

## Financing the Israeli Occupation

### The Current Involvement of Israeli Banks in Israeli Settlement Activity

#### Flash Report

November 2013

In October 2010, Who Profits published a [report](#) about the Israeli banks' involvement in the Israeli occupation. The Israeli banks provide the financial infrastructure for activities of companies, governmental agencies and individuals in the occupied Palestinian territories and the Syrian Golan Heights. Who Profits' research identified six categories in which Israeli banks are involved in the occupation: providing mortgage loans for homebuyers in settlements; providing financial services to settlements' local authorities; providing special loans for construction projects in settlements; operating branches in Israeli settlements; providing financial services to businesses in settlements; and benefiting from access to the Palestinian monetary market as a captured market. Additionally, as Who Profits' report shows, it is evident that the banks are well aware of the types and whereabouts of the activity that is being carried out with their financial assistance.

Our new flash report reveals that all the Israeli banks are still heavily involved in financing Israeli settlements, providing services to settlements and financially supporting construction project on occupied land.

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## Dexia Israel

Dexia Israel of the [Dexia Group](#) was established in 2001, after the Dexia group purchased the Israeli Local Municipality Treasury Bank. Dexia Israel still operates as the Local Municipality Treasury Bank and provides financial services to Israeli local municipalities and regional councils.

Dexia Israel is a public bank, traded in the Tel Aviv Stock Exchange (TASE). The banks' major shareholder is Dexia Credit Local (DCL), which holds 65.3% of the bank's shares, and 66% of its voting rights. DCL is a public Belgium bank, traded in Euronext and controlled by Caisse des Dépôts et Consignations (17.6%), Holding Communal (14.3%), Groupe Arco (13.9%), the French State (5.7%), the Belgian State (5.7%) and Ethias (5%).

## **Dexia's investment in settlements**

### **1. All of Mifal Hapais' grants for the construction of buildings and facilities in settlements are transferred through Dexia Israel.**

1.1. In 2010, Mifal HaPais provided grants to the following settlements:

The OPT - Alfei Menashe, Alon Shvut, Ariel, Atniel, Beit El, Beitar Illit, Dolev, Elazar (Gush Etzion), Eshkolot (Har Hebron), Etz Efraim, Geva Binyamin (Adam), Giva'at Ze'ev, Har Hadar, Hagay, Hinanit, Hashmonaim, Imanuel, Itamar, Kalia, Karney Shomron, Kdumim, Kfar Adumim, Kiryat Arba, Kohav Hashahar, Ma'ale Adumim, Ma'ale Efraim, Mevo Beitar, Mevo Horon, Modi'in Illit, Neveh Daniel, Nili, Nofim, Ofra, Oranit, Peduel, Settlement neighborhoods in East Jerusalem, Shilo, Yakir.

Regional councils in the OPT - Bik'at Hayarden (The regional council of the occupied part of the Jordan Valley), Har Hevron, Mate Binyamin, Gush Etzion.

The Golan Heights - Bney Yehuda, Katzrin.

1.2. In 2011, Mifal HaPais provided grants to the following settlements:

The OPT - Alfei Menashe, Efrat, Givat Ze'ev, Har Adar, Har Hevron, Karney Shomron, Kdumim, Kiryat Arba, Modi'in Illit, Ma'ale Adumim, Ma'ale Efraim, Oranit.

Regional councils in the OPT - Bik'at Hayarden (The regional council of the occupied part of the Jordan Valley), Gush Etzion regional council, Megilot Dead Sea regional council, Mate Binyamin regional council, Shomron regional council.

The Golan Heights - Katzerin, Golan regional council.

1.3. In 2012, Mifal HaPais provided grants to the following settlements:

The OPT - Alfei Menashe, Beitar Illit, Elkana, Efrat, Giva'at Ze'ev, Har Adar, Har Hevron, Imanuel, Karnei Shomron, Kdumim, Ma'ale Efraim, Modi'in Ilit, Oranit.

Regional councils in the OPT - Gush Eztion regional council, the occupied part of the Jordan Valley (Bikat Hayarden), Shomron regional council.

The Golan Heights - Katzerin, Golan regional council.

1.4. Grants given by Mifal Hapais in 2012 in advance for 2013 to settlements in the OPT:

Alfei Menashe, Givat Ze'ev, Kdumim, Kiryat Arba, Ma'ale Efraim, Modi'in Ilit and Ma'ale Adumim.

## **2. Fund management for settlements:**

2.1. Dexia Israel manages the bank account of Katzerin in the Golan Heights, which receives all its state funds through Dexia Bank.

2.2. Gush Etzion settlements' regional council receives all its state funds through Dexia Bank.

## **3. Loans to settlements:**

3.1. Dexia Bank issued a 6.8 million NIS loan for waste management systems in the settlement of Bat Ayin. The loan is given through the administration for sewage infrastructures from state funds, which are transferred to the bank from different governmental offices for Gush Etzion regional council.

3.2. In Ariel settlement council meeting from 2011 it was announced that the city will take a 2.5 million NIS loan from Dexia, yet there is no confirmation that the loan was indeed given.

## **4. Settlements' financial reviews, meant for examining the settlement's eligibility for loans:**

4.1. Dexia Israel published a financial review of the settlements of Oranit and Karney Shomron.

4.2. The Elkana settlement mayor published a financial economic review of Elkana, conducted by Dexia Israel bank in 2012.

5. Dexia Israel provided a **financial guarantee for a project of the Israeli Ministry of Defense** to purchase and install lighting around Kdumim settlement.

**6. Dexia's statement on loans to settlements from 2007:**

On the 19 of June 2007, the CEO of Dexia Israel, David Kepah, was summoned by the Finance Committee of the Kneset to respond to complaints by heads of local municipalities in the occupied territories (mainly the settlements of Imanuel and Ma'ale Efrayim). They claimed that Dexia Israel does not provide loans to Israeli local municipalities and regional councils in the West Bank. In his defense Mr. Kepah specified a list of all the settlements which were given credit and received loans from Dexia Israel in the previous two and a half years (since the beginning of 2005). This list includes Alfai Menashe, Elkana, Beit El, Ariel, Beit Arye, the occupied part of the Jordan Valley, Giv'at Ze'ev, Har Hebron, Kdumim and Shomron. In 2007, the settlements of Ariel, Giv'at Ze'ev, Har Hebron and Shomron were given loans for 10 years under favorable conditions, as part of an emergency rescue plan initiated by the Israeli Treasury. During this discussion in the Finance Committee Mr. Kepah was also asked if the geographic location of the West Bank settlements poses as a factor by the bank when considering whether or not to give credit. Mr. Kepah's answer was: "absolutely not".

**7. Dexia Israel gives credit to Beit Hagay settlement, which operates a quarry in the OPT.**

Beit Hagay settlement owns the Beit Hagay Agricultural Cooperative Society for Communal Settlements, which operates the Beit Hagay quarry in the occupied West Bank. The Beit Hagay settlement is part of Har Hebron settlement Regional Council, which is funded by Dexia Israel. Thus, Dexia is financing a company which is exploiting non-renewable Palestinian natural resources for the benefit of the occupying power, an obvious violation of international law.

**Hapoalim Bank**

A public bank that is traded in the TASE and controlled by: Arison Holdings (20%); the Delek Group (6.46%) - Exelance investments (2.83%), Hafenix Holdings (3.19), Delek investment and properties (0.43%); and Melach Ha'aretz (2.37%).

Melach Ha'aretz is owned by Arzaf D, which is owned by Arison investments.

Arison investment is owned by Arison sustainability, which is owned by Eternity Four-A-Trust (96.3%) and Eternity Holding One Trust (3.7%)

### **International subsidiaries:**

Hapoalim (Switzerland) Limited, Hapoalim (Cayman islands) Limited, Hapoalim Luxemburg S.A., Hapoalim USA Holding Company (operates banks in New York and Miami), Hapoalim Bank Europe, Hapoalim London.

The bank further owns banks in Canada and South America, and 70% of Bank Pozitif in Turkey and Bank Pozitif in Kazakhstan.

Hapoalim Securities (US)

Poalim Asset Management (UK and Ireland), subsidiaries of Pam Holdings.

### **Israeli subsidiaries:**

Isracard (98%)

The bank has recently taken control of Elbit simulation, a real-estate company owned by Moti Ziser through Europe Israel.

## **Hapoalim bank's involvement in the Israeli occupation**

### **1. Loans and financial support for construction in settlements:**

1.1. Hapoalim Bank acted as a guarantor and loan maker to major contractors and construction companies who build in the Occupied Territories (e.g. Heftzibah). The bank also acted as a financial underwriter for Heftziba via IBI.

1.2. Hapoalim Bank is a major creditor for [Housing and construction](#) (Shikun & Binui).

### **2. Hapoalim Bank is a guarantor of the state loans to the companies that are building the Light Rail in Jerusalem.**

The project of the light rail in Jerusalem is a highly political and controversial project. Starting in the western part of Jerusalem, the trajectory contours the old city of Jerusalem, and then continues along the occupied territories near Hagiva Hazarfatit and on to the settlement of Pisgat Ze'ev and other neighboring settlements in the Jerusalem area.

The project is run by an ad-hoc conglomerate of companies called Citypass, which comprises of: Ashtrom (27.5%), Harel (20%) Alstom (20%), Polar Investments (17.5%), Israel Infrastructure Fund (10%) and Veolia (5%).

According to an [article](#) that was published in the Israeli newspaper *The Marker* in June 2009, the constant delays in the project created an increase in the labor costs and delays in transfer of funds from the state, which were supposed to cover the periodic return of debts to the accompanying banks. The article goes on to say: "The funding agreement of the project with Hapoalim and Leumi banks included raising 280 million euros in short-term loans and 100 million US dollars in long-term loans. The state funding was handed out gradually, according to pre-set milestones. In light of the delays, Citypass has asked the banks to increase the line of credit".

### **3. Fund management for settlements in the OPT and in the Golan Heights.**

3.1. The settlement regional council of Har Adar had opened another account in Hapoalim Bank (in addition to its existing account) for the rehabilitation, maintenance and development of its water and sewage systems. The council treasurer explained that settlements in the west bank are not obligated to establish water corporations, but they are obligated to allocate a certain amount of the settlers water payments to a separate account, in order to create an investment fund for water and sewage treatment in the settlement.

3.2. Hapoalim and Leumi banks manage the fund of two companies that are owned by the settlement of Efrat (Clal finance and Jerusalem equity portfolio).

3.3. Hapoalim bank manages the account of Katzerin in the Occupied Golan Heights.

**4. Hapoalim Bank supplies mortgages for homebuyers in settlements:** For example, the bank supplied mortgages for a house in Alfei Menashe in 2010.

**5. The Bank operates branches in the following settlements:** Ariel, Beitar Ilit, Modi'in Ilit, Ma'ale Adumim, Pisgat Ze'ev and 2 branches in settlement neighborhoods in East Jerusalem (Gilo and Ramot). In addition, the bank operates a branch in Bnei-Yehuda in the Golan Heights.

**6. Hapoalim leads the financing of the military city project of the Israeli army in the Negev.**

### **7. Discrimination of Palestinian citizens of Israel:**

In June 2013, the Israeli channel 10 published a [debriefing](#) about the discrimination of Palestinian costumers with an Israeli ID by Hapoalim Bank. According to the article, several Hapoalim branches refused to transfer accounts of Palestinian to branches in a Jewish area.

## Leumi Bank

A public Bank traded in the TASE. 11.46% of the banks' shares are held by the state of Israel, 9.59% are held by Shlomo Eliyahu.

### **International subsidiaries:**

Leumi bank operates subsidiaries in the US, the UK, Switzerland, Luxemburg, and Romania.

Leumi International investments.

Leumi bank funds projects of Israeli companies in Romania, Russia and Ukraine.

### **Israeli subsidiaries:**

Leumi Mortgage Bank.

Leumi Bank owns 5% of the shares of [Partner communication](#).

The Leumi group is also invested in [Paz oil](#) and [Super-Pharm](#).

## **Involvement in the occupation**

### **1. Loans and financial support for construction in settlements:**

The bank provided financial support for 78 housing units in 6 buildings in the settlement neighborhood of Har Homa in the occupied East Jerusalem, constructed by Heftziba. Leumi Bank provides financing to the receiver who continued the construction of these buildings.

### **2. Loans and financial services to local authorities of settlements:**

2.1. The bank (along with Hapoalim bank) manages the funds for two companies that are owned by the settlement of Efrat (Clal finance and Jerusalem equity portfolio).

2.2. Alfei Manashe settlement opened accounts for education funds and for development funds in Leumi Bank instead of the settlements accounts in Dexia Bank.

2.3. Ma'ale Adumim settlement has signed an investment consultant agreement with Leumi Bank.

2.4. Kiryat Arba settlement's property tax are saved in Leumi Bank.

**3. The bank finances the Jerusalem light rail project** along with Hapoalim bank (see p.5).

**4. Leumi Bank provides mortgages for homebuyers in settlements:**

The bank supplies mortgages for homebuyers in Ariel settlement (from 2012 and 2002) and for homebuyers in Beitar Ilit (from 2011). In addition, the bank supplied mortgage for homebuyer in Katzerin in the Golan Heights (from 2012). Through its subsidiary Leumi Mortgage Bank, the bank also offers special mortgages for homebuyers in the Zufim View Project.

**5. The bank operates branches in the settlements of Ma'ale Adumim, Oranit, Pisgat Ze'ev, Kiryat Arba, the settlement neighborhoods of Gilo and Ramot in East Jerusalem, and Katzerin in the Golan Heights.**

5.1. Leumi Mortgage Bank operates a branch in the settlement neighborhood of Ramat Eshcol in East Jerusalem.

**6. Leumi bank provides special benefits for soldiers and Yeshiva Students.**

**7. [Matrix IT](#) installed an application and assimilation system in the Leumi bank branches.**

### **Mizrahi Tefahot Bank**

A public bank traded in the TASE. 20% of shares are owned by Moshe (Muzi) Wertheim, the owner of the [Central Bottling Company \(Coca Cola Israel\)](#) and 25% are owned by the Ofer Group.

#### **International Subsidiaries:**

UMTB Securities (US), United Mizrahi Overseas Holding (Holland), United Mizrahi Bank (Switzerland), United Mizrahi Global (Cayman), United Mizrahi Financial (UK).

The bank operates representatives in Germany, US, Panama, Mexico and Uruguay.

#### **Israeli subsidiaries:**

[Yahav Bank for Government Employees](#) (50%), Adanim Mortgage Bank, Kalia investments for development of the northern Dead Sea.

### **Involvement in the occupation**

#### **1. Financing construction projects in occupied territory:**

1.1. The bank provides financing for the construction of housing projects in the settlements of Ariel, Pisgat Ze'ev, Har Homa, Ramat Rachel and Maale Adumim; financial safeguarding for a Hanan Mor construction project in the settlement of Ariel; the construction of at least 7



construction projects that include 435 housing units in Har Homa in occupied East Jerusalem, carried out by Heptziba, Dona, Kotler-Adika and Sasi construction companies; at least 10 construction projects in Maale Adumim settlement, which include at least 369 housing units, a commercial center and Adumim park, executed by Dona, Kotler-Adika and Sasi; a construction project by Kotler-Adika in Pisgat zeev settlement, which included 49 housing units; a 128 housing unit's project in Ramat Rachel in East Jerusalem conducted by R.ela construction company.

1.2. A subsidiary of the bank, British-Israel investments (subsidiary of Melisron of the Ofer group), owns and operates Adumim Mall in the settlement of Ma'ale Adumim in the occupied West Bank.

## **2. Connection with settlements, companies operating in settlements and Israeli authorities:**

2.1. The bank advertises in its website housing units in construction projects in the settlements of Modi'in Ilit, Har Homa and Pisgar Ze'ev.

2.2. [Matrix IT](#) installed a financing advising system in the banks' branches. The company also supplied and operates a storage and backup system for Yahav bank.

2.3. [HP](#) and Matrix supplied and operates an infrastructure upgrade project of bank Yahav's core banking systems.

2.4. The bank cooperated with Y.H. Dimri, an Israeli construction company, for marketing housing exclusively to the Israeli security officers.

## **3. Mizrahi-Tefahot provides loans and financial services to local authorities of settlements:**

3.1. The Kdumim settlement opened loan accounts in Mizrahi Bank in Otzar Hahayal bank and in Igud Bank.

3.2. In 2010, the settlement of Karney Shomron opened a loan account in Mizrahi Bank, in addition to attachment of collateral of the settlement's incomes and property tax.

3.3. Mizrahi bank manages the account of the Gush Etzion settlements' regional council. This account is also used for development and education expenses.

3.4. Efrat settlement operates two accounts in Mizrahi Bank branch in the settlement of Alon Shvut: a welfare fund and unordinary budget fund.

4. **Mizrahi provides mortgages for homebuyers in the settlements** of Ariel (from 2000, 2005 and 2009), Beit Arye (Ofarim) from 2009, 2 houses and land in Beitar Ilit (from 2010) and a house in Beitar ilit (from 2009). In addition, the bank provided mortgage for homebuyer in the settlement of Imanuel (from 2002) and four homebuyers in Modi'in Ilit (from 2003, 2005, 2008 and 2012).

4.1. Bank Adanim, a subsidiary of Mizrahi, provided a mortgage for a homebuyer in Betar Ilit.

5. **The bank operates branches in the settlements** of Alon Shvut, Karnei Shomron and in the settlement neighborhood of Ramat Eshkol in East Jerusalem.

5.1. A subsidiary of Mizrahi bank (50%), [Yahav Bank for Government Employees](#), operates a branch in East Jerusalem, and branches in the settlements of Ma'ale adumim and Pisgat Ze'ev.

#### **6. Discrimination of Palestinian citizens of Israel:**

In July 2013, Ha'aretz newspaper [published](#) a recorded conversation with one of Mizrahi's representative who stated that the bank's policy is not to provide credit to Palestinian citizens of Israel, in order to discourage them from opening accounts in the bank. This is a violation of the Israeli law, which does not allow banks to refuse costumers' requests to open bank accounts.

#### **Discount Bank**

A public Bank traded in TASE. 26% of the bank is owned by the Bronfman-Schron Group, 20% belongs to the State of Israel.

#### **International subsidiaries:**

Discount bank Europe: Israel Discount Bank Paris Representative Office; Israel Discount Bank, London Branch; IDB (Swiss) Bank, Geneva and Zurich.

US: New York IDB Bank, main offices: NY, California, and Florida.

#### **Israeli Subsidiaries:**

Jerusalem capital books management

## **Involvement in the occupation**

1. **The bank financed Heftziba's construction projects in the settlements** of Ma'ale Adumim, Har Homa and Betar Ilit, through its subsidiary Discount Mortgage Bank.
2. **Discount mortgage bank provides mortgages to homebuyers in settlements:** a mortgage for four homebuyers in Ariel (from 2003, 2008 and 2010) and three homebuyers in Alfei Menashe (from 2007).
3. **Mercantil discount bank provided a mortgage for a homebuyer in the settlement** of Beitar Ilit (from 2009).
4. **The bank operates branches in the settlements** of Ma'ale Adumim and Beitar Illit

## **Jerusalem Bank**

The bank is owned by Export investment company, which is owned by Kena Shoval.

### **Israeli Subsidiaries:**

Ir Shalem insurance Agency, a trust company of the bank, Jerusalem funding and stock issue (2005) and Tomer Jerusalem.

## **Involvement in the occupation**

1. **Loans for construction projects in settlements:** 40 housing units in Lev Adumim construction project in Ma'ale Adumim, conducted by Shlomo Cohen construction company; financial support for the construction of 152 housing units in the settlement neighborhood of Ramot in East Jerusalem; financial support for seven buildings with 42 housing units in Givat Ze'ev settlement, conducted by David Kenig construction company.
2. **The bank operates a branch in the settlement of Modi'in Ilit.**
3. **Jerusalem Bank provides mortgages for homebuyers in settlements:** 3 mortgages for homebuyers in Modi'in Ilit (from 2000 and 2005) and a mortgage for a homebuyer in Kiryat Sefer (from 1999).
4. **The banks' subsidiary, Jerusalem capital books management, is partially owned by Efrat settlement.**

## **The First International Bank of Israel**

The bank is owned by F.I.B.I Holdings, which is owned by the Bino-Leberman group, and by the Discount Bank (26.48%).

### **International subsidiaries:**

FIBI Limited (Swiss) Bank in Zurich.

### **Israeli subsidiaries:**

Bank Poalei Agudat Israel, Bank Otsar Hahayal (68%), U-Bank, Massad Bank (51%).

## **Involvement in the occupation**

1. **The First International Bank provides mortgages for homebuyers in settlements:** two mortgages for homebuyers in Modi'in Ilit (from 2003 and 2009), and a mortgage for a homebuyer in Kerney Shomron (from 2010).
2. **The bank's subsidiary, Masad bank, manages the education funds of Efrat settlement.**
3. **The bank operates branch in the settlements:**
  - 3.1. The bank operates a branch in East Jerusalem (10 Hilel st.).
  - 3.2. The banks wholly owned subsidiary, Bank Poalei Agudat Israel, operates branches in the settlements of Beitar Illit and Modi'in Illit.

## **Bank Otsar Hahayal**

68% of the bank is owned by the first international bank of Israel, the rest of the shares are owned by Hever, the organization for army officers and veterans. A small portion of the bank's shares are owned by the Israeli Ministry of defense.

## **Involvement in the Israeli occupation**

1. **The bank provides financial support for 24 housing units' construction projects in Ariel,** executed by Ben Ayun Nimrodi construction company.
2. **Loans and financial services to settlements:**

- 2.1. The bank issued a 1 million USD loan to the settlement of Alfei Menashe in 2009, the loan was given for the duration of 10 years.
- 2.2. Otzar Hahayal bank manages loan accounts for the settlements of Kdumim and Karney Shomron.
- 2.3. The bank manages the education funds of Ma'ale Efraim settlement.
- 2.4. The bank manages the account of Katzerin in the Golan Heights.
- 2.5. The bank operates an account for the Har Adar settlement.
3. **The bank operates branches in the settlement of Ariel and in military bases** (Ovda – Eilat; marine base – Haifa; Hatzor – Gedera; Hetzerim – Be'er Sheva.

### **Bank Igud**

A public bank traded in TASE. The bank is owned by Shlomo Eliyahu Holdings (22.92%), Yesha'ayahu Landau Holdings (21.65), Yesha'ayahu Landau properties (3.12%), David Lubinski holdings properties (16.5%), Shroder properties (6.36%), Eliyahu insurance company (4.2%)

### **Involvement in the occupation**

1. **The bank operates a loan account for the settlement of Kdumim.**
2. **The bank operates a 1 million NIS account for the settlement of Kiryat Arba.**
3. **Igud Bank provides mortgages for a homebuyer in the settlement of Ariel (from 2009).**