blind and visually impaired.

Training and assimilation for employees

In 2013 an updated accessibility site was launched on the Internet with detailed information on the different types of disabilities and unique services for this population. In addition, a plan was made for the assimilation and training for all employees in the branches and call centers, and a computerized tutorial was developed for implementing accessibility of service.

Deployment in the periphery

Leumi Group is deployed throughout the country in order to provide the full range of its services and products to all its customers, wherever they are. Of the 274 branches of the Group in Israel, 136 branches are located in peripheral areas – areas that are not in the Dan Region or the big cities.



From the rules of etiquette in accessible service to customers (courtesy of Access Israel):

- + Ask the customer how you can help him
- + Talk to the client and not the person accompanying him
- + Service for a customer with a hearing impairment: speak clearly and do not shout. Make sure that the customer notices you and can see your face and mouth. Make sure the client understands you and do not pretend to understand the words of the client.
- + Service for a vision-impaired customer: when a customer needs to be accompanied, he should be shown the direction and not directed with hand gestures or hints. When accompanying a customer with a walking stick, do not hold the walking stick.





Improving the Financial Knowledge of Our Customers

A better understanding of financial issues can lead to an improvement in the economic situation, especially for young people. Alongside managing customer funds, the Group carried out many activities to equip our clients with knowledge and tools for wise economic behavior.

Leumi Pension Consulting Services

The bank offers qualified customers a comprehensive pension advisory services which are professionally tailored to customers' needs and their plans for retirement age.

As part of the regulation of the pension sector in the Bank, a Pension Consultancy Service Charter was launched in early 2014.

Customer conferences, courses and training sessions

Customer conferences in the various Divisions enable the Bank to maintain a focused and meaningful dialogue with its customers, broken down into the relevant segments and sectors. In customer conferences, important information is presented about managing the family budget and the business, and the financial tools available to customers, in a manner that increases their knowledge in the various areas and allows them to improve their personal and business performance.

During the year 2013, there were dozens of conferences and individual meetings with the participation of thousands of customers in the various sectors, including family budget management conferences, financial guidance to army veterans, students and young people, professional conferences for small business owners, and professional meetings for commercial, business and capital market customers on issues such as macroeconomics, arrangements for employees, capital markets, investments, and more.





Principal Conferences and Meetings in 2013:



Family Budget Management Conferences and Special Motherhood Conferences -

Lectures on managing the household budget, consultancy and parental guidance

Financial Guidance Conference

for young persons and soldiers after compulsory service

Financial Education Training

for students and young persons from the Arab sector in Arab Israel Bank

Customer Conferences in Arab Israel Bank

on the subject of investments and pension consultancy (in collaboration with the Amirim Center)

Professional Conference for Small Business Owners

Individual Training Sessions with Customers of the Corporate Sector

on subjects such as macro-economics, employee arrangements, international trade, activity in direct channels and more

Business Customer Conferences

on economic subjects, international trade, the capital market, activity in direct channels and more

"Breakfast Club" Meetings

with participation of commercial customers

"Personal Encounter" Conferences

with participation of commercial customers

Professional Meetings for Private Banking Customers

on subjects such as philanthropy management, trends in the capital market, macro-economics, and more

Courses on Interest Rate Derivatives for Institutional Customers of the Capital Markets Division



Digital tools for improving our clients' financial knowledge



Leumi business community on Facebook

The Leumi business community was launched in May 2013 and has now more than 14,000 members. The aim of the activity is to provide business owners with tools and tips for proper business financial behavior, from Leumi experts and various experts in the world of business.

As part of the main activity in the community – 'Business Partners', business owners were invited to share a personal story of their business, give a tip to community members and get exposure to various digital arenas in Leumi.

Financial Forum

A new service launched on the Leumi blog, in which users are invited to send a professional question to Leumi representatives. The forum allows customers and any user on to get assistance from an expert from Leumi on various financial matters such as mortgages, capital markets, business, digital services and so on. The interface is designed in such a way that other users can join the discussion and contribute from their experience and this to facilitate a broader and deeper dialogue.

YouTube – 5 minutes on ...



In November 2013, the Leumi Digital Channel was Launched on YouTube – a digital arena with short video lectures from financial issues from senior bankers and business leaders in the market. The lectures are given by Leumi experts who impart their knowledge to users in a brief, accessible, and plain-speaking manner. The channel presents lectures on various topics, such as mortgages, capital markets, business, and digital banking and financial consumerism.



Personal Budget Service

A service provided to Leumi customers online and on the Leumi app for the iPhone that lets you manage and plan your personal budget using advanced tools, while tracking expenses and income. The service enables the production of detailed personal reports and to make a comparison with similar population groups, according to the financial and socio-economic data of the customer. The service is designed to allow the customer to operate correctly and more economically.



Mortgage Guide

The Leumi Internet Mortgage Guide offers a variety of tools for the correct planning of the mortgage, including a budget calculator, a calculator for the expenses of buying an apartment, a calculator to calculate the size of the mortgage and the repayment, a relevant glossary and friendly videos on the mortgage-taking process in accordance with the needs of each customer.



Support to Borrowing Customers

Debt reduction programs for clients

Leumi maintains a direct, sensitive, quick and succinct dialogue with customers that are in financial difficulties, with a detailed examination of their ability to regulate the debt and find a solution that is as easy as possible. In 2013, there were more than 140 customer days in which Leumi representatives met with about 3,500 borrowers to help them find the best solution for handling their obligations.

In addition, Leumi operates an “Early Repayment Call Center” which aims to minimize credit losses and avoid the need for legal proceedings and sanctions against customers. Upon detecting a deviation from the credit line, call center employees call the customer, draw his attention to the deviation, and offer him banking assistance, if necessary.

Leumi also takes part in activities of state authorities aimed at helping debtors to reach agreements with the Bank.

“Mortgage Time Out”

A service designed to make it easier for buyers of apartments taking a new mortgage. Customers meeting the conditions can take a “mortgage time out” and enjoy three months deferral of payments per year, out of a “basket of months” assigned to them.





Our Investors

Leumi Group's investors include shareholders, institutional investors, analysts and portfolio managers in Israel and abroad. Dialogue with investors is critical to the understanding of their requirements and the views of shareholders. Dialogue is conducted through the Investor Relations Department, that is responsible for the development, expansion and maintenance of ties with these parties. The Investor Relations Department is careful to update fully the investing public, through the Investor Relations website, conferences, group and individual meetings, personal calls and quarterly conference calls on the financial statements. The Investor Relations Department is available to answer any questions and makes it a point to share information with full transparency.

Out of the dialogue that took place in 2013, it arose that the material issues for investors are:

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







Our Suppliers

Responsible Procurement

Purchasing activity in Leumi is comprised of, inter alia, the procurement of products and services on an ongoing basis and the purchase of equipment for projects, as needed. Procurement is done mostly in a concentrated form for units of Leumi, including its subsidiaries. More than 90% of Leumi's procurement is carried out with suppliers in Israel. Leumi Group maintains long-term and fair relationships with suppliers.

Within the framework of the procurement function in Leumi with suppliers, the implementation of timely payment is controlled in order to reduce possible delays while examining and improving the process.

Quality control and evaluation of suppliers

Leumi implements an innovative and computerized method for evaluating vendors, which helps to evaluate the performance of suppliers, record evaluation scores, and use this data as a tool in order to assess suppliers in various processes taking place in the Bank from time to time.

"Suppliers' Charter"

In 2013, the "Suppliers' Charter" was formulated, based on "Leumi Way" and which outlines the manner of dealing with Leumi's suppliers: equality, transparency, sensitivity

to conflict of interest, the exercise of discretion, confidentiality, fair relationships, professionalism and environmental protection.





Cooperation and dialogue with suppliers

Suppliers Portal

Leumi operates a secure Suppliers Portal. The portal displays the outgoing orders from the Bank's systems on a vendor order screen and allows the sending supplier invoices to the Bank in digital form. The portal allows for quick and effective communication between Leumi and its business partners. The portal reduces the need for paper printouts, fax and phone, providing a complete picture of all procurement processes and the maintaining of proper control, all in real time on a computer screen. The portal serves some of the suppliers and Leumi aims to increase the number of suppliers who use it.

Suppliers Conference

In early September 2013, there was a festive event attended by some 220 suppliers. The purpose of the event was to strengthen ties with suppliers with an emphasis on their being our partners. The conference was attended by suppliers from all fields of endeavor – construction and maintenance, general procurement, technology procurement, security and communications procurement, and senior executives and representatives of the professional units in Leumi Group.



Examination of service providers regarding compliance with labor laws

The contracts of engagement of Leumi and its subsidiary companies for the provision of services such as cleaning, security and catering, meet the provisions of the legislation and the relevant law. In the contracts' signing process, the companies declare that they meet the provisions of the labor laws.

Leumi Group conducts periodic random checks using a CPA / payroll examiner on its behalf, to ensure that the conditions of employment of the employees of the companies meet the requirements of the law. In the event that these tests disclose deficiencies, the companies are required to correct them, and the correction is followed up.

Leumi Group maintains the various duties imposed on it under the law for the increased enforcement of the Labor Laws, 2011, as a "service purchaser", and in this context a mechanism was set up in the Public Enquiries Bureau of Bank Leumi whose function is to handle complaints of employees of companies concerning the violation of rights listed in the Third Schedule of the above Law References are checked and handled as required.

In 2013, the Public Enquiries Bureau completed dealing with 31 inquiries from services companies'.²⁶

Leumi Card

At the end of 2013, Leumi Card signed an agreement with an external company to do due diligence on the salary payments by service contractors of the company. The control findings were transferred to the company and subject is being handled with the companies providing the service. During the past year, there no incidents or complaints related to external workers on the violation of employee rights.

Requirement for proper environmental behavior

Leumi sticks to a policy that determines compliance with provisions relating to the quality of the environment and also requires its suppliers to take actions that match the policy.

When signing agreements to provide services in various areas, suppliers undertake to act in accordance with the law including issues related to the quality of the environment such as air pollution, water pollution, soil pollution, noise, odor, ionizing and non-ionizing radiation,

waste, hazardous materials and licensing of businesses, causing a nuisance, harm to public health and environmental quality, tort liability and responsibility in respect of occupational safety and health.

In requests for proposals of different areas and where relevant, suppliers are required to sign a declaration, in which the supplier commits to act according to the law and the instructions of the relevant authorities on issues related to the protection of the environment.



suppliers are required to sign an appendix on Leumi's environmental policy, which states, inter alia, that the supplier is to act according to the law and the instructions of the relevant authorities on [issues related to the quality of the environment](#)

²⁶ The inquiries were accepted during 2012-2013

Supplier selection in accordance with the social vision

Leumi chooses, to the extent possible and as appropriate, engaging with parties employing persons with disabilities. An example of this is a contract with a company that employs disabled

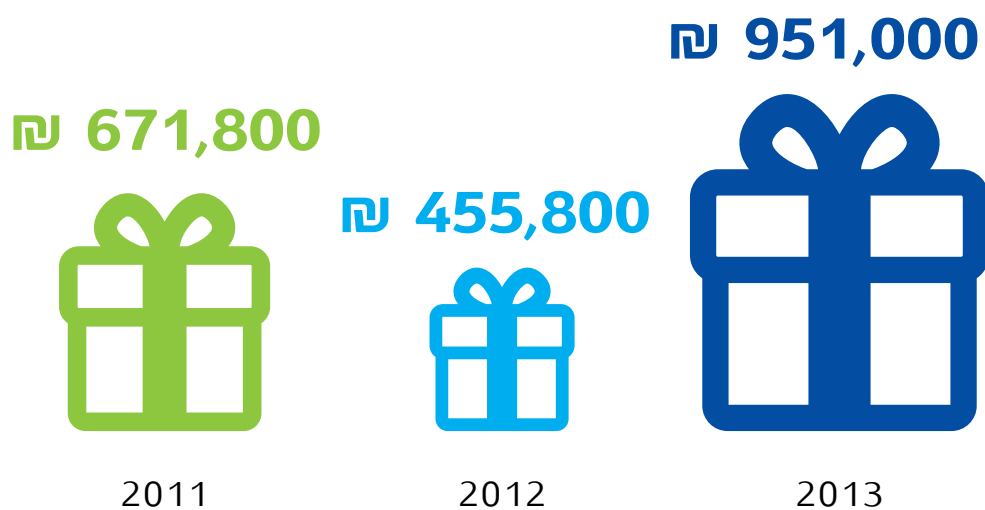
IDF veterans to clean ATMs and workstations. In addition, Leumi engages with ultra-orthodox vendors and suppliers from the periphery to promote employment in these sectors.

Social purchase

As part of its fulfilling its social vision and in the framework of cooperation with various organizations that assist populations with special needs, Leumi buys gifts for its employees and customers from them. The purchase of gifts from voluntary

associations, performed by Leumi central purchasing, amounted in 2013 to NIS 951,000 (in 2011 - NIS 671,800 and in 2012 - NIS 455,000). These figures do not include purchases from associations made independently by units and divisions of the Bank.

Purchase of gifts from NGO'S





Additional Data – Group Activity

	2013	2012	2011
Net profit for shareholders of the banking corporation (in NIS millions)	1,947	931	1,891
Basic net profit per share (NIS)	1.32	0.63	1.28
Return on equity ratio (%)	7.6%	3.8%	8.3%
Dividend	0	0	0
Profit and loss			
Total Group revenues (NIS millions)	12,874	12,182	11,282
Total operating expenses (NIS millions)	8,933	9,100	8,341
Total expenses for credit losses (millions NIS)	268	1,236	734
Income before taxes (NIS millions)	3,673	1,846	2,207
Total consolidated tax expenses (NIS millions)	1,391	811	418
Net profit attributable to shareholders of the banking corporation (in NIS millions)	1,947	931	1,891
Operating efficiency ratio (ratio of operating expenses / operating revenues) (%)	69.4%	74.7%	73.9%
Capital adequacy ratio (Tier 1) (%) - Basel II	9.43%	8.55%	8.07%
Assets			
Total Assets (billion NIS)	374	376	366
Activity			
Total number of branches in Israel	274	278	270
Payroll expenses (including pension provisions) (NIS millions)	5,174	5,290	5,061
Average annual salary per employee position including bonus (in NIS thousands)	²⁷ 245.4	220.2	217.2
Annual cost of the Chairman's salary (NIS millions)	5.24	3.30	3.12
Annual cost of the CEO's salary (NIS millions)	6.28	5.16	6.04
Credit Rating (Long-Term)			
Moody's	A2	A2	A2
Standard & Poors	BBB+	BBB+	BBB+
Fitch Ratings	A-	A-	A-











²⁷ In 2013, the figures include the effect of the cost of employees of Leumi Mortgage Bank, which was merged into Bank Leumi



Objectives for the realm of Economic Impacts

Performance of Objectives for the year 2013



 Fully Completed
  Partially Completed
  Not Completed


Objectives set for 2013	Degree of implementation	Explanation
 Leumi		
Expanding the Accessibility to the Services		
Installation of a TTS System for a dynamic reading of the operating instructions and information appearing on the screen of the ATM machine		A TTS infrastructure was developed and installed in 80 ATMs. Further deployment in 16 is planned for 2014
The option of an enlarged printout of common forms		An infrastructure for enlarged printout of forms was developed. The service will be launched for the clientele during 2014
Further training of accessibility trustees in the Bank branches		Training of 233 accessibility trustees was carried out in Leumi's branches
Publication of a computerized tutorial on accessibility issues among the bank employees		During 2013 it was published as an optional tutorial. During 2014, the tutorial shall become an obligatory tutorial
Creation of a designated knowledge management website on accessibility issues		A comprehensive and up-to-date information website was created
Full accessibility of at least 50 branches in accordance with the Regulations on Service Accessibility for an Existing Structure		Full accessibility (physical accessibility and accessibility to service) was performed in 44 branches
Improving the Quality and Range of Services		
Development of financial products with an added environmental value		In 2013, no new products were developed in the field
Expanded collaboration with the Business Development Center in Hadera		The activity with the BDC in Hadera was terminated in light of the dissatisfaction from the quality of the queries / requests. At this stage the collaboration has also been suspended due to the change in the organizational structure of the national BDC which is currently taking place.
Deepening the Dialog with the Customers		
Constructing designated value proposals to the customer sectors, which include "Leumi Call" for businesses		The value proposition for small businesses was composed, which includes: The Leumi Call Center for Businesses, the Leumi Fund for Businesses, a Loan at a Click of up to NIS 100 thousand, the Leumi business community on Facebook and an advertising package for businesses that clear through Leumi Card



Performance of Objectives for the year 2013 - con.

Fully
CompetedPartially
CompetedNot
Competed

Objectives set for 2013	Degree of implementation	Explanation
 Leumi		
Deepening the Dialog with the Customers		
Expanding the circle of users of digital channels	+	The average number of active customers in the direct channels per month grew in 2013 by about 9% relative to 2012
Improvement of existing automated devices and diversion of additional cashier operations to automated devices	+	In 2013, an expansion of the infrastructure of the devices in which cash could be independently deposited was performed, which brought about a growth in the share of cash deposits (of the total potential deposits at ATMs) from 40% at the end of 2012 to 53% at the end of 2013
An increase in the relative scope of operations performed through direct channels	+	In 2013, the share of the transactions performed in Digital out of the total transactions in the Banking Division stood at 51%, compared to 46% in 2012. This is due to the general growth in the amount of transactions in the division of 1.8% in 2013 compare to 2012, and the decline in the amount of transactions in the branch of 7% compared to 2012
Responsible Procurement		
Holding a suppliers conference	+	A suppliers' conference took place, attended by about 220 suppliers from a variety of fields
Involving suppliers from the periphery in the price quote proceedings, if possible	+	Leumi procurement processes are conducted by way initiating contact with relevant suppliers to request price quotations. Whenever possible and as appropriate, contact is made with suppliers from the periphery as well
 Arab Israel Bank		
Diverting customers to independent channels	+	In 2013, the move to upgrade the digital systems and assimilate their usage continued. Within this framework, the activity in the AI Call Center was upgraded and the Technology Lobbies in the branches were enhanced in order to divert activity to the direct channels. These moves and activities led to a 5% increase in digital activity compared to 2012
Improving the user experience	+	In 2013, retention and cultivation of quality customers while formulating appropriate value propositions for each segment (doctors, nurses, teachers etc.). In addition, two new branches were open, and the construction of two more was completed for the purpose of making the banking service accessible to the Arab population.
Arab Israel Bank – Leading in innovation in the sector	+	During 2013, marketing website in Arabic went online, an iPhone application was developed and launched, ATM information was translated into Arabic and the Arabic Call Center was upgraded
Improving relations with the customer	+	In 2013, a number of customer conferences, headed by the CEO, were held. The conferences created a positive wave in the towns and contributed to strengthening the status of the branch and the positioning of the relationship with the customers. In addition, designated conferences were held for customers of business centers

Objectives set for 2013	Degree of implementation	Explanation
 Arab Israel Bank		
Responsible Procurement		
Integrating in suppliers conferences that are carried out by the parent company	+	The Bank's suppliers participated in Leumi suppliers conferences

Objectives for the years 2014–2015

Leumi	Expanding Accessibility to Services
	Sending letters in enlarged print, as per the customer's request
	Making 60% of the Bank's websites accessible according to the AA Accessibility Standard
	Assimilating the TTS System in at least 100 ATMs and 60 public work stations
	Making the user interface accessible at customer work stations
	Making adaptations to the the "Leumi-Queue" System in order to support customers requesting service at an accessible station
	Training bankers at the branches in the field of accessibility
	Full accessibility of at least 50 branches in accordance with the Regulations on Service Accessibility
	Improving the Quality and Range of Services
	Economic and financial support of the family unit in the Haredi sector
	Developing tools and providing knowledge to small businesses
	Deepening the Dialog with Customers
	Holding meetings with approximately 4,000 customers with problematic debts
	Responsible Procurement
	Formulation of a work plan regarding the issue of corporate responsibility in procurement
Arab Israel Bank	Improving the Quality and Range of Services
	Full accessibility for people with disabilities of additional 15 branches
	An increase in the level of satisfaction of Bank customers as measured by polls
	Proposing housing loan without the need to mortgage the property
	Continued cooperation with the Koret Foundation for provision of loans to businesses in the Arab sector in Israel
Leumi Card	Responsible Procurement
	Performing a due diligence examination of salary payments by the company's service contractors: An annual sample test of salary slips of employees of the service providing companies as required by law



Social Impacts

The Leumi Group, as one of the largest employers in the Israeli economy, has direct social impact on its employees and their families, through the terms of employment that it offers them, its protection of their safety and health, their professional and personal development, and the promotion of employment of diverse populations. The Group has an indirect social impact on society at large and on the community, through two main channels: products with social value, such as special loans for businesses in the periphery and for special sectors; and investment in the community, including donations, social sponsorships, and volunteering by employees.

4.

Bank Leumi is ranked **3** out of **100** “best companies to work for” in BDI and The Marker rating

+ 11

Increase of 11% in the number of women in senior management compared with 2012



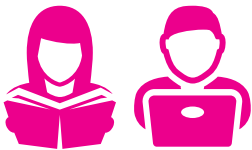
In 2013, as part of the ‘Leumi KORET’ program,



63 loans totaling

15.4 NIS Billion

were awarded (also to customers of other banks)



In 2013 Leumi financed the academic degree studies of

140 employees



42,277

training days for employees in the Leumi Group in 2013

Since its establishment and until the end of 2013, the Leumi Tomorrow has invested

108 NIS Million

cumulatively in NGOs targeting the next generation, with NIS 12.5 M invested in 2013



11,594

Number of total employees at the Leumi Group



Our Employees



62%

Percentage of woman



62%

Percentage of employees with academic degrees



11,594

Number of total employees at Leumi²⁸

35

Number of employees at Leumi Partners

20

Number of employees at Trust Company

448

Number of employees at Arab Israel Bank

1,481

Number of employees at Leumi Card



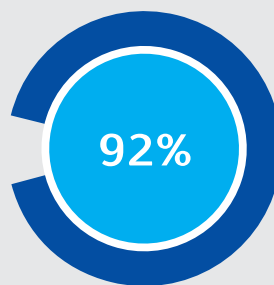
50%

of employees up to age 40

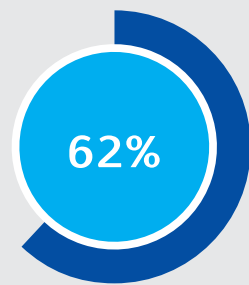
²⁸ Total employees in terms of positions, after deducting unpaid vacation and maternity leave, including specific overtime hours, not including external employees, unless otherwise specified.
In contrast to the financial reports published by the Bank, the data in this table and throughout the report (unless otherwise specified) refer to employees of the Group, including part-time employees.



Percentage of employees with academic degrees 2013



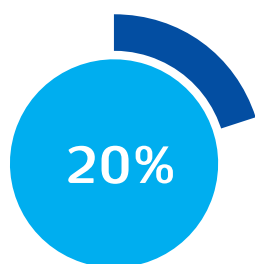
Percentage of academic degree holders amongst management



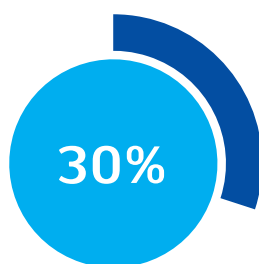
Percentage of academic degree holders among Group's total employees



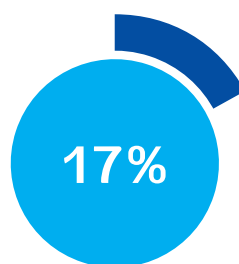
Age of employees in 2013



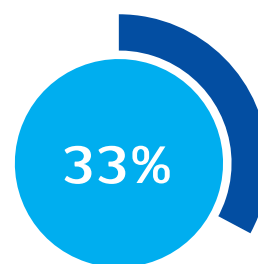
Up to 30



Age 31-40



Age 41-50



Age 51+



Human Resources Management

The Leumi Group views its employees as a central factor in its success, and attaches great importance to their welfare, satisfaction, and professional and personal development.

The pillars of Leumi Group's human capital policy:



Fairness,
equality of
opportunity
and diversity



Nurturing of
excellence



Sharing
and
dialogue



Concern for
employees'
health and
welfare





Fairness, Equality of Opportunity and Diversity

Avoiding discrimination

The Leumi Group takes care to protect the rights of its employees and avoids discrimination against employees and candidates for employment. Decisions of the Group concerning employees, employing them and their promotion are

made on the basis of pertinent considerations of performance and capability, with no discrimination against the background of religion, race, gender, sexual orientation, or disability. Leumi views incidents of discrimination with great severity,

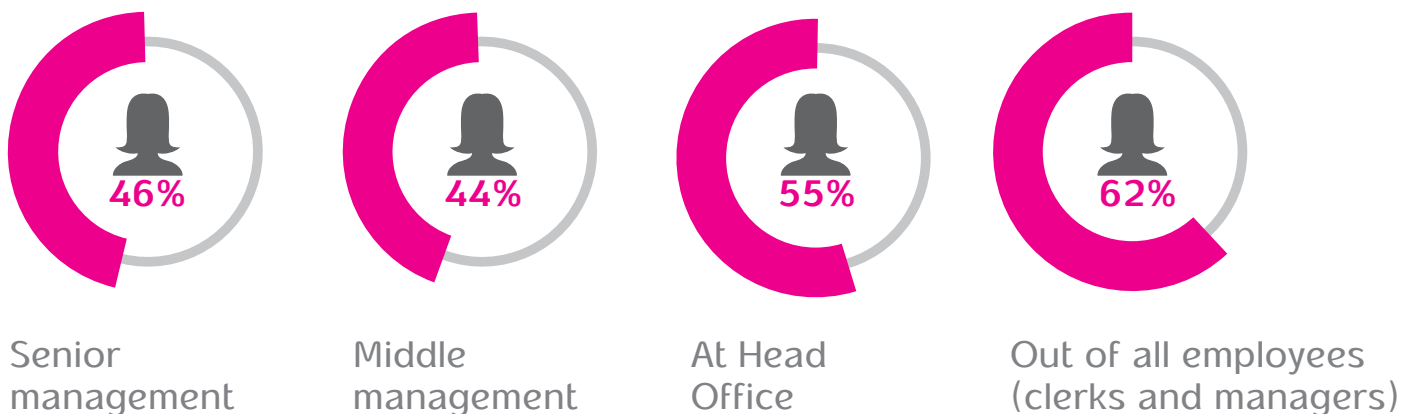
and deals with them immediately. The Leumi Group acts in accordance with the law in all matters pertaining to employment, and does not employ minors. In 2013 there were no reports of any instances of discrimination.

Equal gender opportunity

The Leumi Group supports full involvement of women in all its activity, at all levels and in all fields. The percentage of women employed at the Bank exceeds by far the percentage of women in

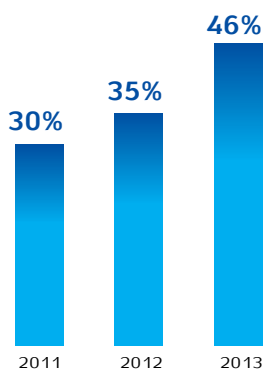
the workforce in Israel. In 2013 women represented some 62% of the Group's employees. The Group is headed by a woman, and the Workers' Committee is likewise headed by a chairwoman.

Percentage of women in Leumi Group, 2013





Percentage of women in senior management²⁹



Increase of 11% in the number of women in senior management compared with 2012

²⁹ Senior management - Heads of Sub-Divisions and above



Employment Diversity

Leumi's recruitment policy encourages diversity in employment by adjusting the criteria for the hiring and provision of special relief. Diversity recruitment activities emphasize recruiting, selecting, reducing barriers and absorption of workers from under employed populations, such as ultra-Orthodox Jews, Arabs, and Ethiopians.

The following are some of the actions that Leumi undertakes with a view to promoting the recruitment of diverse populations, in certain positions:

- + **Preference** shown in acceptance tests to focus populations
- + **Modifications of acceptance tests:** significant additional time (30%) in IQ tests (only for Arab sector and candidates of Ethiopian extraction); integration of Arab assessors and Leumi representatives at testing days

- + **Concessions as to threshold requirements:** accommodation in the requirements of the position; absorption of candidates from the ultra-orthodox sector without matriculation certificates or without academic degrees, providing the possibility of completing a bachelors' degree while working, during the first 4 years of employment.

- + **Dedicated control and search mechanisms:** A frontal interview is held with candidates of Ethiopian extraction, if there is some doubt as to their success in acceptance tests; in-depth and holistic evaluation of acceptance test results for focus populations, with the aim of facilitating their being accepted for the position.

- + **Contact with external bodies:** Meetings with manpower companies; participation in focused employment fairs and forums for employment diversity; cooperation with non-profits and organizations engaged in recruitment of diverse populations - including Kav Mashveh, Olim be-Yahad, Manpower Bereishit, Tabeka, Mafteah Program of the JDC, Toronto Friendship Institute, and employment counselors at ultra-orthodox colleges

10%

of new employees of the Leumi Group in 2013 were **Arabs, ultra-orthodox, of Ethiopian extraction, or with disabilities**



Salaries, benefits, and remuneration

The Leumi Group operates fairly and with complete transparency with regard to its employees' conditions. Salary conditions, at all levels, are determined on the basis of relevant professional criteria, and based on the employees' salary agreements. The Group remunerates its employees in an objective and performance-based manner. Leumi Group employees enjoy all the social benefits specified by law, and a range of additional benefits.

Certain employees (such as tellers) are employed at the outset at minimum wage for social benefits purposes, with additional benefits such as meals, annual vacation, car and phone expenses.

Performance-based remuneration

The Group encourages excellence in its ranks, and therefore remunerates its employees accordingly. The bonus percentage for every employee is determined differentially, inter alia, based

on an evaluation of individual performance, evaluation of the unit's performance, degree of actual professional progress, and potential for promotion.

Annual incentive at Leumi

Each year, subject to meeting pre-determined targets, Leumi awards an annual incentive to its employees in respect of the Bank's success.

The incentive is determined in accordance with criteria approved by the Board of Directors. The distribution of incentives is determined differentially, and is based on an evaluation of initiative, the employee's performance over the course of the past year and his contribution to the unit's success. For 2013 employees were awarded an incentive amounting to a salary and a half on average. For 2012 no incentive was awarded. For 2011 an incentive amounting to half a salary was awarded to all the Bank's employees and managers.

Benefits

The Group takes care to award its employees all the conditions and benefits stipulated by law as well as additional benefits, including pension contributions, payment of convalescence days, vacation days, sick leave, various types of insurance, subsidies for meals, subsidized banking services, car maintenance, transport expenses, budget for a daily newspaper, etc. The type of benefits and their scope varies in accordance with the conditions determined between the employee and the company, within the framework of group labor agreements or in individual agreements, with Leumi or its subsidiaries.





Maintenance of proper work relations

The Leumi Group believes that a fair, transparent and cooperative relationship with the employees' representatives contributes to advancement of business of the Bank and of the Group as well as contributing to employee satisfaction.

At Leumi and at Arab Israel Bank, work relations between the Bank Management and the employees (via the employee representative body) are based on a system of group agreements, group arrangements, and other accords created over the years, including ad hoc agreements between the Bank Management and representatives of the employees.

In 2013, relations between the management and employee representatives continued to be conducted in a proper manner, and on the basis of mutual respect and attentiveness. In 2013 there were no strikes or lockouts initiated by employee representative bodies in the Group. The employees of the Arab Israel Bank joined in a one-day strike held in the Arab sector.

In 2013, 84% of Leumi Group's employees and managers were employed under group agreements. The rest of the Group's employees - including employees of Leumi Card and Leumi Partners, where there are no group employment agreements - are employed under personal contracts.

Employee representation at Leumi

Leumi permits unionization of its employees and since its

establishment there has been an employee representative body dealing with management. Every employee may apply to the employee representative body at the Bank at any time, and raise whatever issue he wishes.

The employee representative body plays a central role within the framework of work relations at Leumi: it deals with all issues relating to the upholding of employees' rights and representing employees before Management of the Bank, with a view to the Bank's best interests. The employee representative body is an active and important partner in organizational changes that the Bank carries out from time to time.

In addition, the employee representative body concerns itself with the welfare of the Bank's employees and of their families in various ways. Bank Management grants the employee representative body a yearly budget for organizing socio-cultural activities for Bank employees.

The employee representative body comprises two organizations: the Workers' Committee and the Managers' Committee, both of which operate under the Joint National Committee of Employees of the Bank, which is the body representing the employees before management. The National Committee appoints a national secretariat, and this body negotiates with the Bank management on all matters pertaining to the totality of the Bank's employees.

In any instance of organizational

change, along with the need to provide a response to the needs of the Bank, Leumi is also attentive to the needs of its employees. The transfer of an employee from one position to another is carried out in coordination and cooperation with the employee and with the employee representative body, and the employee receives the necessary time for planning and reorganization.

Employee unionization at Leumi Card

During 2013, a workers' union was established at Leumi Card. The company recognized the Histadrut as the organization representing its employees. Negotiations on a group agreement commenced at the end of 2013.

External workers

Leumi receives services from manpower companies covering a range of positions, including tellers at branches, telephone call center personnel, and employees of other companies (such as computer and programming personnel).

During 2013 the scope of services from such external workers was 947 positions, compared with 1,146 in 2012 and 1,459 in 2011. (Some of the external workers provided the Bank with services in part-time positions.)

These data do not include service company employees in the fields of security and cleaning.

Nurturing Excellence

The skills, knowledge and motivation of the Group's employees are the foundation of the Group's ability to realize the aspiration for excellence and to achieve the business targets that we set ourselves. The Leumi Group has a comprehensive program for strengthening these elements through training, professional development, and the advancement of employees in a range of individually-suited channels.

Professional training and development of employees and managers

The Group's Training Center develops professional and managerial study programs that are derived from the work plan and business targets, and supports them. Training and development tracks are offered to employees for every banking field.

In 2013, training programs focused on continuing to raise the professional level of employees, with an emphasis on core banking areas and in accordance with business targets: credit, investment consultancy, service, sales and management training, including training and comprehensive assimilation of the issues of regulation and compliance among employees.

The Bank also offers courses to strengthen managerial skills, enrichment and development courses for managers, and workshops to develop personal skills that support business, such as creative thinking, coping with changes, emotional intelligence, interpersonal communication, dealing with conflicts, and more.

In addition, as part of its policy of nurturing excellence, Leumi provides financing for academic studies towards a bachelors' or masters' degree for Leumi employees who meet the relevant criteria. In 2013, Leumi financed studies for 140 employees.



Excellence

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





In 2013

there were

114

computerized
courses available
to employees,

and **125**

learning tests were
administered online
directly at employees'
work stations



Online learning system at Leumi

During 2013 Leumi continued to implement and promote the principles of “learning as a way of life” and the “learning organization”, which include online learning. Within this framework, Leumi allows its employees to study professional content in an efficient manner, at their own pace and convenience, via the Leumi online system. The system offers interactive tutorials, training videos, tests, and video learning newsflashes.

In 2013 there were 114 computerized courses available to employees, and 125 learning tests were administered online directly at employees’ work stations. Each year, thousands of employees, within the framework of some 20 knowledge communities, collectively view more than 10,000 hours of learning newsflashes.

Professional and managerial development at Leumi Card

The company holds training courses for new representatives and individual training programs for new employees in professional positions. In addition, Leumi Card maintains a yearly program of ongoing professional training, in keeping with the changing needs of the organization’s units and with the company’s business needs. In addition to training courses for new employees and representatives, and ongoing professional courses, Leumi Card offers its employees a range of courses and workshops for professional and personal enrichment on subjects relating

to finance, computer applications, interpersonal skills, and more, within the framework of “Leumiyeda” - the organizational campus. Leumi Card also maintains a program for training and development of managers at all levels. The program aims to develop managerial capabilities and skills and to allow managers personal development and growth. The program includes different activities such as management courses, encounters with colleagues, managerial forums, consulting processes and personal mentoring.



Modeling

Each and every one of us is a role model for someone. We must aspire to ensure that in every activity we do, we shall be a personal example to those around us.

Personal mentoring at Leumi

Personal mentoring processes have been developed and built at Leumi with the aim of advancing employees and managers with professional and managerial development potential. Within the

framework of these mentoring processes, veteran managers within the organization are trained to mentor other managers, with a view to developing managerial identity and empowering managerial

skills and the ability to cope with challenges. In addition, senior managers in the organization are mentored by external consultants.

Summary of training data for Leumi Group

Average training hours per clerks and managers in 2013:

	2013	2012	2011
Average training hours per employee	29	30	32

In 2013 the average number of training hours for a clerk was 30; the average number of hours for a manager was 27.³⁰

Managerial cadre at Leumi

As part of the promotion of excellence at Leumi, a program has been built to develop managers with high potential for more complex positions in the future. Managers who are selected take part in a personal and group development program that lasts about two years, with the aim of preparing candidates for positions for which there is no short-term substitute, and to retain talented employees for the long term.

The Hundred Forum

The Hundred Forum includes approximately a hundred heads of Sub-Divisions (senior managers). The Forum was established with the aim of nurturing the managers, increasing their involvement and influence in the activities of the Bank, and building an expanded management, together with the members of Leumi Management. The members of the Forum meet periodically with the President and CEO and the members of Management; they are integrated in working teams to promote major initiatives on the Bank level; and they lead processes to assimilate the organizational vision, core values, and Leumi culture.



In 2013, employees of Leumi Group participated in

42,277³¹
days of training (8 hours), both frontal and online



³⁰ Average training hours: total training hours divided by number of employees in the Group at each level

³¹ The figure refers to the training hours of employees of the Group (as defined in this report) only, at clerical and managerial ranks, and as they are fed into the organization's information systems. The figure does not include training hours fed into in other systems, and cannot be segmented by levels clerk / manager. Unlike the figure reported in the financial reports, this figure refers to employees of the Leumi Group as per their definition in this Report.



Career tracks at Leumi

Recruitment and absorption programs

During 2013, the following strategic tracks for recruitment and absorption of employees for managerial or professional positions continued to operate in Leumi:

- + “Talpiot” program**
Recruitment of candidates for professional specialization in the credit area
- + Program for holders of academic degrees starting out in their career**
Recruitment of candidates with academic degrees, mostly without experience, who receive professional training within the framework of carrying out their duties
- + Program for absorption of experienced employees**
Recruitment of candidates with relevant managerial or professional experience, who are received directly into a managerial or professional position at the Bank

- + Managerial cadre**
Recruitment of candidates with managerial experience and non-financial degrees

Adaptation of career paths

As part of Leumi’s management of human capital and development of the managerial and professional staff, the HR Division has drawn up cross-division career paths. The tracks encompass nine main areas of activity at Leumi: investments, credit, information systems, retail customer relations, finance, risk management, HQ and control, HR, and logistical services.

Each career path includes within itself the occupations relevant to that path, offering a range of mobility options (both horizontal and vertical) among a variety of different positions, subject to personal suitability and in keeping with the needs of the organization. The paths are offered to all Leumi employees on the Career Paths website - an innovative interactive website, the first banking site of

its kind in the realm of human resources in Israel, presenting - in addition to career paths - the updated organizational structure of all the units of the Bank, a description of the different positions, and the mobility and placement policy as approved by the Board.

Update of the “Representative Development Program” at Leumi Card

During the course of 2013, updates were introduced into the Representative Development Program”, which aims to define in advance the development and advancement possibilities for the company’s service representatives. As part of the development program a “career management” meeting is held with representatives after 10 months in their positions. The content of this meeting has been expanded and deepened in order to integrate it within the Leumeida framework, and to allow representatives from all of the company’s call centers to participate.



Sharing and dialogue with Employees

The Leumi Group views its employees as full partners in its activity, and therefore encourages ongoing and open dialogue between employees and management, and among the various units of the organization.

Such discourse strengthens the employees' sense of identification with the organization, increases cooperation between the various units, and allows processes to be activated in the organization in a flexible and efficient manner. The Group maintains a number of channels of discourse, including feedback and employee evaluation, opinion surveys, employee-management meetings, an open line

to e HR management, and intra-organizational communication.

Intra-organizational communication at Leumi and its subsidiaries is carried out through a range of channels and tools, including: the organizational portal, video features, an online newsletter, a printed magazine, a "snap" system for direct communication to computer screens, and more. At Leumi Card, in

addition, a daily e-mail is distributed to employees with the "daily news" and updates.

Significant organizational changes, business processes and core processes at **Leumi** are accompanied by a change management program, which includes a program for communication and harnessing employees to the change.

Career tracks at Leumi

Feedback and employee evaluation discussions are held at annually **Leumi, Arab Israel Bank, Leumi Card, and Leumi Partners**. The evaluation is carried out by means of a structured feedback encounter that includes such aspects as meeting objectives, performance methods, and objectives for the next year. The evaluation process includes the filling in of an appraisal on the computerized system and a feedback discussion between manager and employee. The employee is invited to express his/her view, and is able to see the evaluation data. In addition to this annual feedback process, at Leumi and Arab Israel Bank there is also an annual "midway dialogue", with the aim of providing an opportunity for open, two-way, less formal dialogue.

At Leumi Card there is also a half-yearly evaluation which assesses the extent to which objectives are being met, and adjusts them as necessary.

Over the course of 2013, managers at Leumi underwent training via the organizational portal on the subject of employee evaluation, with a view to improving their ability to lead open and constructive discourse.

During 2013, feedback discussions and midway dialogues were held for all Leumi employees.

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



Sharing

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



Employee opinion surveys

At Leumi, Arab Israel Bank, and Leumi Card, opinion surveys are conducted among employees.

The Group's opinion surveys are an expression of the Group's organizational culture which promotes transparency, respects employees' views, and enlists them as a source of knowledge.

Starting in 2013, "Pulse" surveys have been introduced. These surveys are brief and focused, and allow for quick, up-to-date and ongoing impressions to be obtained as to employees' perceptions concerning major aspects of the organizational culture, the degree of satisfaction and engagement, and assimilation of various processes.

The results of the surveys are communicated to the Board and are

taken into consideration in drawing up recommendations for processes of improvement.

During 2013, three "Pulse" surveys were conducted as well as one BDI survey. In the area of engagement a high and stable response pattern was noted over the three

surveys. More than 70% of Leumi employees reported that they would recommend Leumi to their friends "to a great extent" as a good place to work. Bank Leumi was ranked third out of 100 "most worthwhile companies to work for" by The Marker and BDI.

Leumi was ranked
3rd out of 100
"most worthwhile companies to work for" by The Marker magazine and BDI.

Leumi Card was ranked
19th out of 100
"most worthwhile companies to work for" by The Marker magazine and BDI.

Average grades in the various aspects of the "Pulse" surveys conducted by Leumi in 2013:³²

Engagement

8.8

Trust and partnering

8.3

Leadership

8.2

Business orientation

8.4

Satisfaction at Leumi Card

During the course of 2013, BDI satisfaction surveys were carried out at Leumi Card and an intra-organizational satisfaction survey was conducted at the various service centers. Out of all the service representatives who responded to this survey in 2013:

74%
asserted that they intended to continue working for the company during the next few years

83%
expressed a high level of satisfaction from Leumi Card as a workplace

³² Grade scale is 5-10

Open dialogue between employees and management

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

Coffee with CEO

“CEO Coffee” meetings allow for open and unmediated dialogue between the CEOs of the companies with diverse groups of employees. Over the course of 2013 four such meetings were held at **Leumi**; four were held at **Arab Israel Bank**; and six “CEO Coffee” meetings were held at **Leumi Card**.

Management visits in branches

A structured program for visits by management to the branches and regional offices, including meetings between employees at the branches and the senior managers, in small groups.

Coffee with management members

Meetings of diverse groups of employees with the Head of the Leumi HR Division.

Open Line

Leumi offers an “open line” for its employees to contact the management of HR Division with regard to any matter. Members of the HR Division management also initiate discourse with employees.

Over the course of 2013, three “open lines” were held, and 250 initiated and incoming conversations were held.

The subjects raised included absorption and training processes, strengthening of the HQ-field connection, promotion and mobility options, training, the Leumi Mortgage Bank merger, transparency and improvement of work processes, wages, and regulation.



About **3**
Millions
entries to the
Leumi portal
were held

In 2013,
10
Leumi TV
aditions
were
produced



From 2011
36
Leumi TV
aditions
were
produced





Concern for Employees' Health and Welfare

Safety and hygiene

Considerable resources are invested in creating a safe working environment for Leumi Group employees. The company treats the subject of safety in a comprehensive manner, with strict controls. Surveys of risks and hazards in the buildings, carried out from time to time, are meant to ensure on an ongoing basis that the Group's facilities offer a

safe working environment and that potential hazards are avoided. In the event of a work accident, the Group's safety officers investigate and report to the relevant personnel for the purposes of learning lessons and dealing with maintenance and planning hazards where necessary.

The Bank's Safety Committee, comprising representatives of professional units, employee

committee representatives, and management representatives, holds eight meetings over the course of the year at which irregular occurrences are discussed. The committee members receive updates as to ongoing activity and special projects with ramifications for employee safety and hygiene.

Safety and hygiene in 2013



³³ The data include accidents and days off work caused as a result of teambuilding and sporting activities

Safety and hygiene standards

Safety and hygiene standards

Leumi complies with all laws, by-laws and compulsory standards in the realm of safety and hygiene at work. In addition, Leumi maintains the the Standards Institute of Israel ISO 18001 standard for occupational health and safety, and was the first financial institution in Israel to be awarded this standard.

Safety checks

Leumi adopts a pro-active and prudent approach in all matters related to a safe working environment, and regularly initiates a series of safety and environmental checks and surveys, including checking for the presence of pollutants, smell hazards, and more.

Concern for employee health

Leumi offers the possibility of biannual medical check-ups to employees above the age of 35 who have been with the company for 8 years or more. The Bank also carries out an annual flu vaccination campaign and carries out activities to raise awareness of different illnesses, such as breast cancer, and their prevention.

Safety and hygiene training

Company	Percentage of employees who have undergone online safety tutorial	Additional training in safety and hygiene
Leumi	95%	Dedicated professional training was held in the professional departments
Arab Israel Bank	100%	25% of employees have undergone additional safety training. Safety officers at the branches have taken a first aid course and a work safety course
Leumi Card	63%	Road safety course for company car owners, first aid course, training in professional topics for the company's security staff

Training security personnel in human rights

All guards at the branches and at Leumi HQ, who are employed via external security companies, undergo training and annual refresher courses. Within this framework, they also receive training in matters related to human rights. Training is an essential precondition for starting work

at Leumi. The topics included in the training include legal aspects of security work, the use of reasonable force, the guard's scope of authority, assessing visitors' behavior, sensitivity to inter-cultural differences between different populations in Israel, moderating responses, etc. In addition to the

training that takes place at the institutions established for that purpose by the Israel Police, the Security and Safety division at Leumi also holds meetings for guards from time to time where topics relating to their work are discussed.



Prevention of sexual harassment

Leumi appointed a senior lawyer in its Legal Consultancy Division to receive complaints relating to sexual harassment, and drew up a set of standards in this regard that is conveyed personally to each of its employees. The standards and the contact details of the Complaints Officer appear on the Leumi organizational portal, and the set of standards is given to every new employee at the Bank. In 2013

the standards were distributed once again to all branches and units of the Bank, and they are displayed on the noticeboard of every unit. Leumi attaches great importance to the issue of sexual harassment and acts to eliminate it. Complaints in this regard are treated by the Bank quickly.

In 2013 a few solitary complaints were lodged concerning sexual harassment in the workplace. The

nature of the incidents varied. Each incident entailed a questioning at the place of work, in accordance with the Prevention of Sexual Harassment Act, by the Bank's appointed officer. In instances where sexual harassment, as defined by law, was found to have taken place, appropriate disciplinary measures were taken.



Employees' welfare

The sphere of welfare at Leumi offers employees a broad range of services and activities, including:

- + A team of social workers offers **assistance to employees in situations of personal, family, or occupational distress**. Over the past two years, much emphasis has been placed on assistance to HR employees and managers in the process of mobility among the Bank's units.
- + **Assistance with stress and anxiety** arising in times of crisis (security situations, instances of robbery, fire, violence in branches)
- + A **welfare fund** for employees of the Bank who find themselves in financial distress as a result of severe illness or health-related or personal emergencies
- + Workshops for **managing the family budget** and helping employees with exceptional economic difficulties
- + **Support in dedicated groups:** families with a large number of children; bereaved families; children of deceased Leumi employees, etc.
- + **Accompanying employees in processes of children's development:** entering first grade; adolescence; enlistment in the IDF
- + **Accompaniment of retirees from the Bank:** cultural and recreational activities for Leumi retirees. In 2013 the Bank's cultural centers held 176 lectures, with a total participation of 26,400 retirees and escorts.

Welfare of employees at Leumi Card

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

In addition, the company awards its employees gifts for holidays and personal and family occasions, and maintains a rich informal program including teambuilding days and outings for units, activities around the holidays, social events, etc.



Recreational activities for Leumi employees

Leumi operates cultural centers for the welfare of its employees, their families, and retirees, in Tel Aviv-Jaffa, Jerusalem, and Haifa. Performances, lectures, workshops and courses in different spheres are held at these centers. During 2013 a total of 100 events were held at the cultural centers, with the participation of approximately 13,000 employees and family members.

Leumi gives its employees and retirees the option to purchase subsidized season tickets to cultural institutions such as museums, theaters, cinemateques, opera and dance performances.

Appreciation to IDF reserve personnel



In 2013, Leumi was awarded the “Reserves Shield” by the Minister of Defense, the Chief of Staff, and the Chief Reserves Officer, in recognition and appreciation of the balance facilitated by the organization between reserve duty and the workplace through maintaining an organizational culture and procedures that support and acknowledge employees who serve in the reserves.

In 2013 Leumi launched a “Reserves Charter” committing itself to upholding the rights of employees serving in the reserves

and to actively supporting them; maintained an “open line” for employees serving in the reserves; and held a special event honoring them.

During 2013 Leumi Card also continued to run its program in support of employees serving in the reserves, including public appreciation through different channels; granting of a day’s leave at the company’s expense for employees serving 7 continuous days or more, and an annual act of appreciation to couples.

Streamlining program

With a view to supporting the Bank’s business objectives, Leumi announced a multi-year streamlining program aimed at bringing about substantial savings in the Group’s operational costs and an improvement in its efficiency ratio. The program includes measures in the realm of human resources as well as in other substantial areas of expense. The streamlining program

is based on organizational changes (such as establishing specialization centers and reducing manpower in the branches) and an early retirement plan.

During the course of 2013 the streamlining and early retirement processes continued, concluding at the end of the first quarter of 2014. From the start of the early retirement activities until their

conclusion (March 31, 2014), 670 employees who had been employed within the framework of group agreements signed on early retirement.

The streamlining and voluntary retirement program was carried out in full cooperation with the employees’ representative body and through respectful, open discourse with the employees involved.

Additional Data - Employees³⁴ of the Group

	2013	2012	2011
Total employees (at year end, of the Group as defined in this report)	11,594	11,769	11,928
Number of employees at Leumi	9,610	9,760	9,890
Number of employees at Arab Israel Bank	448	452	453
Number of employees at Leumi Card	1,481	1,498	1,525
Number of employees at Leumi Partners	35	37	36
Number of employees at Trust Company	20	22	24
Percentage of women			
Out of all employees	62%	62%	62%
In junior management	55%	54%	53%
In mid-management	44%	42%	43%
In senior management	46%	35%	30%
Full-time/part-time employees			
Full-time employees	10,406	10,650	10,749
Temporary employees	1,188	1,119	1,179
Permanent/temporary employees			
Full time employees ³⁵	9,795	10,693	10,810
Part time employees	1,799	1,076	1,118
Percentage of holders of academic degrees			
Among total employees	62%	61%	60%
Among managerial staff	92%	91%	91%
Age			
Up to 30	20%	19%	21%
31-40	30%	30%	29%
41-50	17%	16%	15%
51+	33%	35%	34%

³⁴ In contrast to the financial reports published by the Bank, the data in this table and throughout this report (unless otherwise stated) refer to employees of the Group and not to positions (positions excluding unpaid vacation and maternity leave, including specific overtime hours, not including external workers, unless otherwise stated)

³⁵ Permanent employees: employees under group agreements, individual agreements, permanent track



Objectives for the realm of Social Impact - Employees

Performance of Objectives for the year 2013



Fully Completed



Partially Completed



Not Completed

Objectives set for 2013

Degree of implementation

Explanation



Leumi

Promotion of the organizational culture at Leumi - to be measured via quarterly organizational surveys (Pulse) carried out each time amongst a representative sample of employees



The organizational surveys showed an increase of 1% in the degree of implementation of new core values

"Midway dialogue" - individual talks between all direct managers at the Bank and their employees



"Midway dialogues" held among all employees

"Service with initiative": aspiration for excellence in service to the employee, from speedy response via the computerized system to building a bank-wide kit for the manner of conduct towards an employee who is leaving



More than 90% of employee inquiries were met with a response within two days or less.
The kit for conduct towards an employee who is leaving was built and posted on the HR portal.

Safety

Lowering of number of safety accidents and absences as a result of accidents by 2%



In 2013 there was a rise of about 4% in the number of safety accidents with a 25% decrease in the number of days of absence as a result of safety accidents, in relation to 2012.



Arab Israel Bank







Development of branch managers forum as a professional social framework



Branch managers and key position-holders in the regional management participate in the branch managers forum, which meets quarterly. The forum addresses development of personal and managerial skills (soft aspects), and enrichment of general and inter-cultural knowledge. The forum represents a social reference framework and unmediated encounter. It takes place in the presence of the CEO and members of Management.

Performance of Objectives for the year 2013 - con.

 Fully Completed  Partially Completed  Not Completed

Objectives set for 2013	Degree of implementation	Explanation
 Arab Israel Bank		
Safety		
Refreshing and updating of instructions in the sphere of security and safety with a focus on decreasing exposure around construction works, and discussing the issue with customers.		Guidelines for day-to-day conduct and work routines in the sphere of security and safety were updated. A remapping of exposure in this sphere was undertaken, and a multi-year process of decreasing exposure is underway - training, updating of procedures, and increasing measures.
 Leumi Card		
Replacement of CRM system: introducing a training project, assimilation and management of the change vis-à-vis 750 end users. Including approx. 15,000 training hours.		During 2013 a new CRM system was assimilated at the company's private service centers. Within the training framework all relevant end-users were trained. The move achieved its aims and assimilation was shortened by a week in relation to the original plan.
Implementation of 8 annual divisional training programs intended for employees and managers of the company's divisions		Training programs for all divisions of the organization were implemented and put into effect. Dozens of training procedures were executed for existing employees, to address gaps in knowledge, skills and perception. The procedures were undertaken by internal Leumi Card as well as external experts. Satisfaction from the training procedures was very high.
Implementation of a new and comprehensive development program at the team manager level in the organization, including: training course for new managers, advanced management course for veteran managers, advanced management course for outstanding managers, creation of a managerial forum for this level.		All team managers participated in the development program, divided in accordance with relevant characteristics. All team managers participated in the quarterly meetings of the team managers' forum established in 2013.



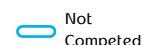
Performance of Objectives for the year 2013 - con.











Fully Competed



Partially Competed



Not Competed

Objectives set for 2013	Degree of implementation	Explanation
 Leumi Card		
Organizational opinion survey to be conducted, with participation of at least 80% of the company's employees		An organizational opinion survey was meant to be held in the fourth quarter of the year, but was postponed out of organizational considerations. The survey will be reconsidered for 2014
As part of the company's digital vision, implementation of the "employee brings a friend" (Friends Plus) application as a further stage in the leveraging of this channel of recruitment		In September, 2013, the application was launched in an intra-organizational campaign among employees with the aim of encouraging recruitment of employees via the application
Assimilation of a new channel of communication - a periodical intra-organizational news broadcast, to be disseminated to all employees		This channel of communication was first launched in May, 2013. Over the course of the year two digital news broadcasts were produced
Safety		
Consideration for establishment of a first-response team for dealing with an earthquake		A rescue team was established and a launch day was held by Rescue-1 company; rescue equipment was purchased for the team.
Road safety training for drivers		Training for the company's drivers was held on the campus of the Alternativi company in Ramat Hakovesh
 Leumi Partners		
Professional development - work plan and objectives for future in the company		In 2013 an orderly training program was drawn up. Professional training was held for all employees, including computer training and English studies.

Objectives for the years 2014–2015

Leumi	Monitoring of noise pollution and medical checkups for exposed employees
	Lowering of number of safety accidents by 2%
	Leumi Establishment of an internal Employee Placement system with the aim of advancing career development and support the mobility policy set by Leumi. In 2014, the system is planned to be operated for clerical and managerial 10–8 ranks.
Arab Israel Bank	Carrying out of an updated organizational survey, in a format similar to that conducted by Leumi
Leumi Card	Leading service quality processes at the centers outside of the Customer Service and Operations Division
	Implementation of 9 annual divisional training programs intended for employees and managers of the company's divisions
	Increasing use of the "employee brings a friend" (Friends Plus) app to recruit employees for the company
	Training of a new organizational safety officer for the company
Leumi Partners	Continued development of training and enrichment program for employees
Trust Company	Carrying out biannual training for employees, to refresh safety guidelines at work
	guidelines at work





Our Community

Products with Social Value

As a leading financial organization, the Leumi Group supports the promotion of positive social change through products and services it offers. In 2013 the Group offered its customers a broad range of services intended to create Shared Value: social value for the customers and for the community, along with business value.





From 2009,
the Leumi-Koret
program granted
650 loans
with a total
value of
**NIS 124
Million**

Leumi-Koret program for advancement of small and medium businesses in the periphery

Within the framework of this program, which has been active since 2009, Leumi and the Arab Israel Bank continued to grant loans on preferred terms to small and medium businesses in the periphery.

In 2013, the Leumi-Koret program granted 63 loans with a total value of NIS 15.4 million (including to customers of other banks). In all the years of its activity, the program

has granted approximately 440 loans, with a total value of NIS 97.3 million.

In 2013 the Arab Israel Bank granted 27 loans with a total value of NIS 3.6 million in partnership with the Koret Foundation. Since the beginning of the cooperation in 2010, the Arab Israel Bank has granted 212 loans, totaling NIS 26.5 million.

Latet Atid - Loans for small ventures

A joint venture with the "Latet" non-profit organization. The non-profit organization locates and accompanies entrepreneurs experiencing economic difficulties, business owners, or business ideas,

while Leumi supplies the financing and grants the loans. Loans of up to NIS 40,000 are offered. In 2013, 19 loans were granted, with a total value of NIS 278,000.

Shared value at the Arab Israel Bank

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

women's employment in this sector, the particular challenges facing Arab youth, and the bureaucratic barrier facing Arab-sector mortgage seekers, and succeeded in offering unique, innovative services with added social and business value for its customers.



Special value propositions for women - Arab Israel Bank



In recent years, increasing numbers of Arab women are working outside of the home, and even setting up their own small businesses. This social change demands an appropriate banking response and the support of professionals in the field. Over the course of 2013 the Arab Israel Bank launched a unique service package that is the first of its kind for women. The service package is adapted especially for them and accompanies them at every stage of life: as singles, as students, as mothers, as salaried employees and as freelancers, allowing them to benefit from loans and benefits suited to their lifestyle, including: loans for driving lessons, for studies, for opening a business,

for personal care and health, as well as for savings for children. As part of this unique account every customer can choose benefits in different tracks that are suited to the different stages of her life. In addition, the Bank grants benefits and discounts for purchases at a range of commercial chains through Leumi Card.

During 2013, fifteen conferences for women customers were held at the Bank's branches, with the participation of about 1,000 women. During the conferences there were lectures by bank employees and external consultants on family budgeting and establishing and running a business.

Special youth value propositions at the Arab Israel Bank - Issamiyun - "Striving for success"

Arab youngsters in Israel embark on their professional lives, as students or employees, at an early age (18). To make it easier for them to cope with the challenges they face, a special track was established for them at the Arab

Israel Bank, allowing them to receive account benefits until the age of 21 - a period parallel to that of military service in the IDF. Within this framework customers are given information on proper management of an account and the financial

options available to them. They are offered special value packages, including loans for driving lessons and for preparatory courses for the psychometric exam.

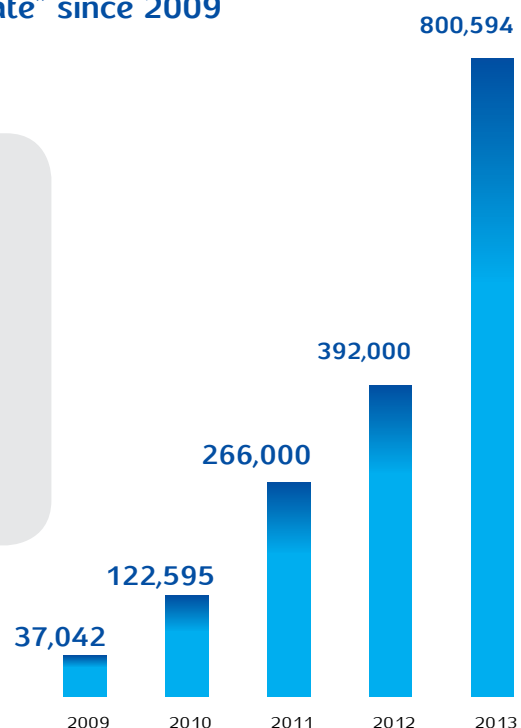


“Round Up and donate” - Leumi Card

Leumi Card continues to offer its “Round Up and donate” service, in cooperation with the “Round Up” non-profit organization, for the fifth consecutive year. The service allows the company’s customers to round Up the sum of transactions carried out at stores and businesses to the nearest NIS, with the difference transferred as a donation to a range of non-profit organizations as per the customer’s choice. In 2013, 6,394 customers joined this service.



Total donations of Leumi Card customers by “Round Up and donate” since 2009



From the beginning of cooperation with the “Round Up” association, Leumi Card customers have donated a total of

NIS 1,618,231

to a range of non-profits, as per their choices



Investing in the Community

Leumi policy in the sphere of investing and involvement in the community is meant to empower Israeli society, and at the same time to address directly various weaknesses in society and to strengthen the elements that are able to develop and implement appropriate solutions. The Group joins with non-profits and other social organizations and leverages the donation and the activity carried out in the field, with the aim of creating optimal impact on the populations groups in need of assistance.

The Leumi Group manages its investment in the community through three main channels: "Leumi Tomorrow - the Centennial Foundation for Tomorrow's Generation" (registered non-profit), donations and other social sponsorships and volunteering by Group employees in a range of social programs. Decisions as

to the destination of donations and sponsorships, and the sums involved, are made by "Leumi Tomorrow" and the Bank's Donations Committee, whose members are appointed by the President and CEO. Applications are handled and evaluated meticulously and thoroughly in accordance with criteria set down in the

Leumi donations procedures, and approved by the Board of Directors.



In 2013 the Leumi Group donated and extended social sponsorships in an amount exceeding

NIS 25 million

to some

160 social organizations

and educational institutions. Beyond this monetary investment, 4,527 employees volunteered over the course of approximately 36,984 hours.



“Leumi Tomorrow - the Centennial Foundation for Tomorrow’s Generation”



In 2002, a century after Leumi’s establishment, the Board of the Bank decided to mark the occasion by establishing a unique body for the community - “Leumi Tomorrow - the Centennial Foundation for Tomorrow’s Generation” (registered non-profit organization).

This non-profit, representing Leumi’s main channel of investment in the community, invests in the advancement of children and youth through support for various educational programs that act to raise the number of high-school graduates entitled to a matriculation certificate and to improving matriculation grades; to raise the number of recruits to the IDF for meaningful service; and to make academic education accessible

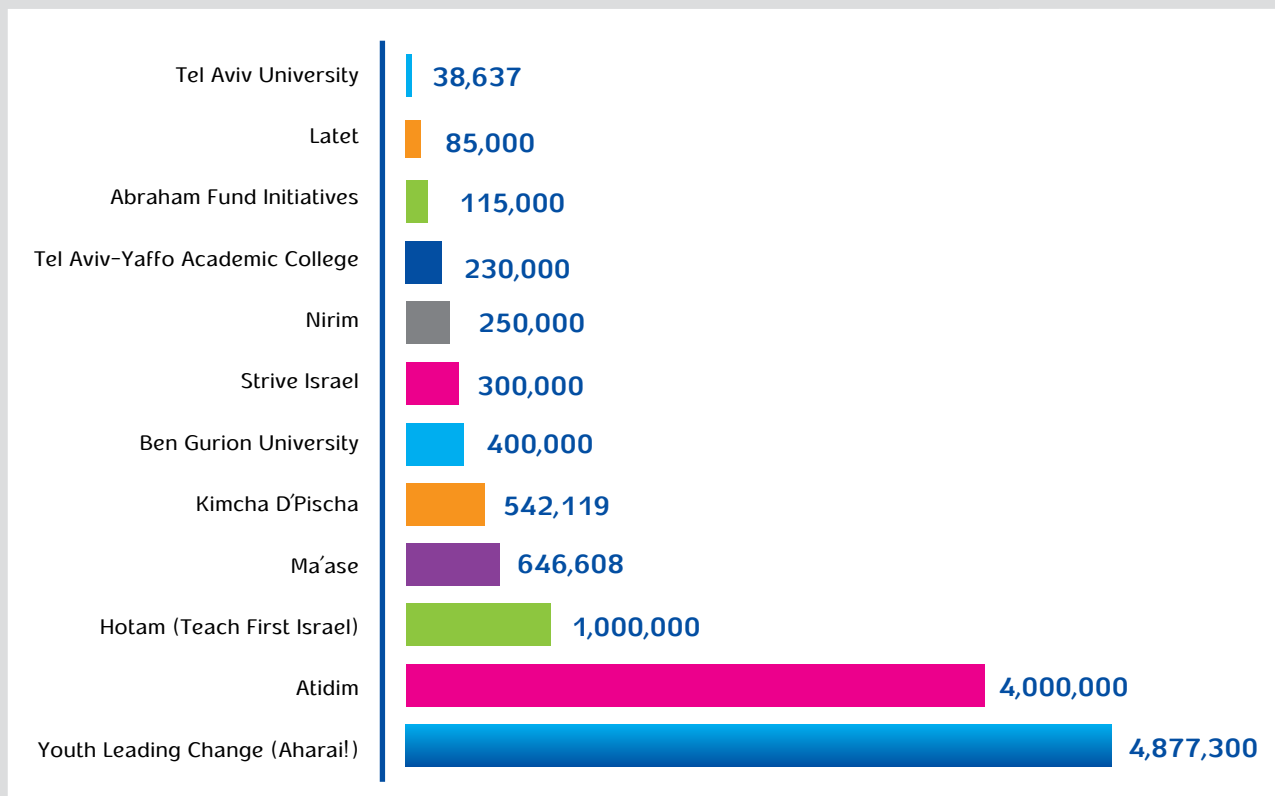
for youth - along with advancing education towards values, social involvement, personal leadership in the community, and projects in the sphere of welfare. The programs are carried out throughout the country, among a range of population sectors, and in cooperation with social nonprofits and institutes of higher education.

The executive committee of the non-profit is comprised of

senior managers at Leumi and its subsidiaries, who serve in a voluntary capacity. Investment in the programs is managed through cooperation between the “Leumi Tomorrow” and the bodies operating the programs. Throughout the year there is ongoing discourse in the form of work meetings, field visits, and periodic reporting on the program activities.



"Leumi Tomorrow" Donations 2013 (NIS)



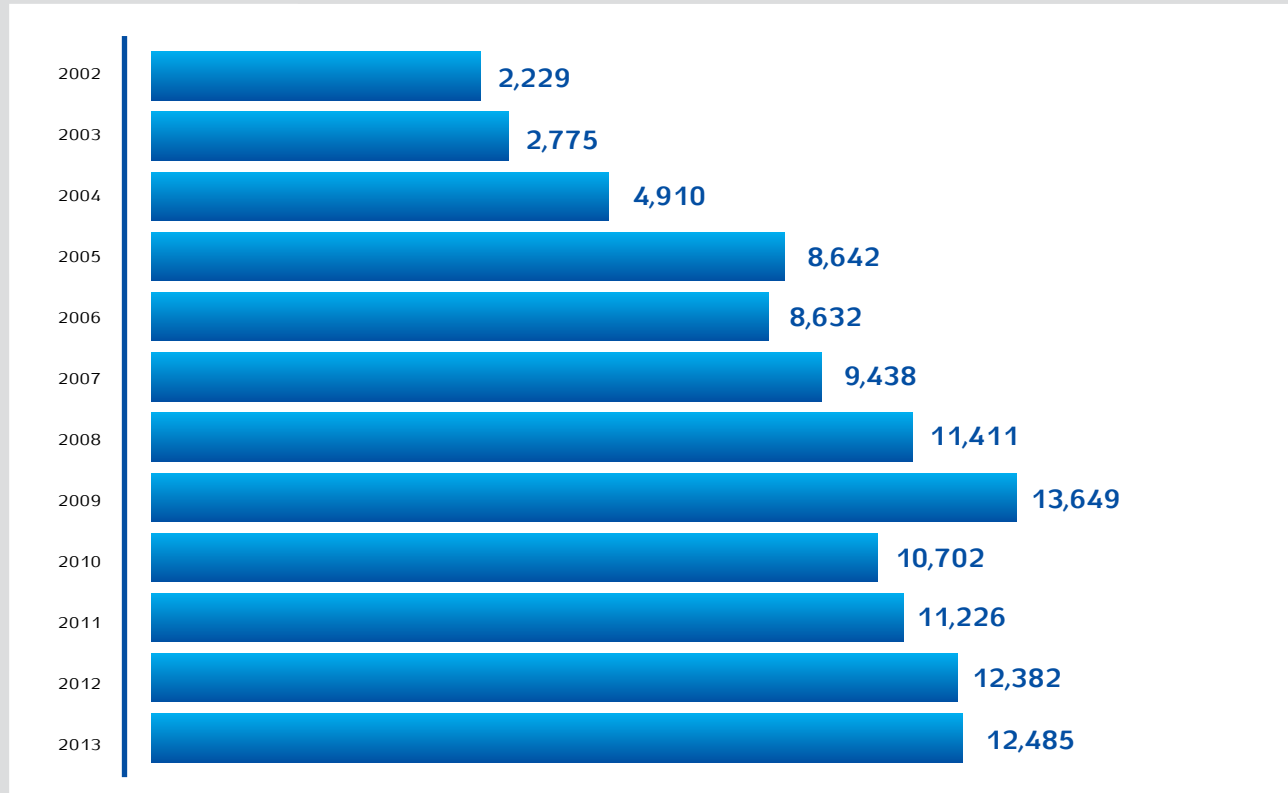
About 20,000 youth from different backgrounds and families of low socioeconomic background participated in the activities of the non-profits supported by "Leumi Tomorrow" during 2013

Total "Leumi Tomorrow" Donations in 2013 (NIS)

12,484,664

From its establishment up until the end of 2013, the Leumi Tomorrow fund invested an accumulated **NIS 108 million** in non-profits

Leumi Tomorrow's Donations since 2002 (NIS Million)



Total Donations of "Leumi Tomorrow" since 2002

108
NIS Millions

Added value to NGOs supported by "Leumi Tomorrow"

Leumi Group leverages the financial contribution to "Leumi Tomorrow" through the use of the Bank's existing resources and infrastructure. In this way, the Group contributes to both the professional advancement of NGOs and the improvement of their ongoing operations. Thus, for example, the management teams

of the organizations participate in a professional forum ("Social Partners Forum") that is managed by Leumi and serves as a platform for promoting cooperation and the development of knowledge; Group employees volunteer in projects' ongoing activities; Teaching rooms at the training center are donated for the benefit of NGO

training and employees with group facilitation training ("Internal Group Facilitators") give enrichment and development workshops to project management staff. In 2013, six managers participated in personal mentoring projects supported by the "Leumi Tomorrow" program.



Results on the ground

83%

of "Leumi Tomorrow" Learning Centers candidates passed their mathematics matriculation exam

75%

of graduates of the Na'am program are employed in their profession



85%

of Hotam teachers continued teaching for a third year, and 70% for a fourth year

86%

of participants in the Ofek program at the Ma'ase Center are certain that they will study in the future

70%

of participants in the Strive program sustain their workplace



89%

of graduates of the 2013 study group at the Nirim Youth village are entitled to a matriculation certificate

17%

of Aharai! graduates joined pre-army volunteering programs



95%

of graduates from the "Program for promoting access to higher education in the Negev" are entitled to a high school diploma that will allow them to enroll the university



87%

of all graduates of Leumi Tomorrow have gone on to a year of National Service, to a pre-military academy, or to enlist in the army





Aharai! (Follow me!) youth leading change

The organization acts to integrate children and youth at risk in Israeli society, through education towards values, leadership development, and the provision of tools. In 2013, Leumi Tomorrow directly supported 17 IDF preparatory groups in the periphery, 17 centers preparing dropout youth for matriculation exams, 14 groups integrating immigrants of Ethiopian origin, and 11 adult centers. 4,500 youth participated in organization activity in 2013.

Pre - Atidim

The program operated by "Atidim", promotes scientific excellence and empowerment among high-school students in the periphery. In 2013, 17,000 pupils participated in the program (Pre Atidim is a joint initiative of Atidim and the Israeli Ministry of Education).

Promoting excellent bright Arab youths (N'aam)

The program, operated by "Atidim", supports students from the Arab sector and helps them study for their Bachelor's degree in Engineering and Science in one of Israel's most prestigious universities. The Students enjoy financial support and personal mentoring during their studies. The program exposes the participants to Israeli industry in order to promote social mobility and to narrow social and academic gaps. 263 students participated in the program in 2013.



Teach First Israel ("Hotam")

The Hotam program recruits quality youth with academic degrees and trains them to serve as teachers and leaders in the social and geographic periphery within the Israeli educational system. The program aims to reduce the social and educational gaps between the periphery and the center of the country, and to help enhance the quality of education received by students in the periphery.

Ma'ase

Ma'ase Center is promoting equal opportunity for young adults from the periphery through volunteering frameworks. In 2013 "Leumi Tomorrow" supported Learning and career development programs for volunteers. In 2013 500 volunteers participated in Ma'ase different programs.

Program for advancing access to higher education in the Negev

A program to promote excellence and access to higher education in the South of Israel, through extra lessons and academic courses for 10th-12th grade students. Approximately 1230 students participated in the program during 2013.

Nirim Youth Village

The Nirim Youth Village, located in Bustan HaGalil, allows youth at high risk to complete matriculation studies and to take part in a unique process of rehabilitation and empowerment. In 2013 there were 99 students the Village.



“Strive Israel” – in cooperation with the Joint Distribution Committee in Israel

The program trains and accompanies young adults unemployed and with no academic education towards personal and professional growth, economic independence, and a high sense of self sufficiency, through career development. At the end of 2013, “Leumi Tomorrow” ended its support for the program

Learning centers for youth of Ethiopian extraction, in cooperation with Tel Aviv University

Matriculation preparatory centers teaching English and mathematics to girls whose families immigrated from Ethiopia. During 2013 38 students graduated the program. The program concluded at the end of 2013



Training Social (Community) Entrepreneurship – Tel Aviv-Jaffa Academic College

A project designed to foster and promote social entrepreneurship among students, in order to develop a cadre of social entrepreneurs who will act to bring about social change within Jaffa. In 2013 “Leumi Tomorrow” supported 7 students who initiated 4 social initiatives.

“Partnership for Life” program – in cooperation with the Abraham Fund

An initiative assisting Arab women to integrate into the Israel work market. In 2013 134 Arab women participated the program. At the end of this year, the program was concluded in its present format, and responsibility for the initiative was handed over to the Ministry of Welfare.

“I am for You” in Arab Society – in cooperation with Latet organization

Leumi Tomorrow initiated the operation of the “I am for You” program in Arab society, in cooperation with the Latet organization. The program acts to educate towards social initiative and volunteering amongst youth from weak socio-economic backgrounds and youth at risk. In 2013 about 200 youths participated in 10 activity groups.



Passover staples

An anticipation of the Passover and Ramadan holidays, the Leumi Group and “Leumi Tomorrow” join forces in a campaign to purchase and redistribute food packages to disadvantaged families throughout the country. Leumi employees take part in the campaign through monetary donations, packing of the food parcels, and their distribution to families. In 2013, “Leumi Tomorrow” and Leumi employees distributed food packages to more than 2,200 needy families throughout the country Israel.



Additional Projects

Young entrepreneurs

The Young Entrepreneurs organization was adopted by Leumi from the moment of its establishment in Israel, some 20 years ago. Each year approximately 4,000 youth from all over the country and from all sectors participate in the program. These young entrepreneurs are exposed to processes of production and gain experience in marketing and sales,

money management and reporting.

Once the program is over they close down the company, divide the profits (if any) or decide to make a donation to the community. Leumi supports the project both by means of donations to the organization and through professional guidance and mentoring of the groups of young entrepreneurs.

The Bank's branches adopt the groups of young entrepreneurs throughout the country and help them to manage their businesses. At the same time, the Bank's employees collaborate with the initiative and invest their own time and energy in providing ongoing guidance in financial and business spheres.

Support for culture and the arts

In 2013 the Leumi Group granted a total of NIS 3.1 million to projects in the sphere of culture and the arts, including sponsorships for cultural institutions and events, such as the

Israel Opera, the "Tamar Festival", the Israel Festival, the Doc Aviv Film Festival, the Carmiel Festival, and more. During 2013 two exhibitions were held at the Leumi Mani House,

presenting works by a range of Israeli artists, and the seventh "secret art" exhibition.



Yoav Admoni

Promotion of culture and art in the periphery

With the aim of promoting artistic activity and exposure for artists living and working in the periphery, Leumi was active during 2013 in making art accessible to inhabitants of the north and south of the country:

- + **Southern Spaces:** An exhibition of works from the Leumi collection, held in Sderot.

Alongside works from the Leumi collection, the exhibition also presented works by artists living and working in the south. Leumi sponsored the event, awarded 4 study scholarships of NIS 10,000 each to art students in Sderot and its environs, and purchased four works by young artists from Sderot.

- + **Galil Colors Exhibition:** a contemporary art fair held in Hatzor HaGlilit, with Leumi support. This unusual event exposed residents of the north to works created by top Israeli artists and represented a point of encounter for Jewish and Arab artists, as well as artists of different generations.



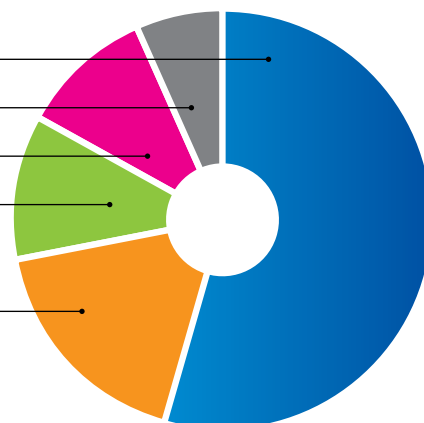


Group Data - Donations and Sponsorships

Over the course of 2013, the Leumi Group donated and granted donations and sponsorships for social and community programs to approximately 160 organizations, totaling NIS 25.6 million, representing 0.7% of the Group's pre-tax net profit. Out of this sum, donations totaled about NIS 20.3 million. This sum includes the various donations and sponsorships granted within the framework of the Leumi Tomorrow; the Donations Committee; and other sponsorships and donations by all the Group's subsidiaries: Leumi, Arab Israel Bank, Leumi Card, Leumi Partners, the Trust Company, other smaller subsidiaries, and Leumi subsidiaries overseas.

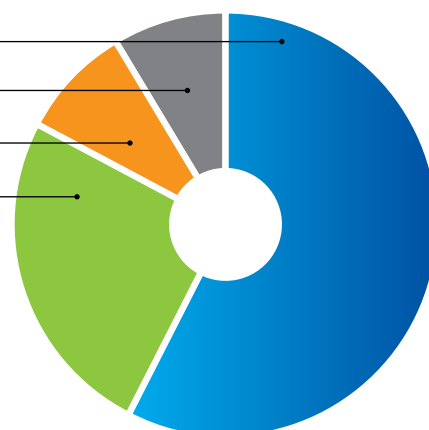
Donations and sponsorships by Leumi Group for 2013 – by subsidiary³⁶

Bank Leumi	NIS 13,980,740
Arab Israel Bank	NIS 1,657,210
Leumi Card ³⁷	NIS 2,624,000
Other subsidiaries	NIS 2,848,000
Overseas units	NIS 4,523,000



Donations and sponsorships by Leumi Group for 2013 – by sector

Education of children and youth	NIS 14,203,457
Health	NIS 2,065,418
Culture and Arts	NIS 3,137,793
Community and Society	NIS 6,226,282



Total Contributions of Leumi Group 2013:

NIS 25,632,950

³⁶ The data pertain to the Leumi Group as defined in the financial reports

³⁷ Contributions only

Additional data - investment in the community³⁸

	2013	2012	2011
Total donations and social sponsorships (in NIS millions)	25.6	32.6	32.4
Donations as a percentage of pre-tax net profit	0.70%	1.80%	1.50%
Total Donations via Leumi Tomorrow (in NIS millions)	12.48	12.38	11.23



³⁸ The data refer to the Leumi Group as defined in the financial reports



Employees' Involvement and Volunteering

Volunteering by Leumi Group employees focuses on activity on behalf of tomorrow's generation, and is carried out through enrichment programs (in afternoon programs, kindergartens, schools, rehabilitation centers, and hospitals), improvement of living conditions (food distribution, renovation, equipment collection), improvement of study achievements (help with homework, mentoring, lectures), and other areas (food harvest, Magen David Adom, the Israel Police, etc.).

Principles guiding Leumi employee volunteer activity:



A perception of long-term, significant communal partnership and coordination between employees' capabilities and community needs



Diverse volunteer activities, varying in scope and nature, in accordance with the volunteers' skills and the needs of the community



Volunteer involvement in building the volunteer process, and - as a result - a strengthening of their commitment



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



In 2013, **4,527** Leumi Group employees took part in volunteer activities and donated **36,384** volunteer hours. The monetary investment in Leumi Group employee involvement in the community for 2013 came to **NIS 1.1 million**



Leumi flagship volunteer projects

- + **“Leumi on the Move” program:** a joint initiative with the Israel Youth Movements Council. Bank employees accompany National Service volunteers, and branches of the various youth movements, in advancing joint social activity in the community.
- + **“Aid for Life” program:** a joint program with the “Latet” organization, helping needy Holocaust survivors. The volunteers visit the survivors’ homes once a month, keep them company, and provide them with food packages and medications.
- + **“Leumi Tomorrow” groups:** Mentoring participants in the groups comprising the various projects supported by Leumi Tomorrow, through help with studies, participation in physical training, and escorting on hikes and major events.
- + **Afternoon activity centers for children at risk:** activity for good spirits, enrichment, and education towards values, in order to strengthen the children and to facilitate their exit from the cycle of risk in the future.
- + **Flourishing in the garden:** in partnership with the YELADIM – Fair Chance For Children non-profit organization, Leumi employees volunteer on a long-term basis at 6 residential group homes through out the country, in a therapeutic gardening project.

Management of Leumi employee volunteering programs

Leumi employee volunteering is overseen by a full-time director. Her position includes:

1. **Mapping and locating needs** in coordination with local authorities and social non-profits
2. **Choosing community partners** and developing strategic partnerships
3. **Assessment and management** through a computerized system, allowing ongoing evaluation and data collection concerning the scope of volunteerism
4. **Sharing and reporting** through the intra-organizational channels of communication, first and foremost among them a dedicated information management site, offering extensive information about involvement in the community, a database of activities, a list of “social leaders”, budgetary processes, and information about social organizations,
5. **Appreciation of volunteers:** The Bank marks International Volunteers’ Day (Dec. 5) every year, holding events of appreciation for its volunteers and noting of outstanding volunteers at the annual Managers’ Conference, in addition to the appreciation events held by each unit for its volunteers.



Social Leaders at Leumi

The unit's work is based on a network of about 350 social leaders located in all of the Bank's units. Along with their position at the Bank, they are responsible for advancing volunteerism among employees in their unit.

The social leaders participate in group learning meetings - training encounters where tools are provided for management of volunteerism, as well as in personal encounters to build work programs and to evaluate needs. Once a year

the unit for employee involvement in the community holds an event acknowledging all of Leumi's social leaders.

Community involvement and volunteering at the Arab Israel Bank

The Bank attaches great importance to active involvement and the advancement of the aims of the society in which it is active, in order to aid its development and success. Within this framework, during 2013 the Bank was active in strengthening the connection

with social partners in the Arab community and, at the same time, a team of 103 volunteers was created from amongst the Banks' employees, to act together with these partners. Among the social partners are: Latet organization ("I am for You" project), afternoon activity centers,

elderly day-care centers, "Na'am" program, and more.

As part of their volunteering activities, Arab Israel Bank employees deliver financial education lectures to students and pensioners.

Community involvement and volunteering at Leumi Card

Leumi Card has adopted three organizations in a long-term partnership, donating money and maintaining volunteer activities with them over the course of the year: the “Komemiyut School” - an elementary school in the Pardes Katz neighborhood of Bnei Brak; the “Ahuzat Sara” residential group

home for children who have been removed from their homes by court order; and the Maglan IDF unit, within the framework of the “Adopt a Soldier” project. Over the course of the year, Leumi Card employees volunteer on a permanent basis in major activities as well as routine, ongoing activities. The overarching

aim of the Leumi Card volunteer program is to give children and youth at risk, from underprivileged families, the tools and opportunity to achieve their maximum potential, to achieve equal opportunity, and to integrate optimally into society.

Summary of employees volunteers

	2011			2012			2013		
	Volunteer hours	No. of volunteers	Average hours per volunteer	Volunteer hours	No. of volunteers	Average hours per volunteer	Volunteer hours	No. of volunteers	Average hours per volunteer
Leumi	35,171	4,469	7.87	36,329	4,307	8.43	30,904	3,754	8.22
Leumi Card	4,414	636	6.94	3,898	583	6.69	4,591	650	7.06
Leumi Mortgage	1,100	170	6.47	1,100	180	6.11	Report through Leumi		
Arab Israel Bank	-	35	-	875.5	63	13.9	869	103	8.44
Leumi Partners	96	10	9.60	96	10	9.60	-	-	-
Trust Company	44	22	2.00	44	22	2.00	20	20	1.00
Total	40,825	5,342	7.64	42,343	5,165	8.20	36,384	4,527	8.03



Measurement of the effectiveness of investment in community

“Leumi Tomorrow”, the Group’s main channel of community investment, measures consistently the effectiveness of its supported programs, including objectives, measurement, and evaluation programs.

In 2013 there was a process to improve the reporting, control and measurement of the various “Leumi Tomorrow” projects concluded, and an emphasis was placed on

measuring long-term results.

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

At Leumi Card, there is ongoing control throughout the year of community involvement activities.

Discussions are held with the volunteers and with the populations within which the activities are held, concerning the degree of success of the activity and its degree of influence on the target population. In accordance with feedback, and where necessary, improvements are made to the activity programs. In general, the feedback from the field indicates that the program has positive influence for its participants.

Examining community investment strategy

In anticipation of 2014 the Leumi Board decided to examine its community involvement strategy. With a view to leveraging Leumi knowledge, tools and resources to create value for the community, different possibilities were examined, including initiating and supporting projects in the realm of economic empowerment of different








populations in the community and of Bank customers. Accordingly, and with prior notice, the non-profits that had received support through “Leumi Tomorrow” were informed that their donations the end of the current contractual period.



Objectives for the realm of Social Impact - Community and Society

Performance of Objectives for the year 2013

 Fully Completed
  Partially Completed
  Not Completed

Objectives set for 2013	Degree of implementation	Explanation
<div>  Leumi </div>		
An examination of the policy of investment in community was undertaken, and guidelines were laid down for Leumi Tomorrow activity		In light of Group community investment strategy examination, Leumi associations have been updated on the anticipated change and activity for policy setting and partnership creation for the next years has commenced
Awarding added value to social partners through means that produce added value for Leumi as well		Over the course of 2013 one Social Partners Forum meeting was held. At the end of 2013 a further track of the program for cross-sector mentoring was introduced. A conference was also held - "Making Dreams a Reality" - a cooperative effort of Leumi women directors and the Pre-Atidim program
Deepening involvement and professionalism of the Leumi Tomorrow executive committee members		Members of the committee toured the Hotam and Atidim programs. A lecture was held on the subject of integrating immigrants of Ethiopian extraction in Israeli society. A lecture was held on the subject of managing community investments
Employee volunteerism		
Implementation of use of the knowledge management website and conveying of updates and clear and uniform messages to all Social Leaders and volunteers		The site was built, launched at an event honoring volunteers, and assimilated in Social Leaders meetings in the different regions. Links were sent as per needs and questions. The number of visits and views was high, illustrating the need for and accessibility of the site
Maintaining and encouraging volunteerism and increasing motivation through communication of activities		The activities are communicated and reported; encouragement and motivational activities are carried out on a routine basis. Communication of activities is carried out via the knowledge management site, relevant teasers, the Leumi magazine, Leumi TV, and the Leumi newsletter
Strengthening the activity-supporting infrastructure: maintaining the system of Social Leaders, maintenance of the knowledge management website, development and upgrading of the reporting system		The site was completed and is maintained on an ongoing basis. The reporting system is in the process of being upgraded; the process is gradual owing to its complexity



Performance of Objectives for the year 2013 - con.






Fully Competed



Partially Competed







Not Competed

Objectives set for 2013	Degree of implementation	Explanation
 Leumi		
Continued orientation towards focusing activity on the "generation of tomorrow"	+	The focus was successfully implemented. The rate of employees volunteering with Tomorrow's Generation reached approx. 80%.
Maintenance, preservation and strengthening of ties with communal partners	+	Meetings were held, discussions were conducted, letters of thanks and appreciation were received
Refreshing activities with new ideas, to inculcate values and enrich content	+	Focusing of activity in 5 spheres, and increasing awareness of content relating to values, learning, and enrichment, and - gradually - also financial education
 Arab Israel Bank		
Tighter coordination with Leumi Group in the realm of strategic and local social investment	+	This year was characterized by a reduction in the number of social partners, as contracts ended and/or responsibility was handed over to the State («Partners for Life»), with an implementation of principles of channeling social investment, as agreed with the Leumi Tomorrow management and the Corporate Responsibility personnel at Leumi
Examination of continued activity with partners in light of possible changes in the spheres of their activities.	+	This year activity continued as in the past, with a focus on the elderly, youth, and women. If Leumi decides on a different mix of group social activity, Arab Israel Bank will adapt itself to the Group
 Leumi Card		
Maintaining a high percentage of volunteers	+	In 2013 there was a 13% rise in the number of volunteers and an 18% rise in the number of volunteer hours, in relation to 2012
Holding another yearly group for the "Book Success" project in cooperation with Komemiyut School in Pardes Katz neighborhood of Bnei Brak	+	In 2013 the second group concluded the "Book Success" project and a third group was started; it is currently in the midst of the project and will finish in June, 2014

Performance of Objectives for the year 2013 – con.

 Fully Completed  Partially Completed  Not Completed

Objectives set for 2013	Degree of implementation	Explanation
 Leumi Partners		
Increasing percentage of volunteers in the company		In 2013, owing to organizational constraints, volunteer activity of the company's employees was put on hold
 Trust Company		
Maintaining 100% volunteering among company employees in the "Latet" project		80% of the company's employees volunteered in the "Latet" project

Objectives for the years 2014–2015

Leumi	Consolidation of work programs for Leumi Tomorrow in accordance with policy for investment in community
	Development of professional content for volunteers' use
	Gradual increase in volunteer activity in the sphere of "financial education"
	Creating further opportunities for employee volunteerism in the community
	Integration of Mortgage division employees in Leumi's volunteer activity, including use of the website, reporting system, and budget
Arab Israel Bank	Tighter coordination with Leumi Group in the realm of strategic and local social investment
	Examination and refreshing of communal partners in keeping with updated Group strategy for investment in community
Leumi Card	Maintaining a high percentage of volunteers, while broadening the range of activity and continued strengthening of ties with community partners
Leumi Partners	Return of employees to volunteer routine, proposing alternatives and a new volunteering program
Trust Company	Maintaining a high percentage of volunteers from among the company's employees. At least 80% in 2014 and 90% in 2015.



Environmental Impacts

As a financial organization whose activity is mostly of a clerical nature, the direct impact of the Leumi Group on the environment arises from energy consumption (fuels and electricity); consumption of raw materials and products - first and foremost among them paper products, and production of waste. The Group's indirect impact arises from its business activity - funding and credit for projects with the potential to impact the environment, and development of financial products with environmental value, such as loans for purchasing hybrid vehicles, solar electricity systems, or green upgrading of businesses.

5.



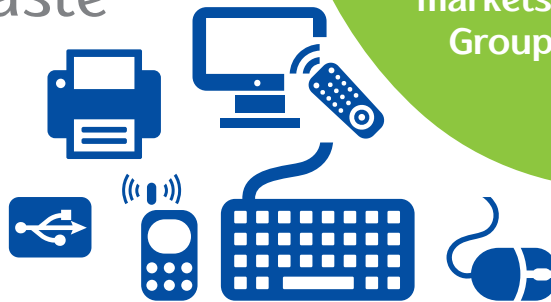
Paper
collected for
recycling

1,016 ton

The Leumi Group is aware that environmental protection issues have become an inseparable part of global business-financial considerations, and as such they have an impact both on current markets and on future markets in which the Group is active

Electronic waste
collected for
recycling

52 ton



Saving in electricity
consumption
of about

4.5%
compared with 2012



Planting
3,300 trees
equivalent to offsetting
2,300 ton
greenhouse gases

9,000
fluorescent light
bulbs

collected and sent for proper disposal





Our Environment

As a financial organization whose activity is mostly of a clerical nature, the direct impact of the Leumi Group on the environment arises from energy consumption (fuels and electricity); consumption of raw materials and products - first and foremost among them paper products, and production of waste. The Group's indirect impact arises from its business activity - funding and credit for projects with the potential to impact the environment, and development of financial products with environmental value, such as loans for purchasing hybrid vehicles, solar electricity systems, or green upgrading of businesses.

Leumi Group's Environmental Policy

The Leumi Group is conscious of the fact that environmental issues have become an inseparable part of the worldwide system of financial and business considerations, and this has an impact both on present markets and future markets in which the Group will be active. The Group recognizes its environmental responsibility and the fact that its business activity can affect the environment, both directly and indirectly. Hence, all the companies in the Group are obligated to conduct their activity in such a way as to consistently diminish adverse effects on the environment in compliance with legal and moral obligations and - in the absence of legislation - with the aspiration to adopt voluntarily the accepted and leading standards in the banking sector.

The Group is committed to an emphasis on defining quantitative periodic targets for reducing its impact on the environment, and it acts to increase transparency towards various stakeholders and to promote awareness among employees, suppliers and customers of the importance of protecting the environment.





Managing Direct Impact

Pursuant to a decision by Management, senior employees were appointed for Group companies as environment officers, and in 2007 a "Green Forum" was established with the aim of advancing and developing the environmental area at Leumi, with an emphasis on the direct impact of the Group's activities. The Forum is comprised of representatives from all units of the Bank and of the relevant subsidiaries, and it meets quarterly. The Forum is directed by the Leumi Environment Officer.

In order to strengthen the Green Forum's connection with the branches, an internal standard was developed and implemented for green operations, and environment officers were appointed for branches and for units at Leumi and the Arab Israel Bank. The branches

were required to carry out a range of actions to promote awareness and to reduce the negative impact of the Bank's activity on the environment, and were rated according to their performance.

Along with the activity of the environment officers and the Green Forum, the Leumi Group attaches great importance to the assimilation of environmental issues among its employees. From time to time employees of the main offices and subsidiaries are required to undergo training and refresher courses in the environmental area. In addition, the Leumi Group complies with all the relevant laws and by-laws in the environmental area, and there is no known instance of any violation or fine in this area during 2013.

Main Activities in environmental management in 2013

Leumi

In 2013, Leumi joined the international initiative "Carbon Disclosure Project" (CDP). Leumi joined this initiative as a regular reporting body and as a CDP Investor Signatory - a category comprising financial bodies that support the idea of responsible investments in terms of greenhouse gas emissions and climate change.

In addition, the Bank was active over the course of the year in replacing the organization's standard for green operations which had been implemented in the branches, with the official standard for green operations in the services section, published by The Standards Institution of Israel. Official certification for this new standard was received in May 2014.

As a further measure for saving paper, a system was introduced this year whereby customers are no longer required to sign certain forms, such that only one copy of the forms is printed for the customer while the other copy is saved in the digital operations archive at the branch.





Arab Israel Bank

The Arab Israel Bank is continuing its cooperation with the Educational Center of the Beit Netofa Valley Towns Association for Environmental Quality in Sakhnin, and in 2013 the Center once again hosted a training and refresher meeting for environment trustees.

In addition, over the course of the year the distribution of special containers for collecting used batteries in all branches of the Bank was completed as a service to the customers of the Bank in particular as well as the general public. The used batteries are sent

for regulated treatment via the Bank Leumi Services Center.

In 2013 the Arab Israel Bank also participated in the Leumi “Green Forum”, and it operates in accordance with the guidelines raised in the forum.

Leumi Card

For the past 5 years Leumi Card has met the ISO 14001 Environmental Management Standard. Each year the company sets goals and targets for streamlining and reducing the company’s negative impact on the environment, in compliance with legal requirements.

Each year Leumi Card holds a refresher tutorial in environmental issues for all its employees, and carries out follow-up and control of percentages of implementation of the tutorial. In addition, a tutorial on this topic is included in the content for new employees in the organization.

During 2013 a system for remote shutting down of computers was integrated in the company’s offices. This system, along with a series of other actions undertaken over several years – such as replacing light bulbs with energy-efficient lighting, turning off air-conditioners at a specific time, and introduction of controllers for savings on energy consumption for lighting, has led to a decrease in the organization’s electricity consumption.

Leumi Card builds a solar roof atop Kfar Ofarim

Since Leumi Card rents its office space in a shared building and is unable to undertake a transition to alternative energy, the company, in cooperation with “Sun Power”, established a solar roof to produce green electricity at Kfar Ofarim – a village for autistic adults which Leumi Card has adopted within its community involvement activities. The project is based on the principles of economic communal environmental development, and will allow the village to save on electricity consumption and expenses, while creating a source of income for the next 25 years.



Environmental Indicators for the Leumi Group

In keeping with the Group's policy for management and ongoing reduction of the adverse impact on the environment, the Group maintains quantitative monitoring of actions identified as having the potential for the greatest impact. The following is a breakdown of the main indicators that are monitored at Leumi, Arab Israel Bank, and Leumi Card.



20 ton

of cardboard collected for recycling



52 ton

Electronic waste collected for recycling



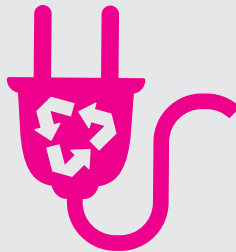
1,016 ton

Paper collected for recycling



9,000

9,000 fluorescent light bulbs were collected and sent for treatment



4.5%

An electricity consumption saving achieved compared with 2012



3,300

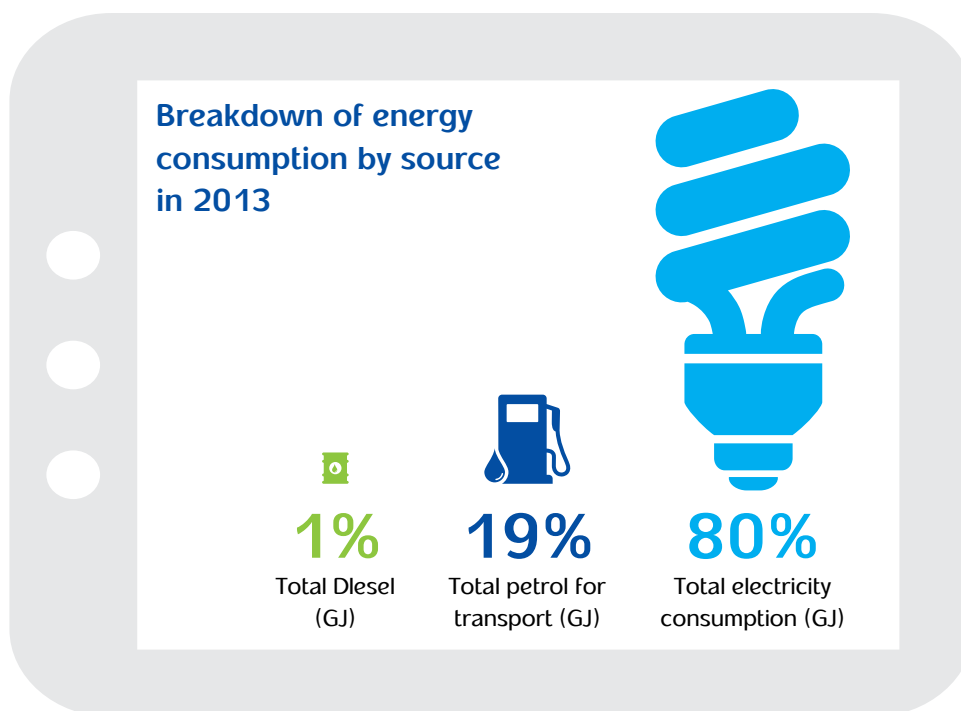
In cooperation with KKL-JNF, Leumi funded the planting of 3,300 trees that will offset 2,300 tons of greenhouse gases



Energy Savings at Leumi Group

The Leumi Group's energy consumption is made up of electricity consumption, petrol consumption for transportation, and diesel consumption for transportation and for emergency generators. Since the Bank's activity is mostly clerical, most of the energy consumption comes from electricity consumption, with petrol and diesel consumption representing relatively much smaller components.

Energy consumption



To streamline the transfer of employees between the Bank's two management and services centers, in Tel Aviv and in Lod, a transportation company was contracted by Leumi to provide organized shuttles between the two sites. In addition, Leumi has hired a contractor for internal mail distribution between the Bank's sites. These activities are carried out by sub-contractors; they are not significant in relation to the scope of the Bank's activity, and are not

included in the calculation of Leumi's petrol consumption.

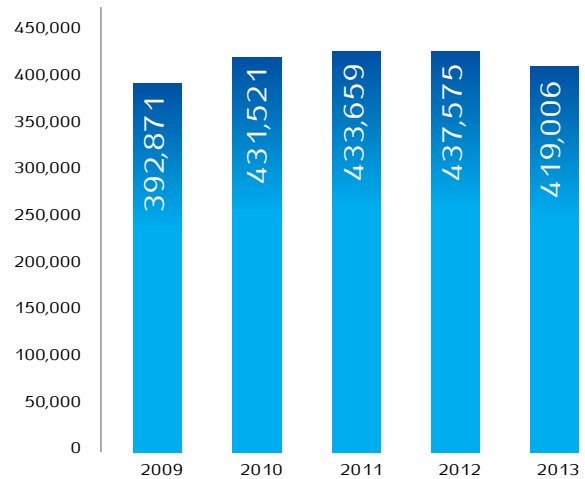
Energy consumption has been consistently on the rise throughout the economy in recent years. Despite this trend, and as a result of the considerable efforts invested in identifying and implementing actions that will lead to efficiency and savings in energy consumption, the Leumi Group's levels have remained relatively constant over the years, and in 2013 there was

even a reduction of about 4.2% in overall energy consumption. The activities undertaken in this realm included, inter alia: installation of control systems for electricity consumption; installation of an innovative computerized system allowing for optimization of the air-conditioning system; energy-efficient lighting systems; shading of south-facing windows and sticking heat-radiation filtering film on the windows.

³⁹ <http://energy.gov.il/Subjects/Electricity/Pages/GxmsMniAboutElectricity.aspx>



Total energy consumption (GJ)

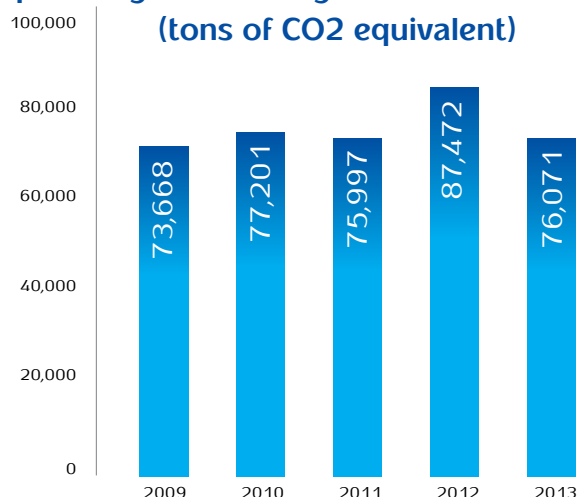




Greenhouse gas emissions

As part of its environmental policy, the Leumi Group maintains an ongoing calculation of the emission of greenhouse gases arising from the Group's activity (mileage, energy consumption, burning of fuels, etc.) and reports annually via the Maala rankings, the CDP initiative, and the voluntary system for documenting and reporting of greenhouse gas emissions in Israel, as well as every second year within the framework of the Corporate Responsibility Report. Greenhouse gas emissions from Leumi Group's activities are mainly from direct and indirect energy consumption. Much like the historical data for energy consumption, greenhouse gas emissions have also remained relatively stable over recent years.

**Total Scope 1+2 greenhouse gas emissions
(tons of CO₂ equivalent)**



The accepted unit for measuring greenhouse gas emissions is tons of CO₂ equivalent

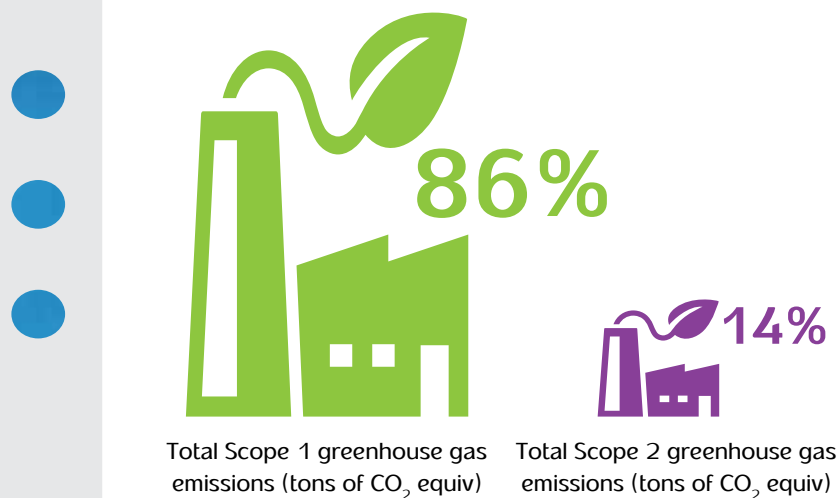


The reporting standard for greenhouse gas emissions usually draws a distinction between direct or "Scope 1" emissions, and indirect or "Scope 2" emissions. The Leumi Group's direct greenhouse gas emissions arise mainly from the burning of petrol for transportation and diesel for generators. Indirect emissions arise from electricity consumption. The indirect emissions are dependent on the composition of the fuels and technologies involved in electricity production. Within the structure of the electricity supply in Israel, these data are determined mainly by the Israel Electric Corporation, and the weighted emission for calculating Scope 2 emissions is fixed likewise. Until the number of private electricity producers grows and it becomes possible to choose a permanent supplier offering a lower level of emissions, this variable is not within the control of the Leumi Group.



**REUSE
REDUCE
RECYCLE**

Distribution of greenhouse gas emissions by scope in 2013





Paper consumption

Paper is the main raw material purchased and used by the Leumi Group in current operations, therefore considerable efforts are invested in reducing consumption

of this resource. Paper consumption by the Group is comprised of a large number of items, hampering the management and overall monitoring of all paper items. Furthermore, paper for printing made from virgin pulp is not the same as paper towels made from recycled paper. In light of this, paper products making up the bulk of consumption were chosen for monitoring, and the list of these products is reviewed every year with the aim of including additional products. In 2013, the Leumi Group consumed some 1,360 tons of paper in the framework of products being monitored.

An important area in efforts to reduce the use of paper is the transition to digital tools for account management. Leumi Group invests in the development

and application of advanced technological tools that allow customers to perform on-line actions and receive information electronically instead of on paper.

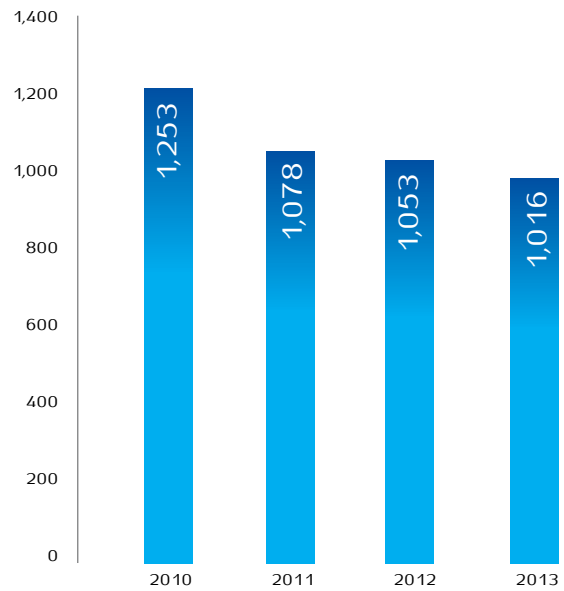
Collection of paper for recycling

Regular collection of paper is made from all facilities of Leumi Group. Containers for this purpose are located in proximity to every employee; training and refresher sessions are carried out regularly for employees to emphasize the importance of this issue; and the paper is removed for destruction and recycling by an external contractor several times a week.





Collection of paper for recycling (in tons)



Paper collected
for recycling



1,016 ton

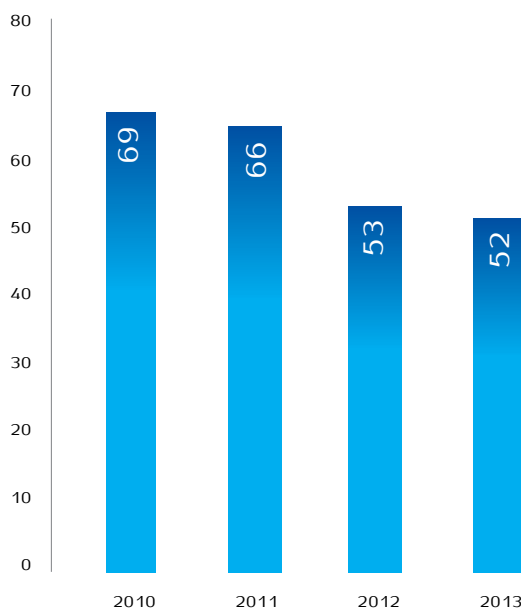


Collection of electronic waste

The activity of the Leumi Group demands constant updating in the technological realm, and this creates a considerable amount of old electronic equipment that is no longer in use. The old equipment is removed via Bank Leumi Services Center for dismantling and safe disposal. It should be noted that the quantity of electronic equipment collected is influenced mainly by the rate of equipment updating, and in no way indicates a decrease in motivation to deal with this waste. All electronic waste that is created during the year is collected and dispatched for safe disposal.



Collection of electronic waste in tons



Managing Indirect Impacts

Policy of environmental risk assessment

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

In compliance with the 2009 Directive of the Supervisor of Banks, Leumi updated its credit policy in terms of managing environmental risk, and drew up a detailed methodology in this area. The methodology deals with the analysis of the levels of risk characterizing different customers in accordance with their business sector, level of assimilation of internal policy to reduce environmental risk, and customer

compliance with the various legal and regulatory requirements in this regard. The element of exposure to environmental risks is currently presented as part of the totality of risks relevant to borrowers which are taken into consideration in the Bank's decisions involving extension of credit.

Based on the understanding that assimilation of a process of identifying and managing

environmental risk in credit activity involves a change in organizational culture, training has been held for a series of key populations involved in credit in Leumi, with the aim of raising awareness of this issue. As implementation of the methodology and structuring of work processes are implemented more widely, relevant information will be integrated into the basic training for credit personnel.

Development of products with environmental value



Loans for construction of private solar installations



Loans for green businesses or for the green upgrade of businesses



Loans for financing the purchase of hybrid vehicles



Financing for environmental infrastructure projects

The Israeli economy has undergone significant change in recent years in the field of renewable energy. There are many facets to this change, including the number of solar energy installations under construction, some of which are being financed with the aid of the National Infrastructures Section of the Leumi International Credit and Real Estate Division, which specializes in this area. In addition, the Leumi Group is involved in financing projects to convert factories to natural gas. Investment in these projects contributes to the advancement of renewable energies in Israel, with a reduction of pollution in the consumption of energy and in the level of greenhouse gases.



Loans for construction of private solar installations

Leumi offers its customers financing options for small and medium solar installations. These are suited for customers who own a roof, a building or land where the installation can be built, or to entrepreneurs interested in renting a roof or land and building the installation there. Over the course of 2013 the Banking Division approved 103 loans for the establishment of solar installations, with a total value of NIS 18.5 million.

Loans for green businesses or for the green upgrade of businesses – in cooperation with the Hadera Business Development Center

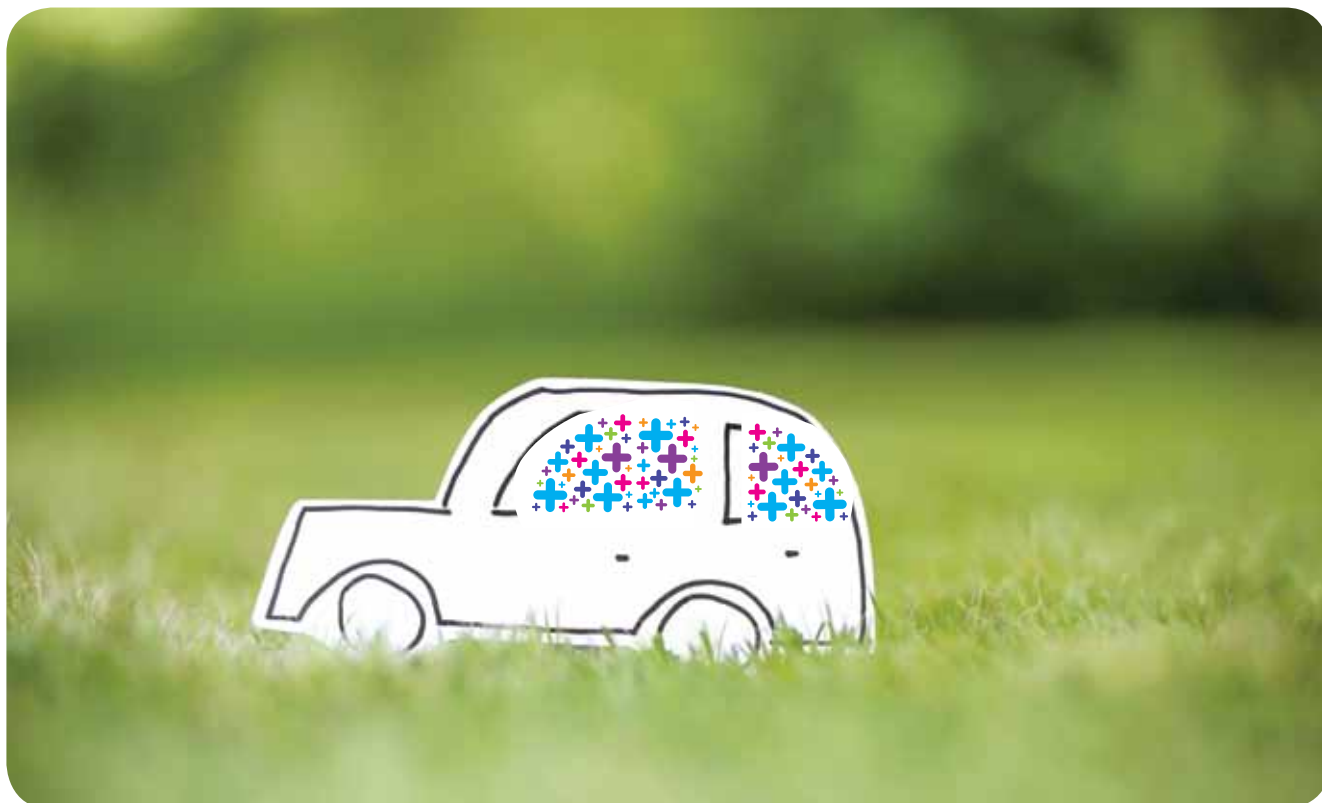
During 2013, Leumi offered a special loan to owners of small and medium businesses involved in green areas who were interested in broadening their activity, or to commercial customers seeking a “green upgrade” for their businesses.

Loans for financing the purchase of hybrid vehicles

Bank Leumi offered special financing to private customers for the purchase of hybrid vehicles. A total of 121 loans were approved over the course of 2013 with a total value of NIS 10.5 million (the offer was valid until December 31, 2013).

Financing for environmental infrastructure projects

During 2013 Leumi participated in the financing of a number of major projects with a positive impact on the environment, including a desalination plant and facilities for production of solar electricity.



Additional Data - environmental impacts

Index	2013
Direct energy consumption (GJ)	83,972
Indirect energy consumption (GJ)	335,034
Water consumption (cubic meters)	212,400
<p>The nature of the Group's activity is mainly clerical. Hence, water is not a significant resource and it is used for sanitary purposes and, at a small number of sites, for cooling and for gardening. In addition, the dispersion of branches throughout the country and their location in some instances in shopping malls or office buildings, along with the structure of Israel's water supply, make data collection and monitoring of water consumption difficult. Therefore, a model was constructed for estimating total water consumption. The calculation of water consumption is based on direct measurement in Head Office buildings and at the Bank's Services Center in Lod (approx. 60% of total water consumption), along with an estimation for water consumption at the Bank's other sites (approx. 40% of total water consumption) based on a sample measurement based on a coefficient of consumption per square meter.</p> <p>A reevaluation of the ways in which the Group's water consumption is monitored, is planned for 2014.</p>	
Sanitary wastewater (cubic meters)	212,400
<p>The Leumi Group produces only sanitary wastewater, which is removed via the municipal sewage system and then to the municipal treatment facilities. The quantity is estimated as equivalent to the total amount of water consumption (even though some of the water is used for cooling systems, some evaporates, and some does not reach the municipal sewage system).</p>	





Objectives for the Realm of Environmental impacts

Performance of Objectives for the year 2013




Fully Completed



Partially Completed



Not Completed

Objectives set for 2013	Degree of implementation	Explanation
 Leumi		
1% reduction in electricity consumption	+	Achieved a 1% reduction in energy consumption per square meter, inter alia through the installation of control devices, energy-efficient lighting, and replacement of old equipment with more economical equipment.
Assimilation of the green conduct standard in two areas of the Banking Division and in one area of the Commercial Division	+	Three other districts were certified to the standard. Frontal trainings and online training sessions were held, and tests were conducted at branches
Certification of the Bank's branches with the the Standards Institute of Israel's Green Label for the services sector	+	Training was held for environment trustees at the branches; internal audit tours were conducted, and an external check by the Standards Institute of Israel was embarked upon. * Green Label certification was received in May 2014
Reduction of 3% in the Bank's greenhouse gases emissions	+	During 2013 Leumi Bank planted around 3,300 trees – a scope that will allow offsetting Carbon dioxide equivalent to 3% of greenhouse gas emissions resulting from The Bank's activity ⁴⁰
100% recycling of electronic waste that was not donated	+	E-waste of the Leumi Bank during 2013 was collected and recycled or donated.









Arab Israel Bank

Relative reduction in electricity consumption per square meter by 1% per year	—	Information activity addressed to employees and upgrading of technologies, but not decrease in electricity consumption has not been achieved
Relative reduction of paper consumption by 2% per year	—	Activity for mapping and identification of main paper products for monitoring purposes was begun. At this stage the database does not yet allow for an assessment of degree to which target has been met. Target moved over to 2014
Formulation and adoption of an environmental standard	+	Draft has been written and the approval process has begun. Expected completion in 2014
Setting up environmental information management system	+	Specifications were drawn up and a pilot program has been approved. Expected completion in 2014

⁴⁰ <http://www.elysium.co.il/kakal/heb/cc.html>

Performance of Objectives for the year 2013 - con.

 Fully Completed  Partially Completed  Not Completed




Objectives set for 2013	Degree of implementation	Explanation
 Leumi Card		
Replacing 19% of the company's existing area with energy-efficient T5 light bulbs		12% of existing area has moved over to T5 energy-efficient lighting
Savings of 30% in electricity consumption by employees' computers, by means of a remote shutting-down system		Implementation of the system for remote shutting down of computers, there was a saving of 36% of electricity expenses relating to computers in the organization
Reduction of the company's carbon footprint and savings by switching to alternative energies in one of the organizations adopted by the company		Through installation of solar panels on the roof of the Kfar Ofarim building, a reduction of 440 tons of CO2 equivalents was achieved for 25 years
A move to printing centers to save on quantities printed (reducing consumption of toners and paper)		Planning and specification have begun, but in light of technical delays the transition has been postponed to the first quarter of 2014
Employee training: Employees will participate in training courses on the subject of the environment, with the aim of assimilating these values.		Annual refresher course was held for all employees, with training for every new employee who joins the organization





Objectives for the years 2014–2015

Leumi	Relative reduction of 1% in electricity consumption per square meter
	Completion of training of environmental trustees in at least 90% of its branches.
	Continued promotion and development of “Green” products in Leumi Bank
Arab Israel Bank	Relative reduction of electricity consumption by 1% per square meter
	Relative reduction of paper consumption by 2% per year
	Formalizing the requirement that air-conditioning contractors collect and report data on consumption of cooling gases for greenhouse gas emissions reporting
	Completion of formulation and adoption of environmental standard
	Completion of setting up system for management of environmental information
Leumi Card	Compliance with annual assessment of Israeli the Standards Institute
	Holding an Awareness Week to reduce employees’ impact on the environment, both at work and at home
	Reduction of paper consumption by 10% by moving to printing centers
	Continued control and monitoring of the 2,000km procedure to reduce fuel consumption in free time
	Holding a campaign of collecting medications from homes for safe disposal in landfills, within the cooperation of the “Friends for Health” organization
	Building dedicated world of content on the organizational portal for environmental activity
	Meeting all the requirements of the environmental section of the Maala rankings for 2014 and in the Leumi Group Corporate Responsibility Report











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Profile & Strategy




Indicator	Description	Completeness of reporting	Location in Report	Explanation/ comments	UNGC Principle
1.1	Statement from the most senior decision-maker of the organization		4-5		
1.2	Description of key impacts, risks, and opportunities		4-5, 22-23, 46, 80, 132		

Organizational Profile










Indicator	Description	Completeness of reporting	Location in Report	Explanation/ comments	UNGC Principle
2.1	Name of the organization		6		
2.2	Primary brands, products, and/or services		14-15		
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures		14-17		
2.4	Location of organization's headquarters		17		
2.5	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		17		
2.6	Nature of ownership and legal form		13		
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/ beneficiaries)		14-15, 17		
2.8	Scale of the reporting organization		17		
2.9	Significant changes during the reporting period regarding size, structure, or ownership		13		
2.10	Awards received in the reporting period		20-21		






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Parameters for Reporting

Indicator	Description	Completeness of reporting	Location in Report	Explanation/ comments	UNGC Principle
3.1	Reporting period (e.g., fiscal/ calendar year) for information provided		6		
3.2	Date of most recent previous report (if any)		6		
3.3	Reporting cycle (annual, biennial, etc.)		6		
3.4	Contact point for questions regarding the report or its contents		7		
3.5	Process for defining report content		7		
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance		6		
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope)		6		
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations		6		
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols		54, 60, 82, 93, 98, 137		





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Parameters for Reporting




Indicator	Description	Completeness of reporting	Location in Report	Explanation/ comments	UNGC Principle
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/ acquisitions, change of base years/periods, nature of business, measurement methods)		13		
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.		6		
3.12	Table identifying the location of the Standard Disclosures in the report.		151		
3.13	Policy and current practice with regard to seeking external assurance for the report.		8		

Governance, commitments and engagement








Indicator	Description	Completeness of reporting	Location in Report	Explanation/ comments	UNGC Principle
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight		31		1–10
4.2	Indicate whether the Chair of the highest governance body is also an executive officer		34		1–10
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members		32		1–10
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body		33		1–10






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Governance, commitments and engagement

Indicator	Description	Completeness of reporting	Location in Report	Explanation/ comments	UNGC Principle
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided		34		1–10
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics		35		1–10
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation		18–19, 54		1–10
4.9	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		34		1–10
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance		35		1–10
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.		38		7
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.		26, 161		1–10







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Governance, commitments and engagement




Indicator	Description	Completeness of reporting	Location in Report	Explanation/ comments	UNGC Principle
4.14	List of stakeholder groups engaged by the organization.		24-25		
4.15	Basis for identification and selection of stakeholders with whom to engage.		22-23		
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.		22-26		
4.17	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.		22-23, 58-59, 64, 70		

Management Approaches










Indicator	Description	Completeness of reporting	Location in Report	Explanation/ comments	UNGC Principle
DMA PR	Disclosure on Management Approach Product Responsibility		43, 57, 62		
DMA EC	Disclosure on Management Approach on Economic Impacts		46		
DMA EN	Disclosure on Management Approach on Environmental Impacts		132		
DMA LA	Disclosure on Management Approach on Labor		85		
DMA HR	Disclosure on Management Approach on Human Rights		85, 97		
DMA SO	Disclosure on Management Approach on Social Impacts		80		






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Economic performance indicators

Indicator	Description	Completeness of reporting	Location in Report	Explanation/ comments	UNGC Principle
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		54		
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change		140		7
EC3	Coverage of the organization's defined benefit plan obligations		89		
EC4	Significant financial assistance received from government		-	Not applicable. The group does not receive any financial assistance from the government	
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation		89		1
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation		72		
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation		88		6
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement		55		
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts		50-54		

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  Not Reported

Environmental performance indicators

Indicator	Description	Completeness of reporting	Location in Report	Explanation/ comments	UNGC Principle
EN1	Materials used by weight or volume		142		8
EN2	Percentage of materials used that are recycled input materials		142		8,9
EN3	Direct energy consumption by primary energy source		138-139		8
EN4	Indirect energy consumption by primary source		138-139		8
EN5	Energy saved due to conservation and efficiency improvements		138		8,9
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives		145-146		8,9
EN7	Initiatives to reduce indirect energy consumption and reductions achieved		138-139		8,9
EN8	Total water withdrawal by source		147		8
EN9	Water sources significantly affected by withdrawal of water.		-	Not applicable water comes from the national water system	
EN10	Percentage and total volume of water recycled and reused.		-	Not applicable. Public health regulations do not allow water reuse for the organization's needs	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		-	Leumi group does not hold, lease or manage protected areas and/or sensitive, in terms of biodiversity and does not work near such areas. Therefore, Leumi does not have a direct impact on protected areas and/ or sensitive in terms of biodiversity	



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Partially Reported






Not Reported










Environmental performance indicators

Indicator	Description	Completeness of reporting	Location in Report	Explanation/ comments	UNGC Principle
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas		-	Leumi does not hold, lease or manage protected areas and/or sensitive, in terms of biodiversity and does not work near such areas. Therefore, Leumi does not have a direct impact on protected areas and/or sensitive in terms of biodiversity	
EN13	Habitats protected or restored.		-	Not applicable. All sites are centrally located organization and not in ecological protected areas	8
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity		-	Not relevant to the organization's activity	8
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk		-	Not relevant to the organization's activity	8
EN16	Total direct and indirect greenhouse gas emissions by weight		140-141	Report does not include data on deliveries	8
EN17	Other relevant indirect greenhouse gas emissions by weight		140-141		8
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved		135-136		7,8,9
EN19	Emissions of ozone-depleting substances by weight		-	Leumi does not use and/or emit harmful substances to the ozone layer	8
EN20	NOx, SOx, and other significant air emissions by type and weight.		-	Not material. Direct emissions come from vehicle fleet and are negligible and hence the absolute numbers not reported	8
EN21	Total water discharge by quality and destination		147	Leumi's sewage is sanitary hence the total wastewater is almost equal to the water used	8

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  Partially Reported
  Not Reported

Environmental performance indicators

Indicator	Description	Completeness of reporting	Location in Report	Explanation/ comments	UNGC Principle
EN22	Total weight of waste by type and disposal method		142, 144	Leumi doesn't hold quantitative information about the total waste (excluding electronic waste and paper) since the removal of the waste is done through various arrangements with municipalities in Israel	8
EN23	Total number and volume of significant spills.		145		
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.		-	Not relevant to the organization's activity	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.		-	Not relevant to the organization's activity	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation		145-146		7
EN27	Percentage of products sold and their packaging materials that are reclaimed by category		-	Not relevant to the organization's activity	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		135		8
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce		138-139		8
EN30	Total environmental protection expenditures and investments by type		-		7,8,9






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Social performance indicators: labor practices and decent employment

Indicator	Description	Completeness of reporting	Location in Report	Explanation/ comments	UNGC Principle
LA1	Total workforce by employment type, employment contract, and region		103		
LA2	Total number and rate of employee turnover by age group, gender, and region		103		6
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations		89		
LA4	Percentage of employees covered by collective bargaining agreements		90		1,2,6
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements		80		1,3
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs		98	Employees are represented in Safety Committee by employee representatives	3
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region		98	No deaths occurred as a result of work-related accidents and diseases	1
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases		98		1
LA9	Health and safety topics covered in formal agreements with trade unions			Health and safety issues are not included in formal agreements with trade unions	1
LA10	Average hours of training per year per employee by employee category		93		






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 Fully Reported
  Partially Reported
  Not Reported

Social performance indicators: labor practices and decent employment

Indicator	Description	Completeness of reporting	Location in Report	Explanation/ comments	UNGC Principle
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings		91-92		
LA12	Percentage of employees receiving regular performance and career development reviews		95		
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.		86-88		1,6
LA14	Ratio of basic salary of men to women by employee category		86, 89		1,6

Social Performance Indicators: Human Rights

Indicator	Description	Completeness of reporting	Location in Report	Explanation/ comments	UNGC Principle
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening		74	Regarding Labor regulation	1,2,3,4,5,6
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken		74	In Israel alone	1,2,3,4,5,6
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained		98		1,2,3,4,5,6
HR4	Total number of incidents of discrimination and actions taken		86		1,2,6
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights		90		1,2,3



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Fully Reported



Partially Reported



Not Reported




Social Performance Indicators: Human Rights

Indicator	Description	Completeness of reporting	Location in Report	Explanation/ comments	UNGC Principle
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	+	86		1,2,5
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	+	74		1,2,4
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	+	98		1,2
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	—		Not relevant to the organization. Group companies are not active in countries with a high risk of human rights violations	1,2





Social performance indicators: Social and Community

Indicator	Description	Completeness of reporting	Location in Report	Explanation/ comments	UNGC Principle
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	+	128		
SO2	Percentage and total number of business units analyzed for risks related to corruption	+	37		10
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	+	37		10
SO4	Actions taken in response to incidents of corruption	+	37-38		10




GRI and the UN Global Compact Index – Con.

 Fully Reported
  Partially Reported
  Not Reported

Social performance indicators: Social and Community

Indicator	Description	Completeness of reporting	Location in Report	Explanation/ comments	UNGC Principle
SO5	Public policy positions and participation in public policy development and lobbying		25		1-10
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country		-	Leumi does not support political bodies, political parties and politicians and does not contribute money to them	10
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes		38		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		38		

Social performance indicators: Product responsibility

Indicator	Description	Completeness of reporting	Location in Report	Explanation/ comments	UNGC Principle
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.		-	Not relevant to the organization's activity	1
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.		-	Not relevant to the organization's activity	1
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.		55-57		8



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Fully Reported



Partially Reported






Not Reported










Social performance indicators: Product responsibility

Indicator	Description	Completeness of reporting	Location in Report	Explanation/ comments	UNGC Principle
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	+	60-61		8
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	+	62		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	+	55-57		
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	+	55-57		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	+	60		1
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	+	38		

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 Fully Reported
  Partially Reported
  Not Reported

Disclosures in accordance with the supplement to the financial sector








Indicator	Description	Completeness of reporting	Location in Report	Explanation/ comments	UNGC Principle
FS1	Policies with specific environmental and social components applied to business lines		108–111, 145–146		
FS2	Procedures for assessing and screening environmental and social risks in business lines		145		
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions		145		
FS4	Process (es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines		145		
FS5	Interactions with clients/ investees/business partners regarding environmental and social risks and opportunities		145		
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector		145–146		
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose		108–111		
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose		145–146		
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures		22		



GRI and the UN Global Compact Index – Con.

 Fully Reported
  Partially Reported
  Not Reported

Disclosures in accordance with the supplement to the financial sector

Indicator	Description	Completeness of reporting	Location in Report	Explanation/ comments	UNGC Principle
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues		-	Leumi doesn't engage in active Responsible Investing	
FS11	Percentage of assets subject to positive and negative environmental or social screening		-	Leumi doesn't engage in active Responsible Investing	
FS12	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting		-	Leumi doesn't engage in active Responsible Investing	
FS13	Access points in low-populated or economically disadvantaged areas by type		65		
FS14	Initiatives to improve access to financial services for disadvantaged people		66-67, 108-110		
FS15	Policies for the fair design and sale of financial products and services		55-57		
FS16	Initiatives to enhance financial literacy by type of beneficiary		66-67		



United Nations Global Compact's Ten 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; and
- 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.





Statement GRI Application Level Check

GRI hereby states that **Leumi Group** has presented its report “2013 Leumi Corporate Responsibility Report” to GRI’s Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

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

Amsterdam, 18 June 2014

Ásthildur Hjaltadóttir
Director Services
Global Reporting Initiative



The “+” has been added to this Application Level because Leumi Group has submitted (part of) this report for external assurance. GRI accepts the reporter’s own criteria for choosing the relevant assurance

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

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 5 June 2014. GRI explicitly excludes the statement being applied to any later changes to such material.



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