

SOCIAL RESPONSIBILITY 2014

EPILOGUE **194**

GREEN DISCOUNT – FOR THE ENVIRONMENT **179**

DISCOUNTERS FOR THE COMMUNITY **157**

THE DISCOUNTERS **110**

DISCOUNT'S CUSTOMERS **67**

BANK'S PROFILE, CORPORATE GOVERNANCE, VISION AND VALUES **23**

ISRAEL
DISCOUNT
BANK

4	Greetings from the Chairman and the President & CEO	67	DISCOUNT'S CUSTOMERS
6	A Corporate Responsibility Report – what is it?	68	General policy
7	Challenges and opportunities in the field of social responsibility	69	Retail Customers – household segment
9	Discount's fourth Corporate Responsibility Report	78	Customers of the small business segment
10	The process of identification of material aspects	80	Private Banking customers
14	Aspects defined as material	83	Service to corporate customers
15	Reporting to the Global Compact	85	Customers of middle market banking segment
17	Control over the appropriateness of reporting – Discount Bank	86	Additional services
23	BANK'S PROFILE, CORPORATE GOVERNANCE, VISION AND VALUES	90	Social networks – The Discount Group
24	The Discount Group – general overview and structure of the Group	91	Financial education
29	Issues regarding corporate governance	93	Business continuity
46	Principal control functions	94	Accessibility to handicapped persons
48	The Discount code of ethics	96	Proper disclosure – information regarding products and services
49	Corporate Governance Code for the Discount Group	97	Communication with customers – improvement of service
50	Prevention of bribery, fraud and embezzlement	106	Appendix: Suppliers
52	Additional Ethical Aspects	110	THE DISCOUNTERS
55	Vision and Values	111	Human Resources Policy
57	Financial and economic profile	120	Employment terms and remuneration
64	Membership of organizations and external Initiatives	130	Labor relations of the principal subsidiaries

131	Legislative and regulatory restrictions and their arrangement	179	GREEN DISCOUNT – FOR THE ENVIRONMENT
133	Characteristics of Bank employees	180	Policy
134	Retirement and dismissal	181	The consumption of resources
136	Employee turnover	183	Emission of greenhouse gas
139	Vacation and absence data	186	Paperless Bank
140	Human resources planning and development	187	Use of recycled materials
146	Organizational culture	188	Additional activities
148	Employee welfare	189	Management of environmental risks
152	Safety in the workplace and work environment	190	Credit Policy regarding Environmental Risks
155	Preventing sexual harassment	194	EPILOGUE
157	DISCOUNTERS FOR THE COMMUNITY	194	Thank you's!
158	Community Activity Policy	194	Reaction to the Report
159	Volume of activity	195	GRI index combined with UNGC
160	"Discount Sprint for the Future" – Discount Bank's flagship project		
164	Voluntary Activities		
167	Various projects		
169	"Herzelilinblum" – Banking and Tel Aviv Nostalgia Museum		
172	Arts		
174	Sponsorships		
176	Involvement in and contribution to the community by the principal subsidiaries		
177	Social responsibility ratings		



Greetings from the Chairman and the President & CEO

We are honored to present the Corporate Responsibility Report of Discount Bank for 2014. The publication of the Corporate Responsibility Report reflects Discount Bank's deep commitment to the subject of social and environmental responsibility, including in matters of corporate governance. The report is being published proximate after the end of 2015, the year in which the Bank has celebrated eighty years since its establishment. Over the years of its existence, Discount Bank has been a leader in social action.

This is the fourth Corporate Responsibility Report published by Discount Bank. The report has been prepared for the first time in accordance with the GRI G4 (Global Reporting Initiative) Standard. The transition to the new standard involved the definition of Aspects viewed by the Bank as material reporting Aspects, within the framework of discussions held by the Management and the Board of Directors.

In 2010, the Bank joined the United Nations Global Compact initiative. This report constitutes also an annual update of this initiative in respect of 2014. In this respect we reiterate the Bank's commitment to the Global Compact initiative and to its ten principles.

Publication of the Social Responsibility Report was made alongside additional reporting frameworks: to the Maala Organization, to the EIRIS research body and to the reporting and recording center of the Israel Ministry of Environmental Protection. This reporting structure reflects the Bank's commitment for transparency and for extending its activity in social responsibility areas.

The Corporate Responsibility Report presented below is not only a report or summary of activities, but is also, and mainly, a promise to continue the activities of the Bank and its employees in servicing its customers, continuing to work opposite those involved with the Bank and for the community alongside we work.

Within the scope of its social involvement and commitment, the Bank will continue to take action to advance weak populations and encourage its employees to participate in activities for the community, thereby strengthening its social contribution as an organization and as individuals. Furthermore, the Bank has and will take action to integrate environmental considerations as part of its business strategy and credit policy.

On behalf of ourselves and the members of the Board of Directors and Management, we support all the volunteers being employees of the Discount Bank Group, and all stakeholders in the social activities and projects led by the Bank.

Dr. Yossi Bachar
Chairman of the Board of Directors

Lilach Asher-Topilsky
President & CEO

January 31, 2016

A Corporate Responsibility Report – what is it?

Corporate responsibility reporting rests on the approach that a corporation must be accountable to the society and the environment in which it operates, and not only to its shareholders. The adoption of this approach leads to a broadening of the scope of reporting, while addressing a wide variety of subjects, aspiring to deal with the full range of social, environmental and economic issues that occupy all the stakeholders of the reporting corporation.

A "stakeholder" is anyone that Discount Bank influences or is influenced by: customers, employers, suppliers, shareholders, the community and the environment (it should be noted that as a financial corporation, in its main field of activity – financial brokerage – the Bank's vendors are essentially its customers, which their activity as depositors serves the Bank in providing financial resources. Another significant party is contracted workers, who are discussed in the chapter dealing with employees)¹.

The dialogue with the stakeholders is being conducted in various channels and is detailed in the different chapters below.

The Corporate Responsibility Report complements the corporation's financial statements. Whereas one presents the corporation's financial performance, the second presents the manner in which things are done, the degree of importance that the corporation attributes to the aspirations of its stakeholders, and its efforts to promote areas requiring improvement.

The Corporate Responsibility Report is not just a reporting framework, but a platform for ongoing dialogue between the corporation and its stakeholders.

The Bank was the first banking corporation to issue a Corporate Responsibility Report in Israel in 2005 (for the years 2003–2004). The second Social Responsibility Report was published in 2009 (for the years 2007–2008). The Bank's Third Social Responsibility Report (for the years 2012–2013) was published in 2014. The publication of the Fourth Social Responsibility Report forms an expression of the Bank's commitment for social responsibility issues and for their importance as part of the Bank's organizational culture.

¹ G4-24; G4-25

Corporate responsibility report - Directives of the Supervisor of Banks in Israel

On the background of developments regarding the issue of corporate responsibility reporting, and in view of the importance that the Supervisor of Banks attributes to the activity of banking corporations in this respect, the banking groups, in accordance with the Reporting to the Public Directive, are required to publish reports for a period of up to two years concerning corporate responsibility. In accordance with the instructions, the corporate responsibility report may refer to matters such as commitment for involvement in the community, environmental topics, cultivating the staff and work environment, fairness to customers and business ethics. The instructions does not determine the reporting contents, though it is recommended to include therein disclosure regarding relevant quantitative indices as well as relevant standards according to which the banking corporation operates in this field. This report is the second report presented in accordance with the new instructions. It is the Bank's intention to publish a social responsibility report every year.

Challenges and opportunities in the field of social responsibility

Social responsibility and sustainability is an approach that provides the Bank with a methodological opportunity to make an operative connection between various topics and challenges. Discount Bank has been connected with the community since its establishment. Throughout the years, the Bank has seen itself as a bank that operates within the community, as a bank that operates in the best interests of the customer and his family and as a bank that acts responsibly toward all the stakeholders who influence, or are influenced by, its activities.

The Bank is focusing on the challenges facing it in the social responsibility field, on a number of main levels:

- **Creating a common value in products for customers**

At the level of banking products – the Bank focuses on several populations. The flagship program is the "Family Program", which focuses on the needs of the customer and his family, and makes them into a financial group that benefits from a variety of unique services and benefits, in accordance with the aggregate data of the program's partners. Concurrently, the Bank focuses on additional populations, such as small and medium-size businesses, students and so forth. The Bank is also taking steps in the fields of providing accessibility and financial education.

At the level of environmental products – promoting products such as those that enable the financing of alternative energy.

- Employees – development and enrichment of employees by means of training, mobility and personal development.
- Community – increasing the scope of volunteer work by the Bank's employees.
- The environment – reducing the ecological footprint by means of a reduction in energy consumption.
- **Responsible activity of the organization**

Responsible corporate conduct, while implementing high standards in the field of corporate governance and ethics, in all units of the organization and with stakeholders. The most significant challenge will be to gradually expand managing this area to the Group level – for the subsidiaries.

The work process for managing this field will be expanded in the coming years, and will include broadening the measurement and reporting, strengthening the manner in which certain topics are handled and, as stated, the gradual expansion of managing this field to the Group level.

SOCIAL RESPONSIBILITY DIRECTOR

The Bank has an officer in charge of social responsibility appointed by the Bank's Management. The appointment is intended to strengthen the management of the social responsibility field at the Bank and reflects the importance attributed by the Bank to this subject. The director's task is to intensify the awareness of Bank employees as well as of stakeholders, and to formulate plans of action to achieve the goals designated for this area. The officer in charge of social responsibility reports to the head of the Human Resources and Properties Division, who is in charge of managing social responsibility at the Bank's Management level.

Discount's fourth Corporate Responsibility Report

The Report was prepared in accordance with the reporting principles of the GRI (a non-governmental organization working for more than a decade in collaboration with the UN and organizations from all over the world, in order to develop and integrate global corporate reporting parameters among organizations worldwide).

Within the scope of the commitment to the said reporting principles, this Report was structured according to the GRI reporting standard (G4), at the highest level of transparency - "Comprehensive", and includes reference to all Aspects identified as material (see extensive discussion further on). The list of topics reviewed in the Report may be viewed in the table of contents on pages 2-3. An index is attached in an Appendix to this report which constitutes a cross-reference table between the different indicators and their reference in the report.

The Report reviews the Bank's processes in Israel, and does not include the overseas activity².

The Report does not include reference to the Bank's subsidiaries, except with respect to a very small number of issues. In recent years, the Bank has conducted dialogues with its principal subsidiaries in Israel concerning social responsibility matters. In this respect, Israel Credit Cards Company Ltd., a subsidiary of the Bank, has conducted a mapping of the existing situation regarding these matters. Following the said mapping, there is a possibility that the Bank will publish in the future a report concerning the social responsibility of this subsidiary company.

The Report addresses, in the relevant contexts, the activities of the different divisions of the Bank, including the senior levels over management.

The data presented in the Report were processed according to the reporting of the Bank's various units, striving to build a data base that will enable a comparison with data from past years. This effort resulted indeed in improvement; however, further efforts are required for the systematical gathering of data regarding the various reporting issues. The calculation methods that are used have been noted in the places where the related data are presented, respectively. The report does not contain any data that are in contradiction with the data presented in previous social responsibility reports published by the Bank³. In cases where previously published data had been changed or corrected, this fact was distinctly noted.

In the process of writing this report, the Bank strives to describe with maximum

² G4-17

³ G4-22

transparency its activities in relation to topics that it believes to be of interest to its stakeholders. We at Discount believe that this Report will serve the five categories of our stakeholders (shareholders/investors, customers and suppliers, employees, the community and environment), and will facilitate the promotion of dialogue, intensifying the relationship and heightening cooperation.

Various excerpts of the Report, as well as the data presented therein, were referred to the information providers at the Bank for review and to various functions at the Bank for comments. The final draft of the Report was also referred to all members of the Bank's Management for comments.

The process of identification of material Aspects⁴

General. As stated above, the Bank has adopted for the first time in this report the G-4 reporting standard⁵. The central change in the new reporting standard is the existence of a process for the identification of material Aspects, which the Bank has to perform as part of the preparations for the report – this process determines the Aspects on which the Bank will report. Within this process, the Bank has to identify a list of Aspects having a material impact on its operations and its stakeholders. Selection of the material Aspects is made from a list of Aspects offered by the GRI. The list of material Aspects is used as a basis for the report and, therefore, has a decisive impact on the process of the production of the entire report.

The process of identification of the material Aspects and its importance. The process of identifying the material Aspects in the Bank's social report has been performed in accordance with the methodology of the GRI. The process consists of several stages:

1. Identification of potential Aspects.
2. Review of the material Aspects for the Bank's stakeholders – based on a number of sources (see extensive discussion below) and on a comparative analysis of reports of leading banks in Israel and around the world.
3. Identification of material Aspects for the Bank and formation of a materiality matrix – this stage was performed by means of answers to a questionnaire provided by the members of the Bank's Management, following a first meeting in which the methodology for identification of material Aspects had been presented. Simultaneously with the distribution of the questionnaire, members of

⁴ G4-18

⁵ G4-23

Management received a comprehensive document, which included the list of the potential Aspects together with an explanation regarding each Aspect, as well as the manner in which the Aspect had been defined by the other banks and by the different reporting frameworks. Members of Management were requested to evaluate in respect of each Aspect the extent of its materiality to the operations of the Bank (from the viewpoint of economic performance, the Bank's reputation, its financial strength, current operations, regulatory compliance).

4. At the final stage of the process, a validation of the selected Aspects was made, at an additional meeting of Management, in which the final list of Aspects and their classification was formed.
5. The deliverables agreed upon by the Bank's Management have been brought for approval of the Board of Directors.

The sources for the review of material Aspects for the Bank's stakeholders are as follows:

	<p>An Israeli research of BDO</p>	<p>A research by the corporate responsibility group of BDO Ziv-Haft, which, during 2014, examined the positions of the leading stakeholders in Israel with respect to the material Aspects relating to the operation of the banking sector in Israel.</p>
	<p>Guidelines of the SASB Organization</p>	<p>SASB is a US standards organization engaged in social reporting. The Organization has published a list of material Aspects for investors in banks.</p>
	<p>International research of GRI</p>	<p>Towards the transition to the new reporting methodology (GRI-G4), the Organization has published a research, which maps the list of Aspects of interest to stakeholders, divided into the different sectors of operation. The identification process referred to the list of material Aspects of the financial sector.</p>
	<p>Maala rating</p>	<p>This Israeli rating evaluates the performance of the leading corporations in Israel in the area of corporate responsibility. The evaluation is based on a questionnaire distributed to the participating corporations. Reference to the questionnaire in the process of identification of material Aspects is with respect to the question whether the rating refers to an issue as part of one of the questions in the questionnaire.</p>

Bloomberg	Bloomberg business data base	<p>This database presents a wide variety of business data regarding business corporations worldwide and constitutes a source of important information for investors. The database contains information on the company's performance in the field of corporate responsibility and sustainability. Reference to this database in the process of identification of material Aspects is with respect to the question whether the database contains information relating to the issue (either at the data level or the formal written policy level).</p>
Meitav-Dash	Reviews by Meitav-Dash Investment House	<p>This Investment House presents a variety of reviews for potential investors, with an emphasis on Israeli corporations. A part of these reviews relates to the performance of corporations in the area of corporate responsibility. The process referred to the question as to whether one of the reviews made by the Investment House on the matter of corporate responsibility has dealt with the issue at question.</p>
	EIRIS international rating	<p>One of the leading ratings in the world in the area of corporate responsibility. The rating presents the performance of corporations in the area of corporate responsibility according to a variety of parameters. The reference relates to the question as to whether the rating addresses in its reviews the issue at question.</p>
	TRUCOST international rating	<p>An international rating reviewing the performance of corporations in the environmental area. The reference relates to the question as to whether the rating refers in its reviews to the issue at question.</p>

Alternatives for the manner of defining the approach to each Aspect. In accordance with G4, three alternatives exist for the definition of each Aspect:

- **Alternative "A":** defining the Aspect as material - identification of an Aspect as material requires conducting an orderly reporting based on a clear administrative infrastructure that includes a formal policy, work plans and performance goals, with respect to such Aspect (this alternative is defined in the following Table as "material Aspects - full reporting").
- **Alternative "B":** immaterial Aspect, information only - the definition of an Aspect as immaterial, in respect of which information only will be provided. Reference to this Aspect in the report, though not defined as material, stems from the need to report on processes and data that are required by various initiatives and frameworks, in which the Bank is a member. Namely, initiatives such as the UN Global Compact, the Maala rating, the EIRIS rating and so forth (this alternative is defined in the following Table as "immaterial Aspects - partial reporting").
- **Alternative "C":** immaterial Aspect- an immaterial Aspect, in respect of which no reference will be made in the report (this alternative is defined in the following Table as "immaterial Aspects - no reporting").

Within the framework of the identification process, as described above, all Aspects have been classified into one of the mentioned above alternatives.

Aspects defined as material⁶

Hereunder are presented the products of the process for the definition of Aspects material to the Bank.

Material Aspects- full report	Immaterial Aspects- partial report	Immaterial Aspects- no report	High	Importance of the Aspect for stakeholders	
Prevention of corruption Economic performance	Greenhouse gases emissions and air pollutants	Sewage and waste			Medium
Fairness of products and advancement of financial education					
Work environment and conditions of employment					
Training and development of employees			Low		
Involvement in the local community					
Indirect economic implications					
Regulatory compliance	Social/environmental products	Evaluation of suppliers' work environment			
Prevention of discrimination	Environmental and social risk management				
Gender equality	Employee health and safety				
Diversity and equal opportunities	Employee union				
Energy consumption and increased efficiency	Material consumption				
Business continuity	Employee relations -	Customer privacy			
Local procurement practices	Management	Inclusion of human rights clauses in investment agreements			
	Work environment				
	complaints mechanism	Asset management and sifting			
	Environmental Investment	Evaluation of the suppliers' impact on human rights			
		Environmental evaluation at suppliers			
High	Medium	Low	Importance of the Aspect to the Bank		

⁶ 64-19

Material Aspects - reporting Boundaries⁷

	Material aspect	Reporting Boundaries
1	Prevention of corruption	within the organization
2	Economic performance	within the organization
3	Fairness of products and advancement of financial education	within and outside the organization
4	Work environment and conditions of employment	within the organization
5	Training and development of employees	within the organization
6	Involvement in the local community	within and outside the organization
7	Indirect economic implications	within and outside the organization
8	Regulatory compliance	within the organization
9	Prevention of discrimination	within the organization
10	Gender equality	within the organization
11	Diversity and equal opportunities	within the organization
12	Energy consumption and increased efficiency	within the organization
13	Business continuity	within the organization
14	Local procurement practices	within the organization

Reporting to the Global Compact

The Bank joined the United Nation Global Compact initiative in September 2010 and since then submitted in March 2012 and in March 2013 an annual progress report regarding the Bank's social and environmental activities. This report, as well as the previous social responsibility report, constitutes an annual progress report in respect of the years 2014 and 2013, respectively. An Appendix to this report includes an index comprising a cross-reference table between reportable items in accordance with the Global Compact initiative and their reference in this report.

⁷ G4-20; G4-21

Distribution of the Report

The Social Responsibility Report in Hebrew may be viewed on the Bank's website (www.discountbank.co.il) and in English on the Bank's website in the Investor Relations page (www.discountbank.co.il/IR). Bank employees may view the Report also on the employees' portal. The English version of the Report may be also found on the website of the GRI (<http://database.globalreporting.org/companies/view/1806>), and on the GC website (<http://www.unglobalcompact.org/participant/12568-Israel-Discount-Bank-Ltd>).

References. In certain cases the report includes reference to details presented in the 2014 Annual Report. These are available for perusal at the Bank's website (see above) (translation into English of these reports is to be found in the Investor Relations page, see above). Furthermore, the reports are available for perusal (in Hebrew) also at the "Magna" website of the Israel Securities Authority (https://www.magna.isa.gov.il/details.aspx?reference=2014-01-017514&file=2&id=0116_0) and at the "Maya" website of the Tel Aviv Stock Exchange Ltd. (http://maya.tase.co.il/bursa/report.asp?report_cd=885621).

Assurance examination

The Bank's Corporate Responsibility Report has undergone an assurance examination by an outside, objective body – Corporate Responsibility and Sustainability Group of BDO Ziv Haft – which determined that the Bank meets the GRI requirements for the In Accordance – Comprehensive reporting. The Report presents fairly the Bank's activities for the given period. Likewise, the Report is balanced and properly presents the Bank's activities in a variety of significant matters, in financial sector activity in Israel and for Discount Bank. The opinion of BDO Ziv Haft is presented below, in the chapter.

Review of the Report by the GRI. Corporations which wish to do so may submit their social responsibility report for review by the GRI. Concurrently with the publication of the Bank's fourth social responsibility report, it has been submitted for a methodological review of the GRI. The GRI has examined the report and has found it attains the highest application level (A+) concerning completeness of compliance with the indices. The Bank had been required to make a small number of amendments to the Report, which following their integration, the GRI approval, presented on the next page, was received.

Control over the appropriateness of reporting - Discount Bank

G4 in Accordance - Comprehensive

General

The Corporate Social Responsibility and Sustainability Group of the BDO Ziv Haft Consulting Company have been engaged by Discount Bank to perform an assurance process for the **2014 Discount Corporate Responsibility Report** (reviewing the Bank's performance in the 2014). The said Corporate Social Responsibility and Sustainability Group have an over thirteen years experience in assisting companies in matters of corporate responsibility and sustainability. This Group operates in accordance with local and international accounting standards for the examination and promotion of responsible conduct of corporations.

Independence - The accounting firm of BDO Ziv Haft acts as joint auditors of Discount Bank. Furthermore, the Corporate Social Responsibility and Sustainability Group provide support to the Bank in a number of control processes over sustainability reporting. Discount Bank has engaged the Corporate Social Responsibility and Sustainability Group to perform an assurance process over the reporting, and the Group declares that it is independent of the Bank in its business operations.

The appropriateness control presented herewith has been performed as detailed further on, and in accordance with the guidelines of the GRI and the accepted principles for reporting control. The control is designed to examine compliance with reporting according to the principles of the international reporting standard GRI:G4 and the performance of the process for the definition of material Aspects lying at the basis of the report, in accordance with the GRI methodology.

Summary of findings

Certification

In view of that stated above, and in accordance with the examination performed by us, we certify herewith that the report of Discount Bank complies with the requirements of GRI:G4 at the "In accordance-Comprehensive" transparency level, and accordingly we testify that based on the information, and accordingly we hereby testify on the basis of the information at hand, as follows:

- The Aspects included in the report cover the areas material to the Bank's activities and its stakeholders.
- All the information contained in the report was approved by the functionaries of the Bank and verified against the material used for the writing of the Bank's report.
- The report is complete, comprehensive and reliable.
- The report is structured in a manner that allows comparability and comments by the stakeholders.

Work procedure

This control work has been performed according to a planned work plan that had been submitted prior to the beginning of the control work. The process of collection of the material by Discount Bank has been examined during the work, comments have been submitted regarding the response to indices contained in the report, a feedback has been submitted in respect of several areas, as detailed below, and documents and internal and external data have been reviewed - all this in order to comprehend the manner of reporting and its quality. Following are the channels in which control was performed, commensurate with the principles of control over the appropriateness of reporting:

Principles for the definition of the report content

Stakeholder inclusiveness - providing a response to stakeholder expectations from the Bank.

- The Bank maintains an orderly dialogue with several stakeholders, which allows it to understand their preferences in real time.
- The process for the identification of material Aspects, performed this year for the first time, took notice of the positions of stakeholders' representatives, both internal and external.

Product: Discount Bank presents for the first time the framework of material Aspects in its operations, and in view of the inclusion of stakeholders' positions, the Bank presents a framework of Aspects material to corporate governance activity.

Sustainability context - presentation of the different sustainability issues relevant to the Bank.

- The report presents the commitment of Discount Bank to all material Aspects identified in the area of sustainability, including extensive reference to Aspects of employment, involvement in the community, creating value for customers, and the environment, stemming from the nature of its operations.
- The information presented in the report includes a description of the administrative approach with respect to each of the material Aspects.

Product: The report reviews the operation of Discount Bank and its impact upon stakeholders in aspects of sustainability, while presenting an extensive and orderly state of affairs image.

Materiality - clear reference to the various areas of influence of the Bank.

- The Bank has performed for the first time a comprehensive act for the identification of material Aspects in its operations, both internal and external. This act has integrated the positions of stakeholders alongside the positions of senior officers of the Bank, and a materiality matrix of Discount Bank has been created for the first time. The materiality matrix will serve the Bank in its future reports, and serve as a basis for reporting in accordance with the G4 principles.
- This framework includes a change in the nature and manner of reporting on the Aspects in this report, in relation to the previous report prepared in accordance with the G3.1 rules and published in 2014.

Product: The report relates to all the material Aspects relevant to the Bank. Furthermore, the materiality matrix enables to understand the gaps existing between the preferences of the Bank and those of the stakeholders. In addition, the Bank has elected to include in the present report also reference to Aspects of a lesser importance level, on which the Bank expands the scope of disclosure, despite the fact that they are not material.

Completeness - examination of the scope of disclosure in respect of material Aspects. The report complies with the requirements of GRI:G4, at a "In Accordance - Comprehensive" transparency level, meaning that the report responds in full to all the indices comprising the Aspects, which the Bank had defined as material Aspects.

Product: Full disclosure in respect of each of the indices under the aspects material to the operation.

Principles for assessment of the report quality

Balance and clarity - balancing the report between positive and negative aspects of the company's operations, and the clarity of the data and information to the reasonable reader.

- The report presents the Bank's performance in a transparent manner, with reference to both positive and negative performance.
- The manner of presentation of the information in the report allows the reader to understand the implications of the Bank's operations, with a more extensive discussion of Aspects defined as material.

Product: The data is presented in a manner that allows the reasonable reader an in-depth understanding of the operations and performance of the Bank in a full and objective form.

Comparability - the ability to compare the data in the current report with the data appearing in prior or other reports of the company, and with reports of similar companies around the world.

- The report includes multi-annual data, which allows the presentation of trends.
- The process of defining the content of the report took into consideration the Aspects that had been defined as material to similar banks in Israel and in the world, which serve as a basis for comparison.

Product: The data is presented in the report in a comprehensive manner that allows comparability with data presented in earlier reports of the Bank, and in a manner enabling comparison of the data with that of the financial sector.

Accuracy - the extent of details and accuracy of the data and information in the report.

- The report presents data which allows the reader to understand and assess the Bank's performance.
- The report includes notes which indicate clearly which basic assumptions and assessments had been taken into account in computing the data. Where the item in question does not represent data but only an assessment, this fact is distinctly noted.

Product: The report presents in a reliable manner the Bank's performance data, which match the data appearing in its other reports.

Timeliness – the up-to-dateness and relevancy of the information to the public.

- The present report of Discount Bank relates to the Bank's performance in 2014.
- Discount Bank has decided this year to change into an annual reporting model, and its social responsibility report would now be published annually. Nevertheless, the report is being published over a year from the end of the reported period, and this time lag has to be reduced in future years.

Product: The report presents relevant and updated data for stakeholders of Discount Bank in respect of the year 2014.

Clarity – presentation of information in an accessible and clear manner

- The information in the report is presented in a clear manner allowing an in-depth study of the reported issues.

Product: The report presents the content in a clear manner, and the Bank is strict in publishing its social responsibility reports also on its Internet website.

Reliability – reliability of the data and information in the report.

- All data and information included in response to the reported indices have been verified. Verification was made by means of examination of the material used for the preparation of the report. The data had been assembled from all responsible functionaries at the Bank and by means of documents evidencing the reliability of reporting.

Product: All Aspects had been examined and we found complete correlation between the contents of the report and the operations of the Bank.

Recommendations

We found it proper to commend Discount Bank on the following matters:

- A. Management of an orderly process for the identification of material Aspects – The Bank has changed this year to reporting in accordance with the new reporting framework G4. This framework required the inclusion of positions of factors both inside and outside the organization, as well as the Identification and determination of material Aspects stemming from its operations.
- B. Intensification of the report and the accessibility thereof – The present report takes an additional step towards accessibility to plentiful information in matters of corporate responsibility, which up to now has not been available to the Bank's stakeholders.
- C. The Bank's commitment to transparency – over a long period of time the Bank diligently submits annual reports to additional reporting frameworks in the field of corporate responsibility besides the GRI, including: Global Compact, the

Greenhouse Gas Emissions Registration and Reporting Group of the Israel Ministry of Environmental Protection, and also participates in the rating of Maala. This may be considered as a continuous commitment to transparency with respect to its performance in this field.

As part of the Bank's efforts to continue and improve, we recommend intensifying the activity and reporting in the following areas:

- A. Definition of goals and indices regarding corporate responsibility - A part of the aspects relating to corporate responsibility at the Bank are conducted in an orderly and measurable manner, though some are not as yet. In order to continue and improve, the Bank has to present in a clear manner in its next report its goals with respect to corporate responsibility aspects, so that the attainment thereof could be examined, showing whether the expected improvement has been reached.
- B. Integration of the corporate responsibility aspect at the Group level- At the present time, Discount Bank reports its performance regarding corporate responsibility aspects; however its principal subsidiaries are not included in this report. In order to present a full picture of the overall implications, we recommend that the Bank extends the reporting scope to the Group level.
- C. Review of material aspects with respect to stakeholders - this is the first time in which the Bank defines material aspects. Therefore, we recommend that following this report, Discount Bank should establish a process for the review of material aspects, as required by the guidelines of GRI. This process has to be performed as part of the preparations for the next report, while considering the position of stakeholders with respect to the aspects discussed in this report, the reporting boundaries and the manner in which they provide a full response to their expectations.

Corporate Responsibility and Sustainability Group
BDO Ziv Haft Consultancy and Management

January 31, 2016

- 24 The Discount Group - general overview and structure of the Group
- 29 Issues regarding corporate governance
- 46 Principal control functions
- 48 The Discount code of ethics
- 49 Corporate Governance Code for the Discount Group
- 50 Prevention of bribery, fraud and embezzlement
- 52 Additional Ethical Aspects
- 55 Vision and Values
- 57 Financial and economic profile
- 64 Membership of organizations and external Initiatives

23

The Discount Group - general overview and structure of the Group

Israel Discount Bank Ltd. (hereinafter: "the Bank") was incorporated in Palestine in 1935, as a public company under the Companies Ordinance. The Bank is a banking corporation having a banking license under the provisions of the Banking Law (Licensing), 1981.

The Bank was established by the late Mr. Leon Recanatti under the name of "Palestine Discount Bank Ltd.", in cooperation with the founders, the late Mr. Joseph Albo and the late Mr. Moise Carasso. The offices of the Bank and its first branch office were at first located at No. 39, Yehuda Halevi Street in Tel Aviv. In 1939 the offices of the Bank were relocated to No. 27, Yehuda Halevi street, the site on which the Discount Tower is situated today, in which most of the Head Office units of the Bank are located.

In 2015, the Bank celebrated eighty years of operation. During the years of its operation the Bank has developed a chain of branches and a wide variety of commercial banking activities in all banking spheres.

Domestic Operations

Discount Bank grants its customers comprehensive banking services in all areas of financial activity, through 138⁸ branches in Israel, direct banking, on-line banking and Internet services.

The Bank has a banking subsidiary in Israel - Mercantile Discount Bank Ltd. (hereinafter: "MDB") - a commercial bank serving customers in all fields of financial activity through 80¹ branches.

The activities in Israel include additional areas, including:

- **Credit cards** - The Bank controls "Israel Credit Cards Ltd." (hereinafter: "ICC") and "Diners Club Israel Ltd." (hereinafter: "Diners"), which issue and market "VISA", "Diners" and "MasterCard" credit cards, both for domestic and overseas use;
- **Securities portfolio management** - the subsidiary, Tafnit Discount Asset Management Ltd. (hereinafter: "Tafnit") which manages securities investment portfolios for private customers, corporations, not-for-profit organizations and institutional bodies;

⁸ The number of branches updated as of December 31, 2014.

- **Non-financial investments and underwriting** - the subsidiary "Israel Discount Capital Markets and Investments Ltd." (hereinafter: "DCMI") engages in investment banking, investments in private equity funds, venture capital funds and in other non-financial investments. DCMI also engages in the field of securities distribution and underwriting and managing the issue of securities, by means of a subsidiary company.

International activity

The international activity of the Discount Group is mostly conducted by a subsidiary company in the United States. IDB New York is the largest of the Israeli banks operating abroad, and at the present time operates branches in the New York area, Florida, California and in the Cayman Islands. The international activity is characterized as business-commercial and private banking activity.

As part of the strategic plan, the Bank is active in focusing its international operations. Within this framework, the operations of Discount Bank Latin America, a subsidiary of IDB New York operating in Uruguay, were sold in December 2014, also sold recently were the operations of the subsidiary in Switzerland and actions were taken to close down the London branch. (For additional details, see the report for the third quarter of 2015, pp. 69 and 274).

Principal operations and central events during 2014

Ms. Lilach Asher-Topilsky started her office as the Bank's President & CEO on February 19, 2014.

On August 20, 2014, the strategic plan of the Discount Group for the years 2015-2019, was approved. The plan was drawn up by the Bank's Management during 2014 and it encompasses all the Group's spheres of activity. Following the approval of the strategic plan, preparations for its integration have begun. Within the framework of the plan and as part of the efficiency measures, an early retirement plan for employees was introduced (see Note 16 L to the financial statements as of December 31, 2014, p. 451). The plan was successfully completed: 395 employees signed a retirement agreement, of whom 381 employees have actually retired until December 31, 2014. The Group's labor force as of December 31, 2014, declined by 664 employees (on an annual basis), a decrease of 10.8% as compared with the end of the preceding year.

The Basel III instructions are being applied by the Bank as from January 1, 2014.

An agreement for the sale of the operations of DBLA, a banking corporation owned by IDB New York operating in Uruguay (see Note 18 A to the condensed financial statements as of September 30, 2015, p. 274), was signed on December 18, 2014.

On February 19, 2015, the Bank completed a move for the sale of a parcel of shares of FIBI, following which, the Bank's rate of holdings in the shares of FIBI was reduced to below 10% (see Notes 6 D 7 to the financial statements as of December 31, 2014, p. 418). Completion of this move constitutes the Bank's attainment of a relevant milestone in the sale outline determined by the Antitrust Commissioner, prior to the final date that had been fixed for this sale.

Changes in the organizational structure. In a meeting of the Board of Directors held on July 27, 2014, decided to approve the following organizational changes: the Operations Division, which included the properties and construction department and the operational departments were split, and its units were merged with existing other divisions/groups. The properties and construction department was merged with the Human Resources Group creating one division named "The Resources Division" (the name of the division was changed at a later date to "Human Resources and Properties Division"). The operational departments were merged with the Technologies Division, which was called "Technologies and Operations Division".

As a result of the aforesaid, the number of Divisions at the Bank has been reduced.

CONTROL OF THE BANK

Control of the Bank until December 3, 2013. Until December 3, 2013, the Bronfman-Schron Group was a controlling shareholder of the Bank and held shares comprising 25.16% of the Bank's issued share capital and voting rights.

Change of the Bank into a bank with no core controlling interest. According to information provided to the Bank the Bronfman Group and Mr. Schron sold shares of the Bank on December 3, 2013, in an off the market transaction. Upon the consummation of the transaction, the permit by the Governor of the Bank of Israel dated December 1, 2013, for the holdings of means of control in the Bank (hereinafter: "the holding permit") which is designed to enable the decentralization of the core controlling interest of a bank in a gradual manner, entered into effect. At date of entering into effect of the holding permit, the permit granted on January 29, 2006, to the Bronfman-Schron Group for the holding of the control and means of control in the Bank was abolished. In accordance with the above, the Bronfman-Schron Group ceased to be in control of the Bank and the Bank turned into a bank having no core controlling interest.

As from December 3, 2013, the Bank is subject to the instructions applying to banking corporation having no core controlling interest, in accordance with the Banking Act (Legislation amendments), 2012, intended to regularize the activities of a banking corporation that does not have a core controlling interest therein. Within the framework of the law, special instructions have been determined in the matter of appointment of directors, their tenure of office and termination of office, which apply to a banking corporation not having a core controlling interest (for additional details, see "Election of Directors Process" below).

Communication with investors in securities of the Bank⁹

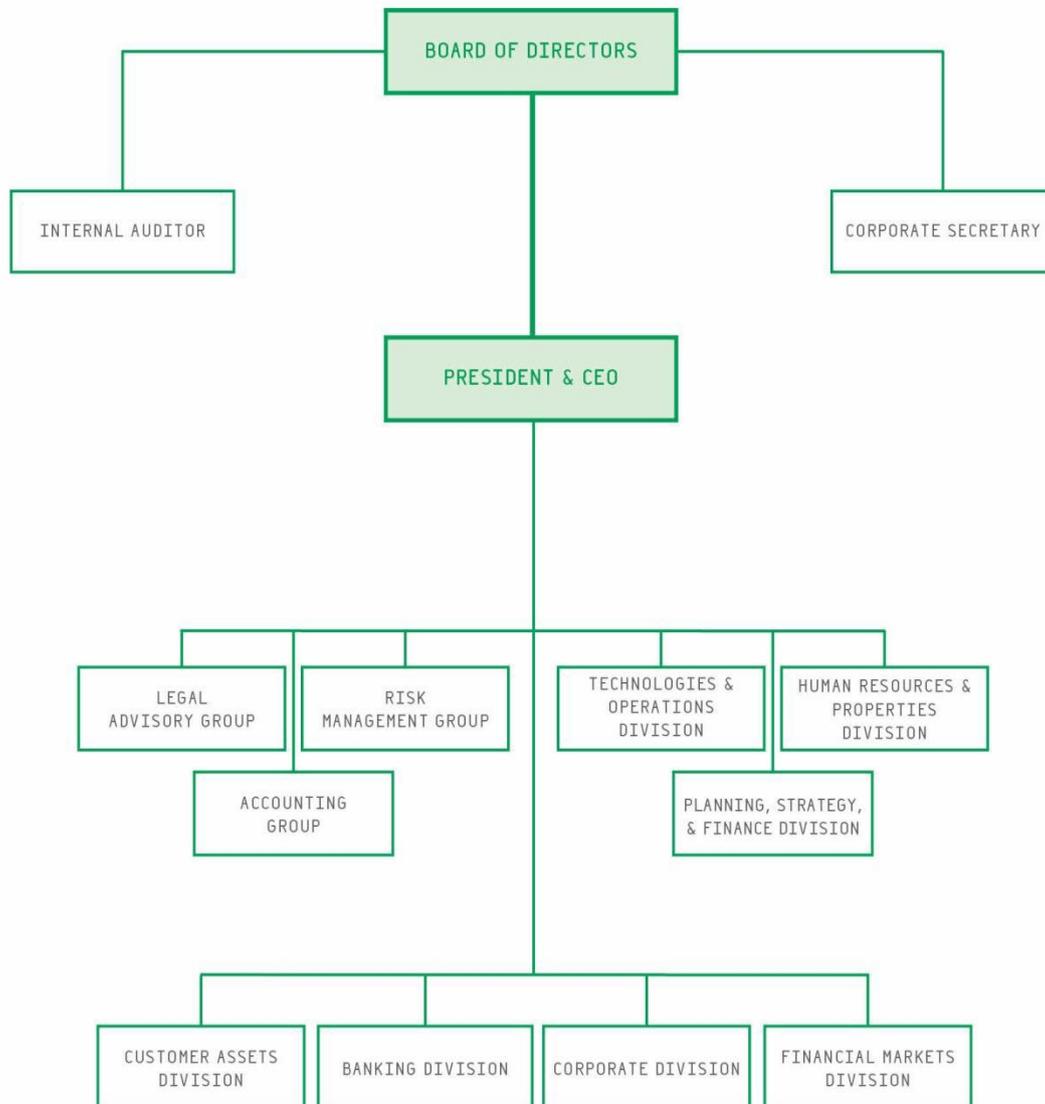
The first and principal layer of communication with investors in securities of the Bank is the layer of regulatory reports - reports in accordance with instructions and guidelines of the Supervisor of Banks and in accordance with the provisions of the Securities Act and the Regulations under it. These reports include annual, quarterly and immediate reports. All the reports in the Hebrew language are available for perusal on the "Magna" website of the Israel Securities Authority and on the "Maya" website of the Tel Aviv Stock Exchange. An English translation of the reports is available for perusal on the investor relations website, for the benefit of non-Hebrew speaking shareholders and investors.

The Bank maintains an additional layer of communication with investors in securities of the Bank (existing and potential), as well as with other parties (such as: analysts and research agencies) in Israel and abroad, by means of the investor relations unit of the Planning, Strategy and Finance Division. This communication is bi-directional - from the Bank to the outside, through conference calls, presentations and other materials assisting in the understanding of the Bank's results and its operations, maintaining meetings and conferences of the Bank's Management with such stakeholders, distribution of updates regarding events and more. And in the other direction - from stakeholders to the Bank, through the exposing of opinion and analysis of the relevant stakeholders and providing Management with feedback on the results of the Bank and its activities, as well as the integration of such contents in the decision making process at the Bank.

The activity of the Bank's investor relations unit is based on the concept that transparency, cooperation and a fruitful dialogue create value for both sides and enable stakeholders to make long-term educated investment decisions. The Bank's Management believes in strengthening and preserving relations with investors in securities of the Bank, and has even defined this field as part of its strategic focusing for the coming years.

⁹ 64-26

Organizational Structure Chart



* Among other subordinates of the Bank's Chief Risk Officer, who heads the risk management group, are the compliance officer and the officer in charge of the prohibition of money laundering and terror financing, appointed under the provisions of the Prohibition of Money Laundering Act, and the credit controller.

For additional details, see also 2014 Annual Report (pp. 246–250).

Issues regarding corporate governance

The General Meeting of Shareholders

The Agenda for the general meeting of shareholders is determined by the Board of Directors, however, according to the Companies Act, a shareholder who holds at least one percent of the voting rights in a general meeting of shareholders, may request the Board of Directors to include an item on the Agenda of a general meeting to be convened in the future, on condition that this item merits a discussion at the general meeting of shareholders.

In accordance with the provisions of the Law, the Bank has to publish a notice at least twenty-one days prior to the notice convening a general meeting of shareholders, to the extent that a proposal for the appointment of Directors or the termination of their office appears on the Agenda of the meeting. The preliminary notice includes details of the subjects on the Agenda of the coming general meeting.

In the notice convening a general meeting of shareholders, the Bank provides details of the Agenda of the meeting being convened, the proposed resolutions and the majority required for the different resolutions.

The Board of Directors

Composition of the Board

The Bank's Board of Directors numbers 13¹⁰ members, 10 of whom qualify as external Directors: 4 of whom act as external Directors (in terms of the Companies Law, 1999), and 6 additional Directors who act as external directors in terms of Directive 301 of Proper Conduct of Banking Business Directives, and as such also qualify as external directors in terms of the Companies Law. All Directors have professional qualifications¹¹, and 12 of them also have accounting and financial expertise.

The age distribution of members of the Board of Directors is as follows: one Director is forty-nine, two Directors are aged between fifty-five and sixty years; nine Directors are aged between sixty and seventy years and one Director is seventy three. At a gender aspect, the Board is composed of 11 male Directors and 2 female Directors.

¹⁰ The data regarding the Directors is as of March 9, 2015.

¹¹ Within the meaning of the term in the Companies Regulations (Conditions and tests for directors having accounting and financial expertise and a director having professional qualifications), 2005.

The Chairman of the Board does not hold any other office at the Bank in addition to his office as Chairman.

For additional details regarding Board members, see the 2014 Annual Report (pp. 287-301)¹².

Activity of the Board of Directors

In accordance with the Companies Law, the Board of Directors shall outline the policy of the corporation and supervise the activities and duties of the CEO. According to the Law, the Board may not delegate its authority to a committee of the Board with respect to a number of issues, including the formation of a general policy.

The Proper Conduct of Banking Business Directives prescribe that the Board of Directors bears responsibility for the business of the banking corporation and for its financial strength. Within this framework, the Directives provide, inter alia, that:

- (a) The Board of Directors will outline the strategy of the banking corporation, including the risk strategy and risk appetite, and will approve the banking corporation's policy that will guide the banking corporation in its ongoing activities;
- (b) The Board of Directors will supervise the activities of the Management and their consistency with the policy of the Board of Directors;
- (c) The Board of Directors will ensure the establishment of clearly defined spheres of responsibility and accountability within the banking corporation;
- (d) The Board of Directors will outline the organizational culture of the banking corporation, which requires the implementation of high standards of professional conduct and honesty;
- (e) The Board of Directors will ensure that the banking corporation operates in compliance with the law and regulations.

In accordance with the Directives, the Board of Directors appoints the President & CEO and approves the appointment of the members of the Management by the President & CEO. It should be noted that the corporate governance code of the Discount Group, determined, among other things, principles regarding the responsibilities of the Board of Directors, independence and qualification of the Board, the conduct of the Board and its meetings, committees of the Board, separation of authority between the Board and Management, duties of the Board, of the President & CEO and Management.

¹² The data regarding Directors appearing in the 2014 annual report is up-to-date as of a date proximate to the date of publication of the report (March 9, 2015).

Determination of the Agenda of the Board of Directors. The Agenda for the meetings of the Bank's Board of Directors is determined by the Chairman of the Board, taking into consideration the different regulatory requirements, including the Companies Regulations and Proper Conduct of Banking Business Directives, etc.

Issues concerning risk management, corporate governance and social responsibility are being discussed by the Board where required and/or in accordance with regulatory duties and the Bank's policy.

Work procedure of the Board of Directors and its committees. The Board of Directors and its committees operate in accordance with a procedure determined by them for their work. Among other things, in this procedure are stated the duties and authority of the Board itself and of the various Board committees, their manner of operation, the reports that have to be submitted to them and their frequency, and issues and transactions that require their approval. The Board of Directors updates the procedure from time to time, as required.

Assessment of the effectiveness of the work of the Board of Directors. In accordance with Proper Conduct of Banking Business Directive No. 301, the Board of Directors performs once every two years, for internal purposes, a process of self assessment. This is intended to test the efficiency of the Board of Directors' work, to identify weaknesses in its work and make the necessary changes where required. The self evaluation process is conducted by means of questionnaires relating to aspects in the work of the Board of Directors and its committees, including: the commitment and independence of the Board of Directors, outlining the strategy of the Bank and of the Group and monitoring its implementation, the activities of the subcommittees and the coordination among them, supervision and control over the performance of the Bank and the Management, and so forth. The process is conducted with the assistance of an external factor, which, among other things, assists in the formation of the questionnaire and in the assembly and analysis of the findings stemming there from. The process was last performed in October 2014.

Committees of the Board of Directors

General - The Bank's Board of Directors acts, inter alia, through secondary committees. As a general rule, all committees are permanent committees, certain of which are as required by legislation. Ad-hoc committees are formed from time to time to deal with certain matters. The composition of the Board of Directors and its committees and their duties are determined in accordance with the relevant legislation and the Proper Conduct of Banking Business Directives. The duties of the Board of Directors and of its committees are also defined in internal procedures, and the work procedures of the Board of Directives and of its committees. Following are the main duties of the secondary committees:

Strategy Committee - The role of the Committee is to assist the Board of Directors in formulating the strategic plan of the Bank and the Group.

The Committee monitors the implementation of the strategic plan, including the formation and execution of the work plans of the Bank and of its principal subsidiaries.

The Committee recommends to the Board of Directors changes/updates to the strategic plan.

The Committee is authorized to discuss the issue of the group financial management principles document, the financing strategy and the investment strategy of the Group. The Committee is authorized to discuss issues in the fields of procurement and real estate/property.

The Committee monitors planning versus execution of the Banking Division and the subsidiaries.

The Committee is authorized to formulate recommendations to the Board of Directors on the subject of the overall overseas activity of the Bank Group.

Credit Committee - The Committee is authorized to discuss everything pertaining to the field of credit at the Bank and at the Group. Within the aforesaid framework, the Committee discusses, inter alia, the following matters: credit policy (prior to the discussion by the Board of Directors); the effectiveness of the credit policy; periodic reports regarding changes in the risk profile of the credit portfolio of the Bank and of the Group, which include a review of material credit exposure and risk centers in the portfolio, the monitoring of compliance with limitations set by the policy, etc.

The Committee discusses and approves the yearly and multiyear credit control work plan.

The Committee is authorized to discuss and approve credit applications, and this under conditions and amounts exceeding the minimum determined by the Board of Directors from time to time.

Audit Committee - The committee discusses the annual and multi-annual work plans of the internal audit, recommends the plans for approval of the Board and monitors the implementation of the work plan.

The committee discusses the findings included in audit reports of the internal audit department, and in this framework discusses material audit reports presented to it in full and in the response of the audited organs. The committee also discusses the quarterly report submitted by the Internal auditor, which includes, among other things, a summary of audit reports prepared by him during the quarter and a report regarding the progress being made in rectifying audit findings raised in reports by the Supervisor of Banks and the internal audit department, in a semi-annual report as well as in an annual report regarding the activities of the internal audit. The committee also discusses quarterly reports, semi-annual report as well as an annual report regarding the activities of the internal audit in companies in Israel and abroad that are controlled by the Bank.

The committee also discusses the audit reports by the Supervisor of Banks the audit reports of authorities and of the Bank's independent auditors and the proposed response of Management to the issues raised in such reports.

The committee is authorized to discuss and recommend to the Board the appointment of an internal auditor or his removal from office and also recommend the salary and remuneration of the Internal Auditor.

The committee receives on an ongoing basis reports regarding disciplinary events and the manner in which Management has dealt with such cases.

The committee examines deficiencies in the business management of the Bank and proposes ways of rectifying them.

The Committee discusses the yearly work plan of the Compliance Officer, recommends to the Board of Directors as regards its approval and maintains a semi-annual monitoring of its performance. The committee discusses the annual work plan of the officer in charge of money laundering prohibition and maintains a semi-annual monitoring of its performance and discusses the annual evaluation report of the officer in charge of money laundering prohibition.

The Committee discusses the policy document regarding the handling of complaints of the public and the service charter, and makes recommendations to the Board of Directors with respect to their approval. The committee has been authorized by the Board of Directors to discuss the periodic report of the Public Complaints Commissioner.

The committee discusses the independent review made by the internal audit in the matter of ICAAP (a document summarizing the internal capital adequacy assessment process, performed within the framework of the second pillar Basel).

The committee holds discussions with audit and control functions alone, in the presence of the committee members and the relevant officer only.

The committee discusses transactions with "related persons", as required under Directive 312 of Proper Conduct of Banking Business Directives, as well as actions and transactions requiring approval of the audit committee in terms of the Companies Law. The Audit Committee is responsible for supervising the work of the Bank's external auditors, making recommendations to the Board of Directors regarding the appointment of the external auditors, and the scope of their work and their fees, and for bringing its recommendations before the Board of Directors.

In accordance with Proper Conduct of Banking Business Directives, once every three years the audit committee holds a discussion regarding the possibility of replacing the existing independent auditors of the Bank.

The Committee may request the external auditors to conduct an examination/audit that is in addition to those included in the external auditors' audit and/or review plan, and to bring their recommendations before the Committee.

The committee discusses the Bank's draft financial statements and submits recommendations to the Board in their respect. As part of the discussions, the committee receives reports by the chief accountant officer with respect to matters relating to the financial statements or matters which affect the financial statements, such as new regulatory directives or such which are expected to become effective.

The committee is authorized to discuss and decide upon disclosures regarding the accounting policy in critical issues and as regards critical accounting assessments. Within the framework of the discussion on the financial statements, the committee discusses the issue of customers, the provisions recommended to be created in respect of whom for that quarter is above the amount to be determined by the Board, and recommends to the Board the amount of the provision to be created in their respect.

Prior to the issue of a Prospectus, the committee discusses the draft Prospectus before submission for approval of the Board and makes recommendations to the Board regarding the draft.

In addition, the committee discusses and recommends to the Board in all matters relating to internal control over financial reporting, in everything relating to the supervision over the current management of financial reporting risks, in accordance with Section 404 of the Sarbanes Oxley Act.

The committee receives an annual review of the independent auditors regarding the audit of the financial statements and regarding new developments in standards and regulation in Israel and the world over, as well as a quarterly review (communication of the independent auditors with the functions responsible for overall control).

The Committee also discusses the corporate governance questionnaire prior to its discussion in the plenum.

The committee is authorized to discuss and recommend to the Board of Directors in the matter of directors eligibility, including conflict of interest aspects.

All of the external Directors, as defined in the Companies Act, are members of the audit committee. The chairman of the committee will be an external Director, as defined in the Companies Act. The majority of the committee members shall be independent directors (who are at least qualified as External Directors within the meaning of Proper Conduct of Banking Business Directive No. 301).

Corporate Governance Committee - The Committee is authorized to discuss everything pertaining to the field of the Bank's and the Group's corporate governance, including: procedures designed to reflect the corporate governance principles and the framework for the implementation of the corporate governance principles within subsidiaries.

Manpower Committee - The committee discusses matters relating to human resources, labor relations and labor agreements and is authorized to discuss and recommend to the Board of Directors the appointment of senior officers at grades of executive vice president and higher.

The Committee makes recommendations to the Board of Directors regarding the appointment of officers in the audit and control field (e.g. the Credit Controller, the Enforcement Officer).

The President & CEO or VP Human Resources report annually to the committee as well as submit current updates (where required) regarding material matters relating to the level of compliance with the social responsibility of the Bank (including issues of human rights and work environment, involvement with the community and environmental issues). In addition, the committee discusses the Bank's code of ethics.

Remuneration Committee - This Committee has been given the duties and powers required pursuant to Amendment No. 20 of the Companies Act and under Proper Conduct of Banking Business Directives of the Supervisor of Banks.

Computer and Operations Committee - The Committee is authorized to discuss and recommend to the Board of Directors on the following matters: information technology, operations, business continuity, data protection and cyber protection and information technology related risks. In this respect, the Committee discusses the strategy and work plan of the Technologies and Operations Division.

The Committee monitors and controls the implementation of the work plan on the matters of computing and operations, including budgets compliance and progress made in projects under focus.

The Committee discusses the following policy documents: information technology management policy, information technology risk tolerance statement, data protection and cyber protection policy, the group cyber protection strategy, use of cloud computing technology policy and business continuity policy.

The Committee monitors changes in the risk profile in the computer field of the Bank and in the status of plans for the reduction of material risks.

The Committee monitors material failure events and rectification of deficiencies.

The Committee discusses Management's recommendations for the introduction of a new product and/or new operation and/or outsourcing operation in the field of computing.

The Committee approves projects and procurement agreements in the computer field, the total amount of the investment therein exceeds NIS 35 million.

The Committee discusses backup and recovery arrangements of computer systems.

The Committee monitors meeting usability goals of the integrated projects under focus.

Risk Management Committee - The Committee is authorized to discuss and to make recommendations to the Board of Directors in any matter relating to the overall risk strategy, including the risk management and risk exposure policy, in the Bank and in the Group. Within this framework, the committee discusses matters of risk tolerance and risk appetite; scope of exposure to the various risks and limitations on exposure; organizational preparations and corporate governance for the implementation of the risk strategy for exposure management and control; updating of the Board of Directors' procedures in the risk management field. The committee is also authorized to discuss and recommend to the Board of Directors in the matter of the administrative enforcement policy, and to monitor the formation of an internal enforcement plan.

In addition, the committee is authorized to discuss and decide on the Bank's insurance matters, including the Banker's insurance.

The following topics are also included among the duties of the committee:

- Discussion of the periodic reports that deal with material regulatory updates and developments and updates regarding developments at the Bank's subsidiaries and overseas extensions;
- Quarterly discussions of the risk document - monitoring the Group's risk exposure, including the principal exposures at the Bank, material subsidiaries and overseas extensions; financial reporting - monitoring the assets and liabilities management (ALM);
- Discussions of topics relating to the Financial Markets Division as a risk taker, including derivatives activity at the Bank and the Group;

- Discussions of the annual report of the Internal Capital Adequacy Assessment Process (ICAAP); review and presentation of the material subsidiaries and overseas extensions, placing emphasis on risk management aspects;
- Discussion of Group policy documents and fundamental documents in the field of Risk Management;
- Discussion of the operational risks survey, including the fraud and embezzlement survey, and of the compliance infrastructure survey;
- Discussion of new models and methods for risk assessment; discussion of systems for identifying risks; discussion of the recommendations for introducing a new product/operation; discussion of the exception reports and reports regarding operational failure events;
- Discussion as regards engagement with entities declared on the international sanctions list.

The committee receives current and periodic reports on relevant matters, among other, from the CRO, and submits to the plenum of the Board of Directors its recommendations on these matters. Furthermore, the CRO submits immediate reports to the committee, and if required also to the Board of Directors, on any matter, finding or deficiency found in the area within the duty and authority of the committee, which might have a material effect on the risk management at the Bank and/or on its business. The CRO is entitled at his own initiative, to bring additional matters for discussion by the committee.

Coordination Committee - the Committee is authorized to discuss changes and adjustments to the duties and powers of the secondary committees of the Board of Directors, including the contents of their discussions.

The Committee is also authorized to discuss the findings that arose within the framework of the "Assessment of the Effectiveness of the Board of Directors' Work" process.

The members that serve on this Committee are the members of the Board of Directors who serve as the chairmen of the secondary committees of the Board of Directors.

Mechanisms for the prevention of conflict of interests among Directors

In accordance with Proper Conduct of Banking Business Directive No. 301, it is not permitted to appoint a Director whose current business interests create a permanent conflict of interest between himself and the banking corporation or where fear of such conflict exists. According to legislation, a director has a fiduciary commitment towards the corporation in which he serves, including a commitment to avoid any conflicting activity between his duties as director and any other office he may hold

or between his personal interests and/or of any action constituting competition with the business of the company and avoiding the utilization of any business opportunity of the company with a view of obtaining benefits for himself or for another person.

In addition, within the frameworks of the Companies Law and Proper Conduct of Banking Business Directives procedures and mechanisms were specified, for dealing with cases where a conflict of interest exists or may exist between the corporation and an interested party therein. In this framework, the law determined the duties of disclosures, according to which a director is bound to declare any personal interest that he has in an existing or proposed transaction, to the extent required, for the purpose of determining a process of approval of a transaction, as stated, by the various organs (audit committee and/or the board of directors and/or the general meeting of shareholders), as the case may be.

The Proper Conduct of Banking Business Directives prescribe, inter alia, that a director who had declared that he has such a personal interest, will not receive information from the banking Corporation with regard to that matter, will not be present at a discussion pertaining to the matter in which he has a personal interest, and will not vote on such matter. The Directives also prescribe that a director who has a connection with a corporation in a secondary sector (a holding of at least 5% in one or more of the means of control over the corporation in the secondary sector, or serving as an officer of the corporation in the secondary sector), will not be present at discussions of the Board of Directors or of its committees that relate to a customer of the banking corporation, which is also a corporation in the same secondary sector, and will not receive information and reports with regard to that customer from the banking corporation.

The corporate governance code of the Discount Group, determines, among other things, that the Board of Directors shall determine a policy and principles for dealing with conflicts of interest intended to protect the Bank from improper or illegal actions or from the influence of those who do not act in accordance with the best interests of the Bank.

It has also been determined that the Board will determine rules for dealing with transactions in which a controlling shareholder and/or an officer is involved, or in which they have a personal interest, subject to the provisions of the law applying to the Bank. Such rules shall apply also to a transaction between a controlling shareholder and/or an officer of the Bank as the parent company and subsidiaries of the Bank.

Accordingly, the Bank's Board of Directors has determined a procedure for the approval of transactions with interested parties in the Bank, which is intended to regulate the process of identification and approval of transactions between the Bank and subsidiaries under its control, and interested parties in the Bank, which require

approvals and special reporting. For this purpose, the Audit Committee of the Board of Directors has established yardsticks concerning transactions between the Bank and interested parties in the Bank, according to which decision would be made as to what transactions shall be brought for approval of the Audit Committee, which duty is to decide whether it is an irregular transaction that requires special approvals.

In addition, the Bank acts according to the provisions of Proper Conduct of Banking Business Directive No. 312, in the matter of related parties, which sets requirements regarding obtaining approval of the Audit Committee for transactions between the Bank and persons related to the Bank, including transactions between the Bank and Officers of the Bank. In accordance with this Directive, the Audit Committee is required to confirm that the terms of these transactions do not deviate from market terms of similar transactions that the Bank enters into with other parties.

It is noted that on July 15, 2014, the Supervisor of Banks issued an amendment to the instruction, which imposed stricter limitations on banking corporations with respect to transactions with related persons.

The process of appointment of directors

The appointment of members of the Bank's Board of Directors is made by the general meeting of shareholders, and everything according to the provisions of the law applying to the Bank as a public company and as a banking corporation and in accordance with the Bank's articles. These provisions determine special qualifying conditions regarding the qualifications and experience requires from whoever acts as director of a banking corporation. According to the Banking Ordinance the Supervisor of Banks has to be informed in advance of the intention to appoint a director, and the Supervisor has the authority to oppose such an appointment.

The Bank is a banking corporation without a core controlling interest, subject to special instructions regarding the appointment of directors, their tenure and termination of office. In accordance with these instructions, voting on the appointment of directors shall take place only at the annual meeting of shareholders or at a meeting of shareholders convened with the approval of the Supervisor of Banks; period of office of a director who is not an external director is limited to three years, and nine years on a cumulative basis, of the period of office of such a director; the number of directors who are to be replaced in each year shall not exceed one half of the number of the acting directors.

Amendment to the Proper Conduct of Banking Business Directive No. 301 - "Board of Directors". On May 26, 2014, the Supervisor of Banks published an amendment to the Proper Conduct of Banking Business Directive No. 301 - "Board of Directors", according to which, among other things, the Supervisor of Banks was, empowered to determine

instructions regarding the gradual increase in the number of directors of a banking corporation that had become a banking corporation having no core controlling interest, until the number of fifteen is reached. In his letter dated June 25, 2014, the Supervisor of Banks informed the Bank, that by the power vested in him as stated, he approves a gradual increase of one additional Director for each of the next three annual general meetings of shareholders in 2014-2016.

According to the Banking Act (Licensing), 1981 (hereinafter: "the Banking Act"), a statutory committee was established for the appointment of directors in a banking corporation not having a core controlling interest, the duty of which is to propose to the general meeting of shareholders candidates for office as directors, in a number equal to the number of open positions on the board of directors plus one more candidate of each class.

In the case of a banking corporation not having a core controlling interest, candidates for office as directors are proposed to the general meeting of shareholders by the committee as well as by anyone holding more than two and one half percent of a certain class of means of control in the corporation, and by a group of holders numbering two or three holders, each one of them holding over one percent and not more than two and one half percent, and together not less than two and one half percent and not more than five percent, of a certain class of means of control (hereinafter: "group of holders").

The Bank's articles have been amended following the amendment of the Banking Act and the Banking Ordinance, in order to modify them to the possibility that the Bank would operate as a banking corporation having no core controlling interest.

On June 29, 2014, a special meeting of the Bank's shareholders approved the amendment of the Bank's articles with respect to the appointment, office and termination of office of the Bank's Directors, on the background of the Bank becoming a bank without a core controlling interest, as detailed in the immediate reports dated May 13, 2014 and June 29, 2014.

The amendment states that the period of office of a Director would be three years from date of appointment, instead of an annual appointment. Concurrently, it has been determined, that the provisions of the amended regulation shall not apply to Directors officiating at the Bank immediately prior to its becoming a banking corporation having no core controlling interest. The amendment also states that notwithstanding anything stated in any rule of the Bank's articles and subject to any legislation, no more than one half of the Board members who officiated immediately subsequent to a prior general meeting of shareholders may be replaced in a general meeting of shareholders, unless the approval of the Supervisor of Banks is obtained in respect thereof.

In his letter of June 25, 2014, the Supervisor of Banks informed the Bank that he is approving, by virtue of his powers under Section 11E(a)(5) of the Banking Ordinance, the replacement – at the 2014 annual meeting of the shareholders – of more than half of the directors serving at a proximate date subsequent to the preceding annual meeting, whereby the number of vacant positions for service on the Bank's Board of Directors will be eight (including the addition of a director – see above).

The Bank's annual general meeting of shareholders held on October 2, 2014, it has been decided to appoint eight out of the ten candidates proposed by the committee, as stated.

The Bank's Management

The President & CEO

The Bank's Board of Directors has the authority to appoint the President & CEO, and is responsible for supervising and evaluating the performance of the President & CEO.

Members of the Bank's Management

Appointment of members of Management is made by the President and CEO, subject to approval of the Board of Directors.

Details regarding members of management

The age distribution of members of the Bank's Management¹³ is as follows: 7 members are aged between forty-two and fifty years and 4 members are aged between fifty and sixty years. At a gender aspect, the Bank's Management is composed of 7 male members and 4 female members.

For additional details regarding the Bank's members of Management, see the 2014 Annual Report (pp. 295–297)¹⁴.

¹³ The data regarding members of Management is as of March 9, 2015.

¹⁴ The data regarding members of the Bank's Management appearing in the 2014 annual report, is up-to-date as of a date proximate to the date of publication of the report (March 9, 2015).

Relation between the remuneration of Directors and Management and performance of the Bank

Remuneration of Directors (excluding the Chairman of the Board)

Directors' remuneration, excluding the chairman of the board, is determined in accordance with the rules applying to external directors. The amounts of the remuneration are in accordance with the maximum amount determined in the regulations for an external director who is not an expert external director, though most of the Board members have been defined as having accounting and financial expertise.

The remuneration is composed of a fixed annual amount with the addition of remuneration for participation in each meeting of the Board or of one of the committees of the Board. The remuneration does not include any component relating to the performance of the Bank.

The Amendment to Proper Conduct of Banking Business Directive No. 301A on the matter of the remuneration policy in a banking corporation, dated August 2015, states that the remuneration of all members of a board of directors, including the chairman, will be a fixed amount only. It is further stated that the remuneration of the chairman of the board shall be determined in relation to the manner of remuneration of the members of the board of directors, the complexity of the operations and the scope of the office of the chairman of the board.

The provisions of the Amendment shall apply to new remuneration agreements, including the extension or change of an existing remuneration agreement beginning with the date of publication of the Directive, as well as to existing remuneration agreements no later than December 31, 2017.

Remuneration plan for the Chairman of the Board and the President & CEO

Remuneration plan for the Chairman of the Board and for the former President & CEO.

Remuneration plan for the Chairman of the Board and for the President & CEO who held office until February 19, 2014 (hereinafter: the former President & CEO) have been determined for five year periods (beginning on January 3, 2010 and January 1, 2011, respectively). The plans included salary, annual award and remuneration derived from performance of the Bank's shares of the phantom type.

The annual award was computed on the basis of three quantitative indices based on the performance of the Bank (the actual return on risk assets, efficiency ratios and operating and other income) and on a qualitative index.

The qualitative evaluation grading was considered as an average of the grades determined by all members of the Bank's Board, marked in a questionnaire completed by each of them in accordance with the said grading scale and in accordance with the following criteria, and was subject for approval of the Audit Committee and of the Bank's Board of Directors.

The criteria on the basis of which the said qualitative evaluation grading was determined, were the contribution made by the Chairman of the Board to supervision and control in areas concerning corporate governance, directives of the Supervisor of Banks (including directives in the matter of "Basel II"), internal audit and audit reports of Regulators (such as the Bank of Israel and the Israel Securities Authority), operational risks and control of risk levels of the Bank's Group; or the contribution made by the President & CEO in respect of the formation of goals and of leadership, advancement and implementation of processes and their realization in the said areas, respectively.

In June 2014, the Chairman of the Board announced the waiver of the award to which he was entitled in respect of the year 2013, in a total amount of NIS 2.16 million.

As stated above, the engagement agreement with the Chairman of the Board was about to expire on January 3, 2015. The Bank's annual meeting of shareholders held on October 2, 2014, approved the terms of office and employment of the Chairman of the Board, which do not include the variable remuneration components.

The terms of office and employment preserve the fixed remuneration and termination arrangements for the employment of the Chairman, in accordance with the terms of the previous employment agreement, subject to changes resulting from new instructions applying to the Bank and from the Bank's remuneration policy (and with the addition of a thirteenth month salary, similarly to other groups of employees at the Bank).

For further details see Note 13 D (1) and Note 22 F, G and I to the 2014 Annual Report (pp. 427-428, 499-503, 505-506). In addition, see immediate report dated January 7, 2014.

The terms of office and employment of the Bank's President & CEO. A special meeting of the Bank's shareholders, held on February 17, 2014, resolved to approve in accordance with the remuneration policy for the Bank's officers (see hereunder), which had been approved by the said meeting, the terms of office and employment of the Bank's incoming President & CEO, after these had been approved by the Board of Directors and the Remuneration Committee for a period of five years since the date on which the tenure of office begins (February 19, 2014).

The remuneration plan includes, among other, awards of different types, including the annual award that was computed on the basis of five indices, having identical weight, which are based upon the Bank's performance and upon a qualitative index based upon an evaluation of the functioning of the President & CEO by the Board of Directors, and

a current award, the entitlement to which is conditional upon two minimum quantitative conditions, based on the performance of the Bank (the core capital adequacy ratio and the efficiency ratio), and upon a minimum condition based on the evaluation of performance, as stated.

For additional details, see Note 22 F and H to the financial statements as of December 31, 2014 (pp. 499–500 and pp. 503–505). In addition, see immediate report dated January 7, 2014.

Remuneration plan for the vice presidents

Remuneration policy for officers of the Bank (2014-2016). A special meeting of the Bank's shareholders, held on February 17, 2014, resolved to approve the remuneration policy for officers of the Bank, and in accordance with Section 267A of the Companies Act, 1999, after its approval by the Board of Directors with the recommendation of the Remuneration Committee. Among other things, the plan includes the following components: the maximum monthly salary and the considerations in determining it; the scope of severance pay, which as a general rule will be based on a rate of 100% of the monthly salary; period of early notice, not to exceed four months; adaptation award in a total of up to six monthly salaries, where the engagement terminates within a period of up to two years from inception, and up to four monthly salaries following the end of two years, as stated; the payment of variable retirement terms that would be subject to deferred payment arrangements; the payment of a recruitment award in special cases; related terms and limitations thereon; annual award plan for officers, subject to attaining determined minimum targets. The scope of the annual award to officers shall be based upon attaining group indices and personal indices reflecting the contribution of the officer towards achieving the goals of the Bank, upon a basic award component and a discretionary award component. Special instructions have been determined, within the framework of the remuneration policy, with respect to the remuneration of officers engaged in risk management, control and audit. Within the framework of the policy, the maximum total amount of awards to all officers together and to each one of the officers has been determined, also included is the possibility for the distribution of special awards: award in respect of special profits or losses (positive or negative award), an award for special contribution and an award in special circumstances.

In the framework of the policy arrangements for the spreading of the annual award were determined, including - a cash payment of 50% of the total awards granted in respect of an award year, to be made soon after the publication of the Bank's financial statements for the award year, and deferment of the remaining 50% to be paid in three equal installments over the three years following the entitlement date, and which would be linked to changes in the price of the Bank's shares.

The principles detailed in the remuneration plan shall apply to the terms of office and employment of officers of the Bank, to be approved as from the date of approval of the remuneration policy. In no way does the remuneration policy derogate from the engagement and/or other rights of officers relating to their office and employment with the Bank, existing at date of approval of the policy.

The approved remuneration policy shall not directly apply to the terms of office and employment of officers of the Bank's subsidiaries. Notwithstanding, the principles of the Bank's remuneration policy shall be adopted as part of the Group's remuneration policy, which shall apply, with the required adjustments, to officers of the Bank's subsidiaries in Israel.

It is noted, that the Companies Act (Section 267A) states, among other things, that the majority of voting in a general meeting of shareholders, which has to approve the remuneration policy for senior officers, shall include the majority of votes of shareholders participating in the meeting, who are not the controlling shareholders in the company or who do not have a personal interest in the approval of the remuneration policy.

Award plan for members of Bank's Management and for the Internal Auditor (2015-2016).

On February 2, 2015, the Bank's Board of Directors received the recommendation of the remuneration committee and approved the award plan for members of Management and for the Internal Auditor for the years 2015-2016 ("the plan"), which agrees with the principles stated in the remuneration policy. The Board of Directors received the recommendations of the remuneration committee and approved also the targets for the purpose of the awards at the Bank for the said years. For details regarding the award plan and its terms, see the 2014 Annual Report (pp. 446- 451). For additional details regarding remuneration at the Bank, both qualitative and quantitative, see the document "Additional disclosure according to the third Pillar of Basel", which is available for perusal on the MAGNA website of the Israeli Securities Authority, on the MAYA website of the Tel Aviv Stock Exchange Ltd. and on the Bank's website.

The annual award in respect of 2014. The Bank's Board of Directors has decided that no award to officers of the Bank shall be paid for the year 2014.

The actual remuneration for 2014 of Board members, the president & CEO and of members of Management was in accordance with the plans and mechanism described above.

For details regarding the remuneration policy, including the remuneration policy with respect to officers of the Bank, see Chapter 4 below.

A mechanism for the reimbursement of variable remuneration. The Amendment to Proper Conduct of Banking Business Directive No. 301A on the matter of remuneration policy published by the Supervisor of Banks in August 2015, states that a variable remuneration awarded to a key employee, shall be subject to the obligation of reimbursement in exceptional circumstances where the employee was involved in activity causing exceptional damage to the corporation, including: unlawful activity, violation of fiduciary duty, deliberate violation or gross negligible disregard of the policy of the banking corporation, its rules and procedures, fraud or deliberate inappropriate conduct, which caused the restatement of data in the financial statements. A banking corporation has to determine criteria for the operation of the remuneration reimbursement mechanism and take all reasonable measures, including legal measures, for the reimbursement of the variable remuneration, where all criteria for such reimbursement exist. The period for reimbursement is five years from the date of the award of the variable remuneration ("the reimbursement period"), which may be extended for two additional years in the case of an officer, where during the reimbursement period an internal or external investigation has been initiated, which might activate the reimbursement mechanism.

The provisions of the Amendment on the matter of the reimbursement of variable compensation shall apply to new remuneration agreements, including the extension or change of an existing remuneration agreement, with effect from the date of the publication of the Directive, as well as to existing compensation agreements no later than December 31, 2017.

Principal control functions

The Internal Audit

The Bank's Internal Auditor is Mr. Nir Abel, CPA (Isr.), who assumed office on May 18, 2011. The Chairman of the Board of Directors is the organizational entity in charge of the Internal Auditor.

The internal audit operates according to an annual and multi-annual work plan, focused on risks, which was designed on the basis of an overall risk survey, conducted according to new and accepted methodologies, and was influenced by local and international guidelines (including Basel, SOX, COSO and Proper Conduct of Banking Business Directive No. 307 regarding the internal audit function).

The Internal audit is a function having Group responsibility and therefore emphasis is put upon the existence of interfaces in the fields of methodology, approval of work plans, etc., with the subsidiary companies that have their own internal audit units.

The internal audit is carried out according to the provisions of the Internal Audit Law, 1992, and of the Proper Conduct of Banking Business Directive No. 307 in the matter of "Internal audit function".

For further details regarding the internal audit at the Discount Group, see the 2014 Annual Report (pp. 269–272).

Risk Management Group

The Chief Risk Officer is Mr. Yair Avidan who took office on June 9, 2010 and heads the Risk Management Group. The Chief Risk Officer is a member of the Management who reports to the President & CEO independently from the business lines that create the risk. The Chief Risk Officer is required also to assist the Board of Directors in fulfilling its duties regarding risk management, and he has full access to the Board of Directors and to the Board's Risk Management Committee. The Chief Risk Officer is responsible for the management of all risks at the Bank and the Group, within the framework of the second defense line.

Risk management has been defined by the Bank as a function having Group responsibility. Accordingly, emphasis is being put on tightening the interfaces with the subsidiaries and the overseas extensions and on the guidance provided to them regarding the adoption of processes and tools according to methodologies determined by the parent company, with the required adjustments.

Among the main tasks of the group: identification and correct evaluation of the exposures; verification of capital adequacy, ensuring the long-term stability of the Group, taking into consideration, among other things, changes in exposures and in the business and regulatory environment and for compliance with risk appetite as determined by the Board of Directors; involvement in material processes of decision making, such as providing a second opinion on credit applications and on investments that involve a material credit exposure and approval of ratings, classifications and allowances and in strategic processes, such as the planning of capital, with the aim of verifying the integration of risk management aspects in these processes and the examination of their effect on the risk profile at the Bank and the Group; current reporting to the Management, to the Board of Directors and to committees of these organs.

The Risk Management Group combines under it the independent functions of risk management, comprising the units managing credit risks, market and liquidity risks, operational risk, including business continuity risks and fraud and embezzlement risks, as well as compliance risk and prohibition of money laundering and finance of terror risks, IT risks, including cyber risks, model risks.

The managers of the risk management units operate, as stated, as the second line of defense and conduct a variety of processes for the measurement, evaluation and control of risk and the development of methodologies. In addition, the Chief Risk Officer is responsible for control functions, including the credit controller, second opinion units regarding credit applications, as well as supervision and evaluation function, which conducts supervision and control procedures over subsidiaries and overseas extensions, as well as the overall risk assessment processes, including management of the annual Internal Capital Adequacy Assessment Process (ICAAP). Furthermore, an information system unit operates within the framework of the layout, providing support for the promotion and management of risk management systems, including the work desk system for the Chief Risk Officer.

For further details regarding the risk management at the Discount Group, see 2014 Annual Report (pp. 127-185).

The Discount code of ethics

The Code of Ethics of Discount Bank was formed in 2004. During the years 2013-2014, the Bank updated and modified the Code in accordance with standards developed in this field in Israel and around the world. These standards focus on social and environmental responsibility, the prevention of bribery and corruption and the protection of employees raising ethical issues.

The Bank's Board of Directors and Management see great importance in the absorption of the Code and turning it into an integral part of the culture of the organization.

The executive in charge of ethics at the Bank is Ms. Yafit Gariani, member of Management and - Executive Vice President, Head of the Human Resources and Properties Division.

Operating together with her is the Ethics Committee, whose responsibility is to form a policy in the matter of ethics, monitor the absorption processes and deal with dilemmas and ethical issues. The Ethics Committee is comprised of representatives of the Bank's units.

The absorption processes integrate courseware, the designated Intranet site, which contains a collection of dilemmas and extended information regarding organizational

ethics, integration of ethical dilemmas with professional and managerial qualification processes, and more. An extensive absorption process of the updated Code was undertaken in 2015, through courseware distributed to all Bank employees. The reporting mechanisms are an anonymous telephone line and forms addressed to the Ethics Committee also for consulting purposes.

The Code of Ethics is available for perusal on the Bank's website.

Corporate Governance Code for the Discount Group

The corporate governance code, approved by the Bank's Board of Directors on October 28, 2009, reflects the implementation of a "best practice" policy in the corporate governance field. The code is based on the provisions of the law and various regulations applying to the Bank in the corporate governance field.

The Bank's Board of Directors approved in January 2012 a work procedure vis-à-vis the subsidiary companies, which is designed to regulate the interfaces between the Bank and its subsidiaries, with a view of preparing an infrastructure for management on a group level, and determine a work format for the supervision and control over the activities of subsidiary companies by the parent company.

Within the framework of the work procedure vis-à-vis the subsidiary companies, supervision and control mechanisms have been set, which are designed to assure the proper and effective operation of the Discount group including with respect to the following items: activity and transactions with related parties; supervision by the Bank's Board of Directors over companies in the Group; reorganization and structural changes; the formation of a group risk management policy regarding various areas.

In addition, the Bank's Board of Directors has determined a procedure for the approval of transactions with interested parties in the Bank, which regulates the process of identification and approval of transactions between the Bank and/or subsidiary companies controlled by the Bank and interested parties in the Bank, which require special approvals and reporting. Among other things, the procedure determines that transactions between the controlling entities of the Bank and subsidiary companies are to be approved in accordance with procedures enacted in Israeli laws with respect to the approval of transactions with the Bank itself.

The Code was discussed by the Board of Directors in September 2014, and updates of the document were approved. The updated document is available for review on the Bank's website.

Corporate governance questionnaire

Starting with the annual report for 2012, reporting corporations in Israel publish a corporate governance questionnaire, in the recommended format published by the Israel Securities Authority. The Bank's corporate governance report for 2014 presents extensive information regarding the corporate governance at the Bank.

The Bank's corporate governance report for 2014 is available for review on the MAGNA website of the Israeli Securities Authority and on the MAYA website of the Tel Aviv Stock Exchange Ltd. together with the Bank's 2014 Annual Report.

Prevention of bribery, fraud and embezzlement

The corporate governance code of the Discount group states as follows: "The Board of Directors is responsible for setting high standards of conduct, designed to promote professional conduct and honesty, and for the integration thereof throughout the organization".

Fraud and embezzlement risks

As a financial corporation, the Bank holds funds and financial assets of its customers. In operations of this nature, the most basic condition for conducting business is the trust which customers feel towards the Bank. Hence the importance of management of fraud and embezzlement risks.

The management of fraud and embezzlement risks is conducted by the Discount Group as part of the operating risk management. Management of the risk is achieved by three lines of defense:

First line of defense - business units. The Bank and the Group prepare operating risk surveys on a current and dynamic basis and maintain, as a routine matter, the operating risk maps by means of a designated operating risk management system. Each risk center manager is responsible for the evaluation of the risks inherent in the operations of his unit. The risk maps contain, among other things, also embezzlement and fraud risks.

An independent control unit operates at each division or group, which serves as a first line of defense and partly activates control systems for the spotting of suspected activity.

Second line of defense - risk management group. The risk management group in its role as the second line of defense, determines the operating risk management policy, which includes a designated chapter regarding the management of embezzlement and fraud

risks. The policy defines the manner of management, monitoring, lowering and reporting of such risks. Furthermore, the risk management group challenges the evaluation of the risk in accordance with the determined methodology, where each risk is awarded a rating according to parameters evaluated by the risk center manager. The operating risk management department has established a designated unit: the embezzlement and fraud risk management unit, among the duties of which are: increasing awareness of this issue, etc. The unit is also engaged in the current monitoring of irregular transactions, reporting them, where required, to the internal audit group.

Third line of defense - internal audit. Internal audit as the third control circle, examines the risk surveys and the manner of challenging them, as well as examines the effectiveness of controls. Clear procedures and guidelines have been established as regards the manner of reporting of events suspected of embezzlement. In this respect, a "hot line" to the internal audit is being used, by which Bank employees report suspected/irregular events. As part of this process, the internal audit performs an extensive examination, which includes the issue of an audit report, and where required submitting the case to the disciplinary committee.

It is noted, that in addition to the examinations made following reports being received, the second and third control circles carry out initiated current examinations in order to monitor irregular transactions.

In cases where irregular activities are found or suspicion of actions contrary to employee work procedures, treatment of the case is conducted by the Disciplinary Committee, which may decide on termination of employment, reprimand, removal from office, transfer from the unit, etc. In 2014, following such measures, the employment of 14 employees was terminated (2013 - 12 employees).

Seminars and designated lectures are being held in order to increase awareness to embezzlement and fraud risk management. Designated forums are also being held in which dialogues and professional brainstorming are conducted as well as a current dialogue being part of the work routine between the risk management group and the business divisions, mainly by means of the divisional risk controller. During 2014, courseware and various clips were distributed in the matter of embezzlement and fraud in the data protection field, administrative enforcement, security, etc., and fourteen designated tuition sessions were held by the risk management group at managers' forums in order to increase awareness to embezzlement and fraud risks.

In the years 2012-2014, discussions were held by the Bank's Management concerning embezzlement and fraud risks at the Bank and at the Group, including presentation of statistical data relating to Israel, to the world at large and to the Bank in particular, such as: the amount of risks, the level of risks and sensitivity areas.

Additional means for the prevention of bribery, fraud and embezzlement

As part of the combat against bribery, fraud and embezzlement, the Bank has integrated different procedures, among which are procedures prohibiting the receipt of gifts by employees from parties with whom they maintain relations within the framework of their work.

The payment procedures at the Bank involve strict approval and control procedures. Donations are approved by an internal committee (donation committee), and in respect of each donation, an examination is performed regarding the substance of the receiving association, its objects and as to whether it has all the required approvals.

For additional details, see below in "Compliance with laws and regulations".

Additional Ethical Aspects

Compliance with laws and regulations

Within the corporate governance code of the Discount Group, it has been determined that the Board of Directors is responsible for prescribing high standards of conduct, designed to enhance professional conduct and integrity and to integrate them throughout the organization. The Bank acts and will act in accordance with an ethical code intended to protect the values of the Bank and to determine proper standards of behavior and a fair and transparent conduct with respect to the customers.

It has also been determined that the Board of Directors and Management are responsible for the protection of employees who report illegal or unethical actions or such that might impair integrity, against disciplinary actions or other negative implications in their respect.

Discount Bank strictly manages its business in a legal and proper manner, diligently complying with the provisions of the law in all its activities. The Bank acts in accordance with a detailed set of procedures intended to enforce compliance with the various legal and regulatory requirements. The procedures of the Bank are being updated from time to time in accordance with legislation and regulatory instructions. At the same time, if required, the systems supporting operations are also updated and employee training and absorption activities are being conducted. The ethical code adopted by the Bank includes a declaration regarding the commitment to comply in letter and spirit of the provisions of any law, regulatory guidelines and procedures of the Bank.

As part of the training program for the familiarization with the Bank, each employee undergoes training in matters of ethics, which, among other things deals with various aspects of normative-ethical conduct.

The Legal Advisory Group at the Bank assists in the implementation of the duties applying to the Bank, by interpretation of the law and by legal counseling in the course of the current business activity. The provisions of the law and procedures are also being enforced on an ongoing basis by the various control and supervisory systems, which are intended to ensure compliance with the provisions of the law and regulations applying to the Bank.

According to the Bank of Israel instructions, a Chief Compliance Officer has been appointed at the Bank, whose duties are to verify compliance both to legislation and regulation requirements in respect of bank-customer relations (consumer instructions) and in respect of prohibition of money laundering and the finance of terror activities. Among other things, the Chief Compliance Officer examines and verifies the preparation of the Bank for any new activity concerning customer service, from the aspect of verifying the adherence to the consumer instructions, and concerning prohibition of money laundering. The Chief Compliance Officer also The chief compliance officer monitors the rectification of different deficiencies found in matters of compliance, in order to avoid their recurrence in matters of compliance in order to prevent their repetition, monitors audit reports and customer complaints which are brought to his attention, identifying across the board deficiencies. As from January 1, 2016, compliance risk management would be performed in an overall manner covering all regulatory instructions applying to the Bank, and not only instructions having bank-customer relations aspects.

It is noted that the first line of defense ("the first circle") at the business divisions operates a group of compliance officers/trustees, which assist in verifying the implementation of the consumer regulation instructions and the prohibition of money laundering, and comprises a know-how center as well as performs training in the field.

In addition, the Bank's internal audit group performs audits at the Bank's units and across the board audits, within the framework of which, among other things, integrity, compliance with the law and compliance with directives of the Bank of Israel and with procedures determined by the Bank, examined. In addition, the Internal Audit Group also examines the performance of the factors at the Bank entrusted with the supervision over compliance with the law.

"Whistle blowing" mechanism. At the end of 2011, a "hot-line" was installed at the Internal Audit Group for use of anonymous approaches, and a circular was issued in this respect to all employees. The circular stated that the internal audit would ensure that the identity of the complainant would not be exposed without his

permission, unless it is required by the Court. The circular also clarified that the Bank's Management shall not permit employment of any measures against employees whose complaint had been submitted bona fide.

The "hot-line" is intended for approaches regarding the following matters: suspicion of fraud and embezzlement; concern regarding improper accounting operations; suspicion of violation of the law; material deviation from Bank procedures. At the end of 2012, the manner of reporting and treatment of complaints concerning financial irregularities has been established in the internal audit procedures.

A report concerning complaints received through the "hotline" is submitted to the Audit Committee of the Board of Directors.

Prohibition of money laundering and the finance of terror

The Bank acts towards complying with whatever is required under the Prevention of Money Laundering Law and the Prevention of Finance of Terror Law and the Regulations enacted under these laws. The Bank further acts towards the absorption of the directives relating to money laundering and the finance of terror by Bank employees. For this purpose, the Bank invests resources for the updating and development of systems supporting the fulfillment of the provisions of the law.

The subject of money laundering and the finance of terror have turned in recent years into one of the most significant enforcement and prevention subjects in international legislation and regulation in the matter is changing and developing, intensifying the requirements for monitoring, supervision and follow up.

Work procedures are being updated on a regular basis. Concurrently, within the framework of integrating this subject into the compliance culture of the Bank, the Bank holds training and learning sessions for employees by means of frontal studies in the "field", computerized courseware made available to the branches and Head Office units, knowledge tests, enrichment films and case studies. Employees are also exposed to updated information via the Intra-net site.

In addition, the Bank uses control and supervisory tools for the monitoring of irregular transactions and for the fulfillment of the duties imposed upon the Bank according to the law.

Fines

No fines in material amounts and no non-monetary sanctions were imposed on the Bank during 2014 with respect to non-compliance with laws and regulations.

Vision and Values

The shaping principles of the Bank

The shaping principles are designed to guide the Bank in determining its vision and strategy, including in the actual implementation of the strategy, with the aim of effecting a breakthrough and differentiation in the local banking system.

The shaping principles are as follows:

- Focus on the customer, it's family and their needs, becoming a leader in personal, people-oriented and professional service.
- Development of the excellence of the human resource, employees and managers, which is key to the Bank's success, including encouraging the employees to show initiative, creativity and innovation.
- Management by goals, motivating action and success.
- Long-term stability and profitability.
- Involvement with and commitment to the community both as an organization and as individuals.

The strategic vision

Following the determination of the shaping principles, and in their light, the strategic vision for leadership and distinction in the banking industry has been determined:

- Discount Bank is the leading bank in Israel in providing an all-inclusive financial solution to its customers, personally and professionally, while placing emphasis on people-oriented service and focusing on the needs on the customer and its family, and is the first choice of every family in Israel.
- Increasing the return on the Bank's equity while focusing on growth in the households and small businesses segment, alongside increasing organizational efficiency and focusing of the resources on improving the service and experience of the Bank's customers.

Market identity

- Discount Bank is the best bank for families in Israel, and is a leader in providing a personal, people-oriented service experience, which is based on listening to and understanding the customers' needs.

Core values

The core values are fundamental values characterizing Discount Bank and its employees:

- **Love of mankind - awareness of humanity, tolerance and attentiveness as principles expressing mutual esteem and respect in personal relations.** The love of mankind itself is expressed in the Bank and its employees putting the customer in the center of their activity, in the relations with colleagues at work and in the importance attributed by the Bank and its employees to work for the community, of which they form a part.
- **Professionalism - professional qualifications, know-how and experience based on a constant process of learning and improvement.** As leaders of banking combined with people-orientation, the Bank and its employees cultivate qualifications and know-how in the best manner, strive for excellence and adopt valued principles of conduct as an integral part of professionalism.
- **Integrity - personal honesty, integrity and innocence and action in the light of principles of fairness, reliability and transparency.** Integrity reflects the human quality of the professional, and as a financial institution, the Bank and its employees are committed to it in their relations with external and internal customers, in order to be worthy of their trust and provide them with the service they expect.
- **Initiative - awaking to a new activity that attains its goals and realizes targets.** Constant initiative, both organizational and personal, is one of the cornerstones of a business organization in modern times, which operates in a competitive, dynamic and changing environment. Showing initiative in service, attentiveness to changes and the courage to be innovative in all areas of activity, are the factors that guide and differentiate Discount Bank and its employees from their competitors, and cause customers of the Bank to choose the "Discounters" as their bankers.
- **Commitment - identification with the way and its targets and adoption of which as a way of life.** The belonging to the "Discount family" expresses the commitment of employees of the Bank to act towards the realization of the values of the Bank and its vision. This commitment is reflected in the involvement and concern and in accepting personal and mutual responsibility for the success of the Bank and its employees.

In 2016 the Bank intends to update the vision and values in accordance with the spirit of the Bank and its new values

Financial and economic profile

Strengthening of the Israeli economy

The Bank maintains daily relations with the local business community and its members. The Bank is also positioned in the meeting point of those wishing to save or deposit funds and those who wish to draw money for investment and development of their business. Due to the Bank being a leading bank in the economy, which constantly provides a variety of financial and investment solutions to business entities and to various sectors of customers.

(Presented hereunder are principal financial data of the Bank, including data regarding profitability, certain balance sheet data, principal financial ratios and data regarding the market share of the Bank).

Economic value produced by the Bank

The economic value produced by the Bank results from its being a large economic entity, one of the five major banking groups in Israel. The Bank's operations and its business results create value for its shareholders. The Bank's activity as a leading financial institution creates, as stated, value for the Israeli economy. The Bank pays taxes to the authorities as prescribed by law, employs a large staff and thus contributes to the livelihood of many families. The Bank purchases services and products in a substantial volume, most of which in the local market.

Hereinafter ("Economic performance indices") are presented central data regarding the added value created by the Discount Group and regarding the economic values of the Group.

Government Support

The Bank does not receive Government support.

Indirect financial impacts

The Bank is acting towards promoting various benefits for the benefit of the public. Among the services for the benefit of the public may be mentioned the extensive activity with regard to financial education (see Chapter 3 below) and the establishment and operation of the Hertzeliinblum Museum (see Chapter 5 below).

In addition, some of the Bank's measures in the field of employee recruitment, are intended for the empowerment of certain populations and to increase their

participation in the labor market. The Bank acts to promote the employment of women from the ultra-orthodox sector (see Chapter 4 below), as well as employment of special needs personnel and girls at risk (see Chapter 5 below).

The Bank Group offers services to customers by means of a widespread branch network in the various regions of the country. This branch network contributes both to the availability of financial services in peripheral areas in the country (alongside a variety of online banking services) and to employment in these areas. The Group specializes in providing services to the non-Jewish population and to the ultra-orthodox Jewish population by means of Mercantile Discount Bank. (See Chapter 3 below, "A wide disposition of branches - servicing a wide variety of customers").

Two additional indirect impacts worth mentioning are the Bank's investment in financial education (see Chapter 3 below) and the Bank's investment in its flag ship project in the field of contribution to the community - "Discount sprint". The project focuses on the advancement of youth at risk in peripheral areas with a view of reducing social gaps and increasing social leadership by means of education and knowledge.

The Discount Group Strategic Plan

On August 20, 2014, the Board of Directors approved the Discount Group's strategic plan for the years 2015-2019.

The plan was drawn up by the Bank's Management during the year and it is based on in-depth analysis and detailed planning work carried out at the Bank, with the assistance of an international consultancy firm.

The plan encompasses all the Discount Group's spheres of activity, taking a view of the Group's strengths and challenges. The Discount Group is a diverse and stable financial group that has core material holdings in Israel and overseas. The Group has a longstanding and loyal customer base, an extensive network of branches, service that is based on personal relationships, and devoted and professional staff.

The plan has been constructed on three central pillars - far-reaching efficiency measures, growing the retail segment and inculcating an organizational culture supporting change.

The first pillar focuses on efficiency measures and stringent management of expenses, including:

- Reducing the size of the Discount Group's workforce by more than 1,000 employees, of which some 700 by the end of 2017. This reduction depends mainly on the natural retirement of approx. 600 employees during the period of the plan, and on an early retirement plan (see 2014 Annual Report, p. 451). The plan was successfully completed: 395 employees signed a retirement agreement, of whom 381 employees have actually retired until December 31, 2014. The Group's labor force as of December 31, 2014, declined by 664 employees (on an annual basis), a decrease of 10.8% as compared with the end of the preceding year;
- Adjustments to the organizational structure, with the aim of simplifying various processes and making them more efficient, as well as shortening the customer response time. In this framework, the Dan Region Administration was closed down and the branches that had been operating under it have been subjected to other regions. The Dan Business Center was closed down and responsibility for its customers has been transferred to other business centers, in congruence with the changes in attachment of the branches;
- Reducing the Group's real estate areas (in light of, inter alia, the downsizing of the workforce). A comprehensive examination will be carried out to ensure the most efficient and effective use of the Group's real estate assets.
- Adaptation will be made to the size of the branch network and its character to the new challenges facing the Group. In the first stage it has been decided to close 10 Bank branches, including the concept "Discount Your Way" branches that are located in central shopping malls (5 "Discount your way" branches have been closed down in 2014. Furthermore, the Quarter Seventeen branch in Ashdod was merged with the Ashdod City branch);
- Savings in procurement costs and other expenses.

The second pillar in the plan focuses on long-term growth and profitability:

- Growing the retail segment, placing emphasis on private customers and small businesses, at the Bank and at its subsidiaries - Mercantile and ICC.
- Alongside the focus on the retail segment, examination of activities that are outside the core operations (for details regarding decisions in respect of the Bank's European extensions, see below "International operations");
- Strengthening the connection with the Bank's customers, by means of upgrading appropriate and useful "value" offers in a variety of distribution channels, and through implementing technological improvements and enhancing the customer experience. Emphasis will be placed on increasing the Bank's share of consumer credit;

- Accelerating the process of transferring operational functions from the branches to the back-office, so as to allow bank tellers to focus on providing personal service to the customers.

The **third pillar** is the inculcation of an organizational culture that supports change, that is customer-orientated, that is performance and excellence based, and on developing the Group's human capital and nurturing it.

In the opinion of the Bank's Management, implementation of the plan will lead to growth in the Group's profits, at an average annual double-digit rate, thereby placing the Discount Group at the forefront of the banking system in Israel by the end of the plan period.

Integration of the strategic plan. Implementation of the plan includes the start-up and execution of twenty-nine strategic projects. In this respect, an administration for the management of the change has been established responsible for the operation and implementation of assignments leading the change, the main duties of which are the coordination of the change plans, assistance in their implementation, monitoring and control of the progress made and reporting to the Management and the Board of Directors.

Forward-looking information. The main points of the strategic plan presented above include assessments that fall into the category of forward-looking information, such as the estimate of profitability, the efficiency and growth targets that have been set, and so forth. These assessments are based on the latest information and estimates available to the Bank at date of publishing the reports.

The strategic plan is based on assumptions regarding developments in the Israeli economy in the coming years, and also legislative and regulatory initiatives that are currently known, whose enactment is expected with a high degree of probability. Material changes in the state of the economy and the situation of the customer public, legislative and regulatory changes having a material effect, material changes in the competitive landscape and material changes in the security situation could have an impact on the degree to which the targets of the strategic plan are achieved. A further cause of uncertainty arises from the limited ability to accurately forecast the implications of some of the future processes and their impact on profitability.

The Bank's Financial data

General - the data in this item has been restated in respect of the retroactive implementation of the guidelines of the Supervisor of Banks regarding employee rights and regarding the capitalization of in-house software development costs (see Note 1 E 1 and 2 to the financial statements as of September 30, 2015, pp. 163-167).

Profitability

	For the year ended December 31		Rate of change in %
	2014	2013	2014 Compared to 2013
	In NIS millions		
Interest income, net	4,218	4,250	(0.8)
Credit loss expenses	164	580	(71.7)
Income before taxes	⁽¹⁾ 793	⁽¹⁾ 5,937	8.0
Provision for taxes on income	⁽¹⁾ 271	⁽¹⁾ 269	0.7
Income after taxes	⁽¹⁾ 522	⁽¹⁾ 820	(36.3)
Net income attributed to the Bank's shareholders	⁽¹⁾ 505	⁽¹⁾ 830	(39.2)
Net income attributed to Bank's shareholders -After elimination of the effect of the retirement plan and the loss on the sale of the operation of DBLA in 2014.	⁽¹⁾ 896	⁽¹⁾ 830	8.0
Comprehensive income, attributed to the Bank's shareholders	⁽¹⁾ 905	⁽¹⁾ 32	
Net earnings per one share of NIS 0.1 par value attributed to the Bank's shareholders - in NIS	⁽¹⁾ 0.48	⁽¹⁾ 0.79	
The ratio of income before taxes to total equity in %	⁽¹⁾ 6.6	⁽¹⁾ 10.8	
The ratio of income after taxes to total equity in %	⁽¹⁾ 4.4	⁽¹⁾ 8.2	
Return on equity attributed to the Bank's shareholders, in %	⁽¹⁾ 4.2	⁽¹⁾ 7.2	
Return on equity attributed to the Bank's shareholders, in % - After elimination of the effect of the retirement plan and the loss on the sale of the operation of DBLA in 2014.	⁽¹⁾ 7.4	⁽¹⁾ 7.2	

Footnote:

- (1) Restated in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights and in the matter of capitalization of software development costs, see Note 1E (1) and (2) to the condensed financial statements as of September 30, 2015 (pp.163-167).

Balance Sheet

	As at December 31		
	2014	2013	Change in %
	In NIS millions		
Total assets	⁽¹⁾ 207,185	⁽¹⁾ 200,657	3.3
Credit to the public, net	120,123	115,859	3.7
Securities	37,353	41,325	(9.6)
Deposits from the public	152,903	148,928	2.7
Equity attributed to the Bank's shareholders	⁽¹⁾ 12,599	⁽¹⁾ 11,702	7.7
Total equity	⁽¹⁾ 12,989	⁽¹⁾ 11,999	8.3

Footnote:

- (1) Restated in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights and in the matter of capitalization of software development costs, see Note 1E (1) and (2) to the condensed financial statements as of September 30, 2015 (pp.163-167).

Financial Ratios

	As at December 31	
	2014	2013
	in %	
Ratio of total equity to total assets	⁽²⁾ 6.3	⁽²⁾ 6.0
Ratio of credit loss expenses to the average balance of credit to the public	0.14	0.49
Ratio of credit to the public, net to total assets	⁽²⁾ 58.0	⁽²⁾ 57.7
Ratio of credit to the public, net to deposits from the public	⁽²⁾ 78.6	⁽²⁾ 77.8
Ratio of deposits from the public to total assets	⁽²⁾ 73.8	⁽²⁾ 74.2
Ratio of total non-interest income to operating and other expenses	⁽²⁾ 49.2	⁽²⁾ 56.5
Ratio of total non-interest income to operating and other expenses - After elimination of the effect of the retirement plan and the loss on the sale of the operation of DBLA in 2014.	⁽²⁾ 54.4	⁽²⁾ 56.5
Ratio of operating expenses to total income	⁽²⁾ 87.0	⁽²⁾ 78.1
Ratio of operating expenses to total income - After elimination of the effect of the retirement plan and the loss on the sale of the operation of DBLA in 2014.	⁽²⁾ 78.7	⁽²⁾ 78.1
Risk assets adjusted return ⁽¹⁾	⁽²⁾ 4.3	⁽²⁾ 7.8
Risk assets adjusted return ⁽¹⁾ - After elimination of the effect of the retirement plan and the loss on the sale of the operation of DBLA in 2014.	⁽²⁾ 7.6	⁽²⁾ 7.8

Footnote:

- 1) Return on core capital computed on the average balance of risk assets (December 31, 2014 - 8.5%, December 31, 2013 - 8.0%).
- 2) Restated in respect of the retroactive implementation of the guidelines of the Supervisor of Banks in the matter of employee rights and in the matter of capitalization of software development costs, see Note 1E (1) and (2) to the condensed financial statements as of September 30, 2015 (pp.163-167).

Ratio of capital to risk assets

	Basel III		Basel II
	December 31, 2014	January 1, 2014	December 31, 2013
	in %		
Ratio of common equity tier 1 to risk assets (2013: core capital ratio)	9.4	8.8	9.2
Ratio of tier 1 capital to risk assets	10.4	9.7	10.0
Ratio of total capital to risk assets	14.8	14.1	14.3

Developments in the market price of the Discount shares

	Closing price at end of the trading day		Rate of change in 2014 in %
	December 31, 2013	December 31, 2014	
Discount share	663	625	(1.3)
The Banks index	1,323.36	1,249.51	(2.6)
The TA 25 index	1,329.39	1,464.99	(4.6)
Discount market value (in NIS billions)	6.98	6.59	(1.3)

Market share

Based on data relating to the banking industry as of December 31, 2014, published by the Bank of Israel, the Discount Bank Group's share in the total of the five largest banking groups in Israel was as follows:

	December 31, 2014	December 31, 2013
	In %	
Total assets	15.6	16.1
Credit to the public, Net	14.1	14.2
Deposits from the public	15.3	15.8
Interest income, net	17.0	16.9
Total non-interest income	18.1	19.6

Economic performance indices

Following are principal data regarding the economic performance of the Bank and the added value produced by it:

	As at December 31	
	2014	2013
	in NIS million	
Salaries and related expenses	3,988	3,619
Donations and social investments ⁽¹⁾	16.4	16.5
Dividend paid to the Bank's shareholders	-	-
Interest expenses	1,518	2,572
Provision for taxes on income	324	305

Note:

(1) For details, see Chapter 5.

Following are details regarding the economic values of the Discount Group:

	As at December 31	
	2014	2013
	in NIS million	
The total economic value produced by the Group ⁽¹⁾	7,472	7,769
Total economic value distributed by the Group to its stakeholders ⁽²⁾	6,695	6,323
Total retained economic value ⁽³⁾	777	1,446

Notes:

- (1) Interest income, net (interest income less interest expenses) together with non-interest income (non-interest financing income, commissions and other income).
- (2) Operating and other expenses (including among other: salaries and related expenses, municipal tax, donations and community investments) with the addition of provisions for taxes and dividends.
- (3) The difference between the economic value produced by the Group and the economic value distributed by the Group.

Membership of organizations and external Initiatives

The Bank is a member of various organizations. Among the prominent organizations in which the Bank takes an active roll on a current basis, may be mentioned Maala Organization and the Union of Banks. In addition, the Bank joined the Global Compact initiative of the United Nations.

Maala - This is a professional parent organization of businesses that are creating changes in the area of corporate responsibility. This organization was established in 1998 and is a part of a global chain of business organizations promoting social responsibility. The Maala Organization leads processes developing and implementing strategies for corporate responsibility (business activity integrating social, environmental and ethical values) as a business approach.

The members' organization of Maala numbers today some 125 domestic and global corporations of all economic sectors, headed by the business leadership - a group of 20 leading corporations in the economy, which responded to the call to lead, within the framework of Maala, the social responsibility of the business sector in Israel, and its integration as part of management culture. The leadership group takes an active role in outlining the direction of the organization and invests in the development of the arena of social responsibility in Israel.

The Bank is a member of the business leadership group of Maala.

The Bank submits a yearly report to Maala, as part of its participation in the Maala rating (see Chapter 5 below).

Union of Banks in Israel - The Union was established in 1960 and its members are the commercial banks operating in Israel. The object of the Union is to promote the industry affairs of the banking sector in Israel. Concurrently, the Union is active in the area of public information and the publication of relevant data.

UN GLOBAL COMPACT - In September 2010, the Bank joined the Global Compact initiative of the United Nations.

The Global Compact is a strategic policy initiative by corporations which have committed to accept, support and apply within the framework of their area of influence, a set of basic values regarding human rights, standards for work and environment conditions and fight in corruption.

As part of its participation in this initiative, the Bank has declared its support of the ten universal principles of this initiative and its commitment to turn the Global Compact and its principles into a part of the Bank's strategy, organizational culture and daily operations.

The Bank submits to the Global Compact initiative a yearly progress report. The social responsibility report for 2013 comprised a progress report for 2013, while this report comprises a progress report for 2014.

The Israeli Society for Human Resources Management - The Society was founded in 2004 with the aim of advancing and developing the profession of human resources in Israel as a factor which influences the business activity of organizations. The Society acts toward the advancement and development of those engaged in human resources and the formation of a supporting human resources community for all its members - through the holding of professional conferences, excellence competitions in human resources projects, development and management of the index for professionalism in human resources, study meetings, professional visits to various organizations, traineeship for novice human resources managers and public involvement in human resources legislation matters.

34 human resources officers of the Bank are authorized members of the Society. Discount Bank is the first bank and the second organization in Israel, which Human Resources Group has been awarded an organizational qualification by the Association (as from January 28, 2014).

In addition, the Bank reports matters related to social responsibility to the following entities and initiatives:

Reporting to the CDP Initiative - report of the Bank concerning its action in respect of the measurement of the volume of greenhouse gases emission and the reduction thereof, as part of its commitment to reduce the effects of climate changes. The last report was submitted in September 2014, voluntary annual report.

Reporting to investors through "EIRIS" (Ethical Investment Research Services) and FTSE4Good - an external review of all published reports of the Bank to its investors in a condensed format, and its future action for their improvement in matters of corporate responsibility. EIRIS and FTSE4Good are forming the evaluation of the corporate responsibility performance of the Bank, for responsible investors around the world.

Reporting to the Ministry of Environmental Protection regarding emission of greenhouse gases - a comprehensive annual report, voluntarily prepared at present, and which reviews emission of greenhouse gases by the Bank and measures taken to reduce them. The report in 2014 was submitted in June 2014.

Commendations and prizes

"Adif" rating. At the "Adif" conference for 2014, the Bank has been elected, for the fourth consecutive year, as a leader in the pension consulting layout category of the banks, within the framework of the annual election rating of the insurance, pension and finance media reporters and the readers of "Adif".

The Minister of Immigration and Absorption Plaque granted to the Technologies Division. In January 2014, the said Plaque was granted to the Bank's Technologies Division, in appreciation of the voluntary work of the Division's employee at the children house "A Place in the Heart" for children from Ethiopia at the Jaffa community center. For details regarding the adoption of the "A place in the Heart" Association, see Chapter 5 below.

Discount Bank was named in 2014 as a superbrand in Israel. The aim of the International Superbrands Organization is to identify and name in each country the brands that have demonstrated brand and marketing excellence in the local market. The Organization is active in some seventy countries around the world. Since 2009, the Organization is also active in Israel.

How are the super brands elected? After compiling a list of all brands active in Israel in the preceding year, the brands have been rated by some 117 leading CEO's and marketing VP's, who acted as a professional referee team. At the next stage, 804 brands attaining the highest marks have undergone a consumer research. The research was conducted by the research company MarketWatch in accordance with the research methodology of the Superbrands Organization worldwide. Thus, in fact, it is the consumers who have decided which are the superbrands in Israel.

Discount Bank was named in 2014 as a superbrand in Israel for the second consecutive year.

The MF System team of the Bank's Technologies and Operations Division received in July 2014 an excellence prize awarded by the MF Union of IBM and MF users and from the IBM Corporation. The prize was awarded in honor of fifty years of MF in the State of Israel.

Rating in social responsibility fields. For details regarding the rating by Maala and the BDI rating (100 companies with the best working conditions), see the end of Chapter 5 below.

The Bank did not receive monetary prizes in 2014.

68	General policy
69	Retail Customers - household segment
78	Customers of the small business segment
80	Private Banking customers
83	Service to corporate customers
85	Customers of middle market banking segment
86	Additional services
90	Social networks - The Discount Group
91	Financial education
93	Business continuity
94	Accessibility to handicapped persons
96	Proper disclosure - information regarding products and services
97	Communication with customers - improvement of service
106	Appendix: Suppliers

General policy

The Bank aspires to be a leader in the experience of personal and people-oriented service, based on listening to and understanding customer needs, while creating clear and innovative solutions. The Bank strives to create value for its customers in the various banking fields of operation.

The Bank continued in 2014 and 2015 the operation of the "family program", a program, first of its kind in Israel, which is designed for existing and new customers who are related to one another. The "family program" turns the existing family cell into a financial group, enjoying the variety of services and exclusive benefits. (See below).

The Bank works to integrate a culture of service and insists on processes of learning lessons in connection with customer relations and dealing with customer inquiries.

The Bank is willing to open an account for customers, or provide them with service, subject to the provisions of the law and accepted banking considerations. From time to time, the Bank offers different population segments unique solutions and campaigns, on a purely economic basis, without involving irrelevant considerations of race, nationality, religion or gender.

As part of the strategic plan of the Discount Group for the years 2015–2019, the retail segment (households and small businesses) has been defined as a segment under focus and serves as an engine for the long-term growth and profitability.

A wide disposition of branches – servicing a wide variety of customers

The Bank offers its customers comprehensive banking services through a network of 138¹⁵ branches in Israel. 80 branches of Mercantile Discount Bank join the above network. This network of branches enables the widespread offering of banking services country wide.

The Bank offers services to different customer segments, retail customers – households, small business segment, private banking customers, corporate customers and the middle market banking segment. (For details regarding the definition of the segments, see the 2013 annual report pp. 515–516, for details regarding the activity breakdown by business segments, see the 2014 annual report pp. 517–518; for details regarding the activity breakdown by geographical areas, see the 2014 annual report p. 523).

¹⁵ As of December 31, 2014.

Among other things, Mercantile Discount Bank specializes in providing services to the non-Jewish population, in providing services to small and medium size businesses as well as services to the ultra-orthodox population (see below - "the household segment at Mercantile Discount Bank" under "Retail customers - households" and "the small business segment at Mercantile Discount Bank" under "Customers of the small businesses segment").

Retail Customers - household segment

Central moves

Discount, the Bank for the family

The Bank continued in 2014 and 2015 the operation of the "family program", a program, first of its kind in Israel, which is designed for existing and new customers who are related to one another. A "family program" turns the existing family cell into a financial group, enjoying the variety of services and exclusive benefits in accordance with the data of the partners in the program. The program is enjoyed by the Bank's customers who join as a group to the "family program" at Discount Bank. Joining the program is simple and easy and is possible by registering at the branch, at the TeleBank center and through the Bank's Internet site.

The connection to the family group grants the family members participating in the program, benefits of a personal value in accordance with the status of the accounts and in accordance with the type of benefits elected by the participants, and everything, of course, while strictly maintaining bank confidentiality so that none of those joining the program are party to or are involved in the accounts of other family members.

At the present stage, the principal products of the program are:

- **Exemption from commission on money transfers** in Israeli currency between accounts of the family members participating in the program.
- **"Family plus"** - offsetting interest on overdrawn accounts against the accounts of the other family members. An exclusive benefit for new customers and for existing customers adding another family member as a new customer. "Family plus" allows the customer to enjoy the setting off of interest charged on their overdraft so long as one or more family members participating in this benefit has at that time a credit balance on their current account. The interest amount being offset relates to a maximum debit balance of NIS 5,000 in each account participating in the program. It is emphasized, that the family member having a credit balance on

their account, who assists another family member with a debit balance on their account, does so without forfeiting the interest due to them on their credit balance.

- **"2go key" card** - a rechargeable card, which family members may order for a customer who is not the account owner, including also children from the age of 14. The card may be recharged through the customer's account at the branch, by TeleBank or by the Internet. The 2go key card allows a daily cash withdrawal of up to NIS 400, and daily purchase transactions of up to NIS 400. The card provides security and control over expenditure.
- **Higher education savings** - a fifteen year savings account, with an additional full year of savings provided by the Bank. Family members may make saving deposits of NIS 150 to NIS 10,000 per month, and at the end of the period enjoy the accumulated principal amount and interest as well as an additional award by the Bank in the value of the annual principal amount linked to the CPI, a total amount of up to NIS 120,000 together with CPI linkage increments.
- **Family loan** - loans at preferential terms to existing members and new members of the family program.

"Discount Key"

In 2014, the Bank continued the unique marketing effort in the area of financial consumption - "Discount key". This campaign reflects a new approach which combines consumption culture with savings culture, with the aim of bolstering customer loyalty to the Bank. In this framework, Bank customers holding Discount's credit cards (VISA CAL, Diners and MasterCard) enjoy discounts at over 120 marketing chains and from unique benefits, such as free parking in the afternoons and at week-ends.

Customers have the possibility of joining a unique savings plan, accumulating amount through credit card transactions. Bank customers may save in one of the following lanes: the rounding off of credit card transaction amounts to NIS 5 or NIS 10; accumulation to the savings scheme of discounts granted by trading houses participating in the plan; and complementing the monthly fixed amount deposit.

In April 2013, the Bank launched the first private refueling card in Israel. This benefit enables private account holders, who own a credit card of the Bank, to order a private refueling card, free of charge, for use in SONOL gas stations.

The branches as the center of retail operations

The branches are the central link in the connection between the Bank and the retail customer. The retail experience occurs at the retail customer's meeting point with the Bank - in the branch. A customer visiting a branch should undergo a retail experience

as a result of a combination of four major components: the pleasant appearance of the branch and its staff, quality service throughout his stay at the branch, clarity and simplicity of the products offered and messages given to him and timeliness and ease of consumption – simple processes and efficient performance.

The segment strategy

A strategy that outlines a way according to which a distinct differentiation is to be made between customers in order to succeed in maintaining the customers and exhaust the potential inherent in them. In 2014 the Bank continued to improve the segmentation of customers of this sector in order to provide appropriate service to each segment. In addition to the distribution to service teams at the branches, based mainly on financial parameters, customers were classified into sub-segments enabling improvement of the level of service provided to the customer, including the range of products, services and channels required by him.

Customer segmentation

In the household segment, which has been in focus in recent years, various strategic emphases were determined for operation with each segment, in accordance with its characteristics and needs. In recent years the Bank has focused on the private sector including all its segments. Based on a segmental study of this sector, strategic emphases have been put on the activity with each segment, according to its characteristics, needs and order of priorities of the Bank. Based on the segmentation of the private sector, account channels have been established allowing, among other things, the granting of structured credit facilities in which the interest rate decreases as the facility is utilized, loans etc., while offering unique channels to customers having financial wealth and/or salaried customers.

Modifying the credit products to the said population segments is achieved by initiating approach to the customer and accordingly adjusting the credit facility to the needs of the customer, their repayment ability, and the acquaintance with them over the years as regards to structured credit lines, in which the interest rate decreases gradually in line with the increasing utilization of the credit facility. This activity supports the development of the consumer credit field at the Bank and allows full compatibility with the needs of the customer.

In the small business segment three principal kinds of customers were identified: business, business plus and extended business. The segments are defined in relation to parameters of volume of operations vis-à-vis the Bank, as measured mainly in the credit field.

Service concept

In 2014 the Bank focused on differentiating service according to customer segments, focused on the needs of the customer, including the modification of a variety of segment adjusted products.

Conduct of the service is based on the following principles:

- Focus on the customer – specialization according to segments (customer arenas) instead of products – providing appropriate services and products in accordance with the characteristics and unique requirements of each segment;
- One stop shop – A comprehensive service to the customer at one service point;
- Team service – provides a response for a more comprehensive service at one address at the branch;
- Multi-lane – enabling the customer to perform banking operations everywhere, at any time, in every lane and individually customized;
- Expert banking – provision of various professional services in the credit and investment sectors, including customizing the product to customers' needs and requirements;
- Familiarity and warm relations on the part of the service providers;
- Service initiative – anticipating the customer's needs and customizing products or services to such needs;
- The integration of standards for handling customer approaches and the continued reduction in complaints;
- The allocation of resources based on the requirements of the customer and the Bank's priorities;
- With a view of providing easy and handy communication with customers, the Bank has started the process of disposition of "mail to the banker".

Operational efficiency in the branches

The process of removal from the branches of the operational activity concurrently with measures for improving efficiency and changes in performance concepts continued in 2014.

The activity was designed to achieve the following targets:

- a. The customer may choose between teller assisted banking services and self service banking;
- b. Removal of all operations not essential for customer service from the branch;
- c. Simplifying and shortening the remaining processes at the branch;
- d. Focusing on the customer and his needs in order to improve the service experience;
- e. Reducing the amount of paperwork and filing at the branch;
- f. Savings in manpower and costs.

All the Bank's branches have a self service banking area, where the customer is able to conduct most of their daily banking transactions, including check deposits, cash deposits and drawing services, foreign currency drawing services and effecting payments. Approx. 100 automatic machines provide foreign currency drawing services, deposit of cash in ATM services, and the depositing of checks in Information Desks service exist in all of the Bank's branches. A new service to customers was launched in 2014, allowing the deposit of checks also at an ATM.

In 2014, the back-office continued to absorb new operations, which contributed to the simplification and cutting-down of processes in the branches. Furthermore, a process was implemented in 2014, for the distant control of checks, which is planned to be completed at the beginning of 2015. The deposit of checks by means of the information desk, are transmitted on-line and are dealt with in real time by the back-office. This operation comprises an important layer of operational efficiency and in the saving of resources at the Bank level.

The activity continued for taking over from the branches the filing and maintenance of basic documents and their integration in a manner that enables the business factor to view the documents of origin. Removal of the daily paperwork has been carried out in all of the branches.

In 2014 the Bank installed at all its branches a system reducing printing with no customer presence, which reduces the daily quantity of printings by 10%. These activities saved office space at branches, reduced the use of paper, shortened the time required for locating documents and reduces risks.

Direct channels

Discount@internet. The Bank's internet website allows customers to independently obtain information and transact business, such as bank transfers, deposits, loan applications and securities operations, from anywhere and at any time, 24 hours a day. Moreover, the service allows customers to enjoy unique benefits given to those executing transactions through the Internet. Bank customers enjoy surfing on a secure site, which enables peace of mind and security.

The Bank puts at the disposal of the website subscribers the "Mail@Discount" service, allowing the receipt of messages from the Bank through a secured mailbox on the website. The messages are kept for seven years from date of joining the service. This service provides the customer with paper saving, information storage and contributes to savings and efficiency trend at the Bank.

Adjusted surfing. The Bank's Customers may enjoy the advantages provided by all websites of the Bank, as well as adjusted surfing on the browser of the Smartphone.

Discount by cellular application. A service based on cellular application enabling Internet access to the account, obtaining information and executing banking transactions. Also by the cellular application, the customer can enjoy the same benefits granted to users of discount@internet.

Discount by SMS. Messaging service from the Bank regarding activity in the account as well as general information, according to customer's choice and at the customer's convenient time.

Automatic Teller Machines. Located in the front of Discount branches are automatic teller machines that enable customers to execute transactions and obtain information about their accounts. The use of ATM's saves waiting for tellers in the branch and enables a customer to execute transactions in his account by himself without the need to sign up for the service.

Complementary services to branch services

Marketing of mortgage products. The Bank focuses its operations in this field on existing customers. In this framework, the Bank grants loans for the purchase, renovation or construction of residential unit, as well as loans for whatever purpose secured by a mortgage of a residential unit.

As of the end of 2014, eighty-five branches of the Bank operate in providing mortgage services countrywide.

The Bank operates a telephonic mortgage center dealing both with approaches of customers interested in obtaining a new mortgage loan (new customers as well as potential customers) and with customers having already a mortgage loan (longstanding customers).

The Bank invests in the enrichment of knowhow of the staff operating in this field and in the improvement of procedures, focusing on shortening loan processing time.

The Bank holds a subsidiary, Discount Mortgage Home Insurance Agency (2005) Ltd., which acts as an insurance broker. MDB also owns an insurance agency, Marbit Insurance Agency (1996) Ltd. These insurance agencies operate independently and sell insurance through a telephone service separate from the Bank's and DMB's telephone services, respectively. The agencies market property insurance and life assurance while acquiring a mortgage loan.

Marketing of credit cards. The Bank markets to its customers credit cards issued by ICC, in accordance with joint issuance agreements with the Bank. ICC offers customers also credit cards that are issued directly by it, especially within the framework of customer clubs and specialized organizations ("off-banking cards").

Within the framework of expanding the product basket offered by ICC to its customers, ICC offers to customers, who hold off-banking credit cards (by means of its

subsidiary companies), various loans for any purpose, including "no card loans" and loans to finance the purchase of a motor vehicle through Shlomo Cal Company Ltd., spreading of charges plans (such as deferral of charges, credit transactions, revolving credit, a fixed monthly debit and more), as well as rechargeable cards.

In the middle of 2014, ICC (through its subsidiary "Diners") launched a new brand name credit card "FlyCard", which is being issued under an agreement with "EL AL" Aviation Company. The brand named credit cards entitle the holders thereof to unique benefits in accordance with the type of card and the volume of operations effected by it. These benefits include, among other things, the accumulation of frequent flyer points in respect of transactions effected by the brand named credit cards.

Private banking services. See hereunder.

Telebank - personal service. Customer telephone answering service - automatic direction to direct banking for customers calling the branch switchboard. The service enables to improve the quality of telephonic response and to afford the staff of the branch more time to create for the customer added value from the aspects of initiative and sales. A telephonic sales center on the TeleBank was established in 2014, which is principally focused on the private credit market.

Marketing and distribution

Marketing and distribution are conducted by way of advertising campaigns in the print media, television, radio and billboards. In addition, marketing is conducted through the following channels:

- At the branches - frontal activity through plasma screens located in areas where customers await service;
- Through the telephone either by way of an initiated approach to the customer or in response to an approach by the customer;
- By Discount TeleBank - either by way of an initiated approach to the customer or in response to an approach by the customer;
- At the Discount website on the Internet and the Discount application on cellular phones, which provide marketing messages and marketing offers;
- Through the Discount Information Desk, by which marketing messages and marketing suggestions are being communicated;
- In the interactive voice response (IVR) system in the "Telebank", by means of marketing messages and marketing suggestions while the customer is waiting for service;
- Direct mailing to customers (to which is attached a statement of account) and through the automatic service machines (ATM and Information Desk).

Targets and business strategy

The Bank approved in 2014 a new comprehensive Group strategic plan, which had defined the household segment as one of the segments in focus, on which the Group would focus in the coming years, as the central growth engine. The new strategy relies on three principal layers: focus on the intensification of relations with existing customers of the Group; focus on growth products – private credit, and growth sectors – wealthy customers (at Discount Bank), customers of the Arab and Jewish Orthodox sectors (at MDB); and improvement of the retail infrastructure, which among other things includes the improvement of the service model and customer experience.

Implementation of the new strategy will be carried out over a number of years, though already in 2014, several preliminary moves were performed towards attaining the multi-annual goals:

- **Increasing the scope of initiative and sales** vis-à-vis the customers, based on a comprehensive training move for bankers and improvement of the sales systems based on customer needs;
- **Positioning "Telebank" as a nationwide service and sales center** – initiating general banking calls and integrating "value" offers and sales into incoming calls, along with providing a voice response service to subscribers and customers, the referral of personal and general calls and the activation of retention centers for VIP customers and students;
- **Fulfilling customer potential** – by means of establishing an approach strategy adjusted to customer segment, and the offering of value within the framework of "Discount for the family", by means of forming a designated product package to customers attached to the family;
- Focusing on private credit, while enlarging the volume of sales, and developing models for the granting of private credit approved in advance in accordance with characteristics of the customer.

Points of emphasis for 2015. In 2015, the Bank will continue to implement the new retail strategy, while focusing on a number of fields:

- Improvement of customer service through the improvement of work processes at the branches and at the TeleBank, the launching of an electronic mail service to the banker, removal of operational activities from the branches, and implementation of initiatives for improvement in the service experience at the branches, all this alongside the expanding of the variety of services provided by the direct channels;
- Continuing the strengthening of personal relations between the banker and customer;

- Upgrading the marketing effectiveness of value offers tailored to the customer's needs in all the channels;;
- The continued positioning of the Bank as a leader in the pension consulting field;
- The continued development and use of analytical models as a tool supporting decision making in the granting of credit;
- Focusing on multi-channel service - use of all distribution channels of the Bank in providing service to customers, while diverting operations to the direct banking channels.

Loans to students

Students are being offered loans for whatever purpose and loans financing tuition fees.

Tuition fee loans include loans for split tuition fees and bank loans for the payment of tuition fees granted (also to parents of the student) against the presentation of a payment voucher.

The Bank offers a variety of loan models that are intended to answer the special needs of students. Thus for example, with the "Degree with Peace of Mind" loan, there is a 10-year repayment period, and the repayment of principal can be deferred for three years. With loans for students studying overseas for advanced degrees, the repayment period is 8 years and the repayment of principal can be deferred for 24 months. In a loan for the split of tuition fees, the payment voucher can be split into eight payments that are interest-free and unlinked.

Following are details of loans granted in the years 2013-2014:

Year	Any purpose loans	Tuition fees loans	Total
		NIS millions	
2013	258	6	264
2014	269	5	274

Joining present. A student who opened a new account in the first half of 2014, and regularly deposited therein a monthly wage of at least NIS 700 and/or transferred an investment portfolio of NIS 25,000 and over, was entitled to a joining award of NIS 750 or to a green present - a bicycle. A student who opened such an account in the second half of 2014, was entitled to a joining award only.

THE HOUSEHOLD SEGMENT AT THE MERCANTILE DISCOUNT BANK ("MDB")

Most of the customers of MDB belonging to the household segment of this bank, receive banking services by means of the MDB branches organizationally belonging to the Acco and Nazareth regions (31 branches). Such branches are located in areas where the population has an absolute "non-Jewish" majority.

MDB views the retail segment as a central target of its business development and is diligently working on broadening the branch layout in the segment as well as improving the service to its customers.

Customers of the small business segment

Goals and business strategy

The Bank approved in 2014 a new comprehensive Group strategic plan, which had defined the small business segment as one of the segments in focus, on which the Group would focus in the coming years, as the central growth engine. The new strategy relies on the focusing on the intensification of relations with existing customers of the Group, alongside a growth in the market share of this segment.

Service to the segment's customers

The small business segment provides the full variety of services to the segments' customers. Service is provided at the Bank branches, except for foreign trade services. Customers also have the option of receiving service through a designated Internet site as well as by telephone.

Customers transacting international trade business are being serviced by the foreign trade department in accordance with their particular economic sector (see below under "Corporate Banking Segment").

Financing of small businesses. As part of the Bank's policy of focusing on operations in this segment, existing customers of the Bank are being offered two financing lanes, while two additional lanes are being offered to new customers. This, in the framework of four funds for the financing of small businesses. The total financing per customer offered by the fund, may reach NIS 1 million, including reduced collateral requirements. Operations in this field were enlarged during 2013–2014, and the Bank granted finance of this type to hundreds of small businesses in geographical and sectorial distribution.

Loans for investment purposes are offered to small businesses, and to new customers of which, also for working capital purposes. In 2013, the funds granted new loans in the amount of NIS 115 million. In 2014, the funds granted new loans in the amount of NIS 94 million.

Service to small and medium businesses. The Bank's small and middle market customers obtain services commensurate to their volume of operations, this in order to provide professional service appropriate to the customer's characteristics. Customers having a volume of operations of up to NIS 15 million and indebtedness of up to NIS 4-5 million, obtain services from the business banking teams at the Bank branches. Customers having higher volumes of operations and indebtedness than those stated above, obtain services from the Bank's business centers.

Business dealing room. This dealing room provides services for the purchase and conversion of foreign currency as well as for hedge transactions. The Bank conducts a focused activity for connecting business customers, both small and medium, to the commercial dealing room.

Business credit card. The Bank offers a "business key" credit card to its customers. This card is intended to provide business owners with a unique service through the use of a credit card of a key type, which enables the customer to obtain discounts at trading houses that are suppliers.

"Business +" website. A designated website for business customers. The website presents comprehensive data regarding the accounts of the business and allows customers to transact business independently from their place of business.

SMS business packages. A package that allows extension of current account services. Receiving messages regarding the following matters are available: notice in advance as to the termination of a guarantee, outstanding balance of guarantees relating to the account, collection of post-dated checks (balance and payments), checks serving as collateral (balance, payments and shortage vis-à-vis the defined amount), order of check books, dishonored checks, etc.

For details regarding the new internet site for business customers, see Service to Corporate customers" below).

The small business segment at the Mercantile Discount Bank ("MDB")

The small business segment at the MDB is one of the outstanding segments of this bank and accordingly is a central target in its business development.

Around one half of the customers of MDB who belong to this segment live in areas where the population has an absolute "non-Jewish" majority and receive banking services by means of 31 branches of this bank belonging organizationally to the Acre and Nazareth regions.

Private Banking customers

Central moves. In 2014, the Bank continued to intensify the activity among private banking customers.

The private banking field focused on attracting new customers, by means of four service centers in Herzliyah, Haifa, Jerusalem and Tel Aviv, as well as on intensifying the activity with existing customers and continuing the attachment of existing Bank customers, who fall within the private banking customer profile. Concurrently, current processes continued to be conducted by the department, concerning the transfer of customers not having a private banking profile to more appropriate other service functions at the Bank.

As part of the defined strategy, the centers operate under the concept of a designated service to private banking customers and under a wider service coverage modified to customers of this segment. As part of the service concept, focused meetings were held also in this year with customers of the centers, on general subjects and current events with the participation of the Bank's senior Management were conducted.

Activity in the international banking operations was focused on intensifying the operations with existing customers, and in continuation, implementing transfer of customers who do not fall within the private banking profile, to the responsibility of the international banking branches.

As part of the procedures for risk management at the international banking, the Bank implements the new policy pertaining to foreign residents adopted by the Bank, and applies the instruction of the Supervisor of Banks as to obtaining the signatures of foreign residents (which further on has been integrated into the cross-border risk management policy). In addition, a comprehensive project of improving accounts of foreign residents continued, including the closing of accounts and improvement of documents.

The closing of the international private banking center in Jerusalem. As part of the efficiency measures taken by the Bank, it has been decided to closedown the international private banking center in Jerusalem. Foreign resident customers, who had been serviced by the center, are being serviced now by the international private banking center in Tel Aviv, where they will continue to receive personal and professional service adapted to their needs.

Strategic emphases

In accordance with emphasized strategic items at the basis of the Bank's work plans, private banking operates in two departments: the international banking department, serving foreign resident private banking customers; and the private banking department, serving Israeli resident private banking customers.

The international banking serves two segments of customers, an international banking segment and a retail international banking segment, which is to serve foreign residents with financial assets deposited with the Bank, but of a volume lower than the minimum level required by private banking.

The private banking services, provided to Israelis and foreign residents, offers customers a comprehensive individual banking service, granted by a customer relations manager responsible for their account, and allows them accessibility to investment consulting and financial products, including in the global area.

The private banking centers offer customers comprehensive banking services with a focus on financial investments and custom products management, and with the possibility of obtaining credit to finance customer investments.

The private banking layouts will continue to focus on expanding the customer base and in intensifying activities with them, while focusing on nurturing the continuing generation and maintaining a thorough risk management in the process of attracting new customers and servicing the existing ones. In addition, the Bank continues concentrating customers having financial wealth at the international private banking center.

As an integral part of the private banking business plan, emphasis is placed on the ongoing review and upgrading of the risk management processes. At the beginning of the year, the Bank adopted a risk based policy regarding foreign resident and new immigrant customers, which relates to the tax payment on the funds deposited in their accounts and fulfillment of the reporting duty on the account, in accordance with the law applying to the customers, and has immediately started the implementation of this policy with respect to the relevant group of customers. In addition, the risk management unit at the customer assets division will continue to intensify its operations in the fields of prohibition of money laundering, compliance and

operational risks management. The compliance trustees at the branches and at the private banking centers, are responsible for the current risk management at the unit, though they report directly to the manager of the risk management unit. The staff of the units continued to participate in training sessions for widening and intensifying the knowledge in the fields of money laundering prohibition and compliance according to the work plan. At the end of the training sessions, employees undergo knowledge tests.

Service to customers

A "service envelope" is being offered to private banking customers, customized to the segment's customers' needs, and which harnesses the Bank's and the Group's resources in providing an optimal response to their needs and for an initiated activity with them.

Customers of this sector enjoy an array of banking services at the highest professional level in the private banking centers. Consultants, experienced in the field of financial investments in Israel and abroad, pension consultants as well as experienced bankers in the fields of credit and general banking are at the disposal of the customers.

The Israeli private banking provides service to customers six days per week. Office hours at the private banking centers in Herzliyah and Haifa have been extended, and the centers now operate from 8 AM to 8 PM, in order to provide service at hours convenient to customers.

The staff of international banking have a command of foreign languages, in accordance with the language of the customer they serve.

In addition to the general banking services, additional services are at the disposal of customers, such as: direct access to dealing rooms, and complementary services by the Bank's subsidiaries: trusteeship and investment portfolios management, compatible with the needs of this segment's customers.

Service to corporate customers

The Corporate banking segment enjoys a professional banking service, specializing in a "one stop shop", including an in depth examination of the requirements of the company and adaptation of creative financial solutions. Customers enjoy a personal, professional and quality service relating to all their financial needs by adapting various banking products in the credit, currency hedge, international trade, clearing of credit card transactions, financing, specialized investments in the capital market and additional fields.

The financing operations of the large corporations are performed by business managers in the large corporation department of the Corporate Division. Each team serves as the banking address for all the financial needs of the corporate customer.

The customers have at their disposal the services in the Bank's branches, headed by the Tel Aviv main branch. This branch specializes in serving the Bank's large corporate customers, as well as in providing services to financial and institutional bodies, including custodian services to foreign entities.

In addition, available to the customers is the extension of the Jerusalem Main Branch, as well as an additional extension in Haifa.

DCMI offers to customers of the corporate segment underwriting services and investment banking services.

A new marketing website for business enterprises. In October 2014, the Bank launched a new marketing website for business enterprises. The new design facilitates orientation on the website and is modified for use by mobile appliances.

The Capital Market Department. The aim of the department is to expand the services with respect to capital market activity. The department provides services to capital market players and to institutional bodies, including the rendering of related services (brokerage, investment consultancy and administration) to these entities and to large corporations.

Customers engaged in international trade are being served by the foreign trade department (for additional details, see below).

The Diamond Exchange Branch serves customers active in the diamond sector. The branch's distinction is in managing accounts of diamond merchants, while specializing in all services unique to this industry.

Some of the segment's customers utilize the services of the Bank's trading desk (see below, 'Additional Services').

Foreign trade operations

General. The foreign trade department operates within the framework of the Bank's Corporate Division, providing varied services to customers of the various business segments engaged in international trade.

Activity. The business activity of the foreign trade department coordinates in each department all the services in the foreign trade field that the customer requires (import, export, finance, financial instruments, etc.). The foreign trade department continued in 2014 its intensive activity in the preservation and development of relations with existing customers as well as in attracting new customers, while initiating business meetings and the visiting of customers together with the business unit managers of the Bank's various divisions. Furthermore, the foreign trade department, in conjunction with the dealing room, was active in convincing foreign trade customers of the Banking Division to transact their business in the commercial transactions dealing room, which allows improvement of the level of service afforded to the customer and also the marketing of new financial products.

The rate of customers using the foreign trade Internet services increased in 2014, due to the activity of the department. The Internet system allows customers to make direct payments for imports, to open letters of credit for imports and to settle import documents for collection.

Technological improvements. The computerization of work procedures in the department dealing with complex foreign trade transactions and foreign guarantees was introduced in 2014. The department has also expanded its activity, and today provides solutions in the matter of foreign guarantees to all Bank customers.

Products and services

The services offered include current financing according to customer needs, as detailed above as well as participating in credit and/or risk offered by the large local banks or foreign financial institutions extending credit to Israeli corporations operating abroad.

In addition, these include related services such as deposit accepting and investment activities, derivative financial instrument activities, granting financial guarantees, execution and so forth.

Clearing of credit cards. ICC, a subsidiary of the Bank, offers customers clearing services.

Clearing operations include the clearing of credit card transactions made in Israel, by way of "Point of Sale" appliances (POS appliances) located at trading houses. In addition, ICC offers trading houses related services, which include, among other things: discounting of credit card transaction vouchers, advance payments for

transactions effected and the granting of advances on account of future payments to trading houses with which ICC is engaged in clearing agreements.

Targets and business strategy

In the course of 2014 the Bank operated in accordance with the work plan for the corporate banking segment, while focusing on the raising of returns on risk assets and a customer focused view. Among other things, the Bank acted towards modifying the credit spreads to risk levels, reducing exposure to foreign operations and reducing the concentration risk (to borrower groups and large borrowers), with the aim of improving the credit portfolio. In addition, measures required to attain the desired portfolio structure and the business targets, were taken. As a result of the above, and in view of the decline in the demand for credit on the part of large corporations, the volume of the credit portfolio to the corporate banking segment has declined.

The Bank strictly monitors large customers and borrower groups at a high level of risk. For further details, see "Credit risk management" in "Exposure to risks and risk management".

Customers of middle market banking segment

The service to the Bank's customers is provided by five business centers countrywide, covering geographically the five regions operated by the Bank: Tel Aviv, Sharon, Lowlands, Jerusalem and Southern Region and Northern Region. For additional details regarding service to small and medium businesses, see above "Customers of the small business segment".

The middle market banking segment enjoys professional banking services. Customers are provided with personal, professional and quality service that relates to all their financial needs by offering customized various banking products in credit, exchange-rate hedging, international trade, settlement through the use of credit cards, financing, specialist capital market investments, etc. Concurrently, solutions are also provided for meeting the financial needs of the owners of companies, and their executives and staff, who thus benefit from arrangements that afford them the status of preferred customers.

The service provided by the business centers is integrative, provided by teams that include business bankers, economists and credit officers, with the assistance of the team handling loans and guarantees. Adapting the service to the business customer is made by unique service teams, which are located at the business centers, while assisted by the branch layout.

The foreign trade department serves customers engaged in international trade (see above). The new Internet website "Business +" stands at the disposal of the segment's customers.

For details regarding the dealing room services, see "Customers of the small business segment" above.

Additional services

Service to customers in the real estate sector

Most of the business activity in the real estate and construction segment is carried out by the Bank's real estate and infrastructure department at the Bank's Corporate Division. The department provides a wide range of banking services both to the large and medium level corporations engaged in the promotion and investment in residential real estate and income generating real estate in the local market. In addition the financing operations of the segment are also conducted by business managers at the large corporations department at the Bank's Corporate Division, mostly with respect to holding companies, the principal activity of which centers on the holding of companies in the real estate field.

Within the framework of the real estate and infrastructure department operates a unit specializing in complex transactions for the finance of investments in national infrastructure projects (energy, electricity, water and desalinization plants and toll roads, mostly by the PPP method). The unit engages in allocating appropriate finance packages with the participation of institutional investors (who have advantage in raising long-term financing resources) or in cooperation with other banks in financing the transaction.

Products and services. The services offered include:

- Credit for residential construction projects and/or income generating properties projects (primarily office and commercial space considerable parts thereof are marketed in advance);
- Credit for the construction and acquisition of income generating properties intended for commerce or office premises;
- Credit to acquisition groups;
- Providing guarantees under the Sales Act to purchasers of residential units and to the rights of owners in land in the context of combination transactions;
- The granting of credit for national infrastructure projects at the construction and operating stages.

Dealing room

The dealing room is available to customers and to the Bank's branches and provides personal and professional service in the global money and capital markets and in the implementation of special transactions in foreign exchange, interest rates and securities. Dealing room customers include local and foreign banks, corporations, Private customers having a large volume of activity active on the capital market and institutional entities, dealers and professional traders. Advanced technology and computer systems enable the dealing room to provide customers with timely, professional and competitive service. Combining the said areas of operation, allows customers to obtain all commercial services under one station providing a uniform standard of service and of professional level.

The dealing room is engaged in two principal areas of activity:

Over the Counter (OTC) trading - foreign currency and interest rate trading. The OTC unit develops and modifies various transactions to customer needs, in particular with respect to hedge and market risk requirements. The unit is a central "market maker" in the dollar/shekel trading; when the dealing room enters into a transaction with a customer, the dealing room becomes the counterparty to the transaction and in respect thereof bears market, credit and operating risks.

The principal transactions which the unit offers customers are: purchase or conversion of foreign currency, non-marketable future contracts, options on currencies, interest rates and the CPI, interest swap transactions and other derivatives as required by the customer.

Trading in securities. The securities unit is composed of two desks: a foreign securities desk and a Israeli securities desk. The two desks offer customers of the Bank access to the market by a wide range of investment instruments.

Following are details regarding the lines of trading operations in securities at the two desks:

- **Foreign securities.** The foreign securities desk is active in a large variety of equity and financial markets worldwide, utilizing complex financial instruments and offering a wide range of instruments: trading in shares on foreign markets, trading in options, in Government bonds and in corporate bonds and debentures, mutual funds and hedge funds, and in arbitration activity.
- **Brokerage regarding Israeli securities.** The brokerage desk for Israeli securities engages in the brokerage of transactions involving bonds, shares, synthetic contracts, options and convertible traded on the Tel Aviv Stock Exchange. The desk provides brokerage services involving both marketable and non-marketable securities through brokering deals for customers (matching transactions), carries out transactions on behalf of customers (on and off the stock market) and participates in issuance. The desk develops business, markets and attracts

customers transacting a considerable amount of business, both at and outside the Bank, and maintains direct communication with institutional customers, large corporations and hedge operators active in the day-trading field.

Capital market services

Securities-related services. The Bank provides its customers with a wide variety of investment consultancy services, trading and operations in securities in Israel and overseas, to private customers, institutional customers and capital market players. The Bank offers a range of services, including: trading in shares in Israel and overseas, bonds (including convertibles), Makam's, options, foreign currency, structured deposits, ETF's, derivatives in Israel and overseas, issuances and borrowings, as well as providing professional, objective investment consultancy services in securities and financial assets.

Some of the Bank's customers maintain securities portfolios managed by various portfolio managers operating through the Bank, including through the subsidiary Tafnit Discount Asset Management.

Investment centers. Customers having deposits of over NIS 780 thousand or customers active in the capital market are entitled to consultancy services regarding their funds at nine investment centers. The account of the customer is managed at the branch, however the service is provided at the investment centers by expert investment consultants. 9 investment centers and 4 investment centers extensions were in operation at the end of 2014.

The services provided by some investment centers were enlarged in the course of 2014, from providing investment advisory services only, to providing banking services that include: credit and pension consulting (to VIP customers attended by the investment centers of the Household segment).

Consulting services in Bank branches. Customers with deposits exceeding NIS 100 thousand are entitled to advisory services provided at the branches by authorized investment consultants that specialize in the capital market.

Pension advisory services. The Bank provides pension advisory services at the Bank's branches and investment centers. The Bank has elected a unique model of providing pension advisory services by differentiated consultants specializing in pension advisory services to all types of customer. The Bank provides pension consulting services to self employed and salaried employees all over the country.

Portfolio management. Directing inquiring customers to certified portfolio managers.

"Discount INVEST"

As part of the business strategy focusing on the customer and the variety of his needs, the Bank operates a wide service in the capital market field - "Discount invest". This service offers the Bank's customers a wide and varied array of advanced technology and services layouts for capital market operations.

"Discount invest" offers innovative technological applications, the most noticeable of which is "Discount trade" - an advanced trading system, which enables customers active on the capital market, complete independence and direct communication with the Stock Exchange, while using decision supporting tools for executing their operations. Alongside the technological innovation, subscribers of "Discount trade" enjoy a level of service and unique availability of the Bank's dealing room. The service affords communication with a designated telephonic support center throughout the trading hours. The integration of the advanced technological tool and the telephonic support provides the ultimate solution for investors active on the capital market.

The service also includes foreign securities operations on the U.S. Stock Exchanges. Within the framework of "Discount invest", the Bank positions a high bar for service, adapted to the type of activity of the customer, with maximum availability. Advisory services in the Bank's branches are rendered by qualified investment consultants who provide personal service during the operating hours of the branches. Advisory services may be further obtained from the central telephonic investment support office until 23:00 hours, Sundays to Thursdays. The service provides continuous consulting services to investors subscribed to the TeleBank service, including foreign securities.

Customers having investments in amounts of between NIS 700 thousand and NIS 4 million, obtain services from nine countrywide investment centers, which provide specialized service, similar to that of an investment house. Thus, the customer enjoys a service experience distinguished from the banking industry. The investment consultants in these centers are personally available for customers throughout the market trading hours and also for prearranged appointments even after that.

An additional innovation relates to the pricing of commissions. Customers of the investment centers, excluding the users of "Discount trade", enjoy varied service lanes at attractive prices. For example: the "Invest Gold" lane offers the total comprehensive services provided by the center in consideration for a fixed quarterly payment.

Services in different languages

The Bank is working for providing different services in a variety of languages for the convenience of all its customers.

- The Hebrew, English and Russian languages may be used on the marketing website;
- Hebrew is the language used on the operations website, though English may also be partly used;
- Marketing pamphlets which are placed in the branches for the customers' convenience are written usually in Hebrew, and in certain cases, according to needs or demand, designated leaflets are also produced in other languages (English, Russian, French and Arabic);
- ATMs provide guidance in Hebrew, Arabic and Russian, and with the use of an international card, also in English;
- The Information Desks interface operates in Hebrew, English, Arabic and Russian. It is possible to receive statements of account in Hebrew or English, where the language of the account is marked as English;
- At branches servicing a large number of foreign residents, such as the Nataniyah, Bat-Yam, Ashdod and Herzliyah Pituach branches, service is provided also by English speaking officers and those who speak an additional foreign language, such as French or Russian;
- The Bank is acting towards the adding of the English and Arabic languages at the line management positions, during 2016.

Social networks - The Discount Group¹⁶

Official Facebook page of Discount Bank. The Bank opened its official facebook page at the end of 2010. At the end of 2014, there were 64,960 members of the Bank's facebook page (end of 2013 - 59,790 members). The Bank's facebook page serves as a platform for the current distribution and publication of marketing activities in various segments and areas, and in addition serves as a platform for chats with surfers and for customer service. Accordingly, public and private approaches are being received from surfers, which are being fully treated in a short period of time.

Twitter account - Discount Invest. The Bank is active on the Twitter social network - under the name "Discount Invest". In the Twitter account - "Discount Invest", the Bank publishes information regarding market data (in Israel and abroad), economic and capital market reviews by experts on behalf of the Bank and other practical information for the benefit of customers (lectures and conventions regarding capital market issues, reference to articles in the economic press, etc.).

¹⁶ G4-26

Financial education¹⁷

In March 2012, the Bank launched a strategic move in the matter of financial education. The Bank approaches its customers and the public at large making the financial language accessible to the full range of ages.

The present financial world is much more complex than the one with which the public was familiar a decade or two ago. The offer of financial products has become wider and the products themselves more complex. In addition, in view of changes in regulation, in the pension savings field in particular, the individual is increasingly required to make complex financial decisions. The public debate has widened also to a financial debate – the growing life expectancy, the importance of long-term savings, consumption culture, sensible financial conduct, the cost of living, investment channels regarding pension savings, choosing a mortgage loan and more.

With a view of the customer's needs at any point of time during the changing stages of life, starting with the opening of a young person account, continuing as a service man, student, as a young family, as an adult family, facing retirement and post retirement, the Bank has devised appropriate study/lecture material on the subject of financial education, in order to assist its customers in making educated decisions, as well as created financial products, all of which for increasing its customers satisfaction.

The Bank initiates many activities in the matter of financial education:

- Customer conventions at the branches on matters of sensible financial conduct, family economics and the capital market;
- Lectures to organizations/corporations at their request;
- Visits to the Herzlillienblum Museum of various groups, both of young persons at school and of senior citizens, as well as the whole range of ages between them;
- Lectures at academic institutions on financial matters intended for juveniles.

The conventions are designed to simplify understanding and make the financial language accessible to the customer public. The conventions focus on the explanation of basic concepts, while presenting to customers the various service layouts and the modification to customer needs of the consulting services available at the Bank.

In the wake of these conventions, customer readiness to increase their involvement in important financial decisions during the various stages in life is noted. The feedback supporting the conventions activity indicate the satisfaction of the participants and their wish to continue being invited to similar activities. Since 2012, date of starting this activity, and until the middle of 2015, 86 branches participated in it, in over 260 events.

¹⁷ G4-26; G4-27

Focused activity is conducted from time to time in a certain area, such as the financial education week in the Haifa and Northern Region, and sometimes a simultaneous activity is being conducted in several regions nationwide.

The Bank's activity in the financial education field is free of charge.

Internet media. Development of a designated Internet website – the Bank presents on its principal website, under the heading of "Family and financial education" wide contents dealing with financial education, this as part of the Bank's envelop for the family, modified to the various stages in life, and presenting life events. This begins with contents for juveniles of primary school age, continuing with middle and high school age; contents regarding issues relating to servicemen; pre-enlistment, soldiers on active service and pre-demobilization; contents relating to students; budget planning, saving in expenses, enjoyment of benefits, in between jobs; contents relating to the family: we and money, pre-nuptial, pre-childbirth, divorce; contents relating to housing and mortgage issues; contents relating to current economic management: preparing for holidays and vacation, a monthly family budget, how to eliminate a bank overdraft, loans, deposits and savings; contents relating to retirement: pension savings, preparation for imminent retirement; as well as a dictionary of capital market terms including many concepts.

Printed media. Professional literature: the Bank leads the subject of development of designated booklets providing knowledge enrichment to customers: a booklet for elementary age, a booklet for middle and high school students, hints booklet and capital market booklet.

It is the Bank's intension to continue and develop activity in all fields – frontal, digital and printed – while continuing the cooperation with leading factors in this area.

The Group has started the development of a similar activity directed at the Arab sector, by means of the Mercantile Discount Bank branches.

The Bank offers a range of lectures and workshops, including:

Enrichment lectures	
Budget management Correct financial conduct in an economically challenging period	An experiential lecture, presenting an image of the individual's financial conduct and the way to improve it: <ul style="list-style-type: none"> - "It'll be OK" - regarding our economic management culture; - The breaking of myths - "all inclusive vacation"; - Overdraft, loans and credit, management of the monthly budget - eradicate the deficit; - Duality and money, children and money, retirement age and money.
Capital market The Israeli economy vis-à-vis global recovery and the low interest rate	A lecture describing in a light experiential manner events taking place in capital markets in Israel and abroad and preparations to be made for a year in advance, including the economic challenges which face investors in the capital market at the present time.
Psycho-finance You and your financial matters	The relation between making economic decisions and investments in the stock exchange, and the personal psychological characteristics.
Real estate investments, risk or chance	An analysis of the residential real estate market as an alternative investment, latest trends in this sector by geographic distribution, when to investments in real estate and who should.
Workshops	
Capital market workshop Micro and macro, their relation to private investments and savings	3 meetings, 2 subjects per meeting Meeting 1 - Macroeconomics + Bonds; Meeting 2 - Mutual funds + ETN's; Meeting 3 - Shares + Psycho-finances. The workshop provides participants with basic tools for understanding the financial world and becoming familiar with basic concepts of the capital market.
"Mixed" workshop	<ul style="list-style-type: none"> - Family economics; - Pension; - Capital market.
Seniors field - financial education	<ul style="list-style-type: none"> - Israeli economy; - Psycho-finances; - Analytical reading of the financial press.

Business continuity

Banking corporations, including the Bank, are service providing entities, which services are essential for continuing existence of proper economic life. Accordingly, ensuring business continuity is a material Aspect for such banking corporation.

The Bank aspires to provide services on a continuous basis, and to continue operating also in times of emergency and in various disaster situations.

For this purpose, the Bank maintains a framework, which operates according to an orderly plan, with a view of ensuring the business continuity of its essential services to its customers, if and when a threatening scenario arises, which might cause a significant disruption of its operations.

The response plans to maintain business continuity relate to the following threat scenarios: war, earthquake, epidemic, cybernetic attack. The Bank's response plans to maintain business continuity include preparations in all relevant issues and, among other things, are based on backup and the spare load of essential infrastructure,

detailed operational plans, the training and qualifying of teams and of essential office holders, applicability tests by means of the conduct of exercises according to exercise plans.

The work plans for the Bank's preparation for the maintenance of business continuity, are conducted in accordance with the policy and strategy for the management of business continuity, under the constant control of the various control functions at the Bank.

The Bank's ability to carry out the response plans and to activate in practice its emergency layouts is being tested on a current basis by means of a wide scope exercise plan.

The work procedures in the field of business continuity support constant improvement, and are being conducted in accordance with professional standards.

The Bank has determined the service target levels of the essential core processes, with a view of enabling the continuous provision of services to customers at appropriate reaction time, in accordance with the provisions stated in regulation (Proper Conduct of Banking Business Directive No. 355).

Future goals

Constant improvement in the Bank's preparedness for the maintenance of business continuity, including: closing of identified gaps in preparedness, implementing conclusions drawn from exercises, intensifying the integration of the plan among Bank employees.

Accessibility to handicapped persons

Accessibility Regulations

Equal Rights to Handicapped Persons Regulations (Accessibility adjustments to a public place being an existing building) 2011, dealing with accessibility adjustments to public places being existing buildings, entered into effect in 2012.

Equal Rights to Handicapped Persons Regulations (Accessibility adjustments to service) 2013, dealing with accessibility adjustments to services, entered into effect in 2013.

In accordance with the Regulations, the Bank is required to make accessibility adjustments to buildings, infrastructure and the environment as well as accessibility adjustments to service. The accessibility adjustments include, among other things, accessibility adjustments to approach ways, overcoming height

differences, and providing restrooms and parking lots for the disabled, the Bank's internal design branches; signposts at the Bank; Service and waiting stations; modification of accessibility to self-service automatic appliances; providing accessibility to information; modification of interactive voice response; Internet website; etc.

Accessibility adjustments

Preparations by the Bank. In accordance with the law, the Bank has appointed an "Accessibility Coordinator" whose duties are to lead and coordinate the accessibility operations at the Bank and serve as an address for any approach in the matter. Within the framework of the preparations, the Bank conducts a "Discount Accessible" Project, being a multi-annual project within the framework of which accessibility modifications are being made in accordance with the new regulations, both with respect to the modification of buildings, infrastructure and the environment, and with respect to modification of service accessibility.

For the purpose of the Project the Bank engaged an association specializing in the matter of access to handicapped persons, which employs qualified professionals who accompany the Bank and advise on the modifications required for easy access, including the defining of requirements for the elimination of existing accessibility differences as regards all relevant services and installations.

Modification of accessibility. During the reported year (2014), the Bank completed the accessibility of 20% of its properties in accordance with the due date prescribed by the regulations (June 22, 2014), and made preparations for the completion of an additional 20% of its properties towards the second stage dated June 22, 2015, so that at date of the second stage, the accessibility rate for the Bank's properties would be 40%, both as regards service accessibility and as regards modification for accessibility to buildings, infrastructure and environment.

In addition, the modification of accessibility to service information has been completed, accessibility modifications have been made to interactive voice response at the call center and at the telephone exchange, procedures have been published and training are being provided to Bank employees. Furthermore, the Bank is in the midst of advanced stages of implementation of accessibility modifications to the Internet websites.

Proper disclosure - information regarding products and services

Banking corporations are required by law to abide by proper disclosure requirements in everything relating to the information which is to be provided to customers regarding the banking product or service including the Banking Act (Customer Service), 1981, the Banking Rules (Customer Service) (Proper Disclosure and the Delivery of Documents), 1992, and the Banking Rules (Customer Service) (Advertisements directed at Minors), 1995. The central principle of this legislation is the duty of proper disclosure (transparency) towards the customer and the preservation of his right to receive advice and service from the bank.

The Bank strictly adheres by the instructions applying to it in this respect and maintains strict control procedures.

An infrastructure of procedures exists at the Bank, designed to enforce compliance with the various requirements of the consumer provisions. The procedures are updated from time to time in accordance with the regulatory directives and in accordance with the various activities performed by the Bank. Concurrently, to the extent possible, the systems supporting compliance with the said provisions within various activities are being updated. In addition, in order to increase awareness to the importance of compliance, the Bank conducts study sessions on the subjects of compliance among the staff, including managers in general, and of compliance with the consumer instructions relevant to the work environment of specialized groups of employees in particular.

Compliance with the consumer provisions are enforced on a regular basis by means of various control and supervision systems - the compliance officer, compliance trustees and internal audit.

According to Proper Conduct of Banking Business Directive No. 308, the Compliance Officer is responsible for coordinating the Bank's actions regarding compliance with consumer regulations. The Chief Compliance Officer monitors the Bank's preparations for the implementation of the duties imposed on it under the consumer regulations, involved in an active manner in the preparations for a new activity at the Bank, for the purpose of verifying compliance of the Bank with the said duties relevant to the Bank's new activity, and monitors the rectification of material deficiencies in complying with the consumer instructions. The Chief Compliance Officer submits quarterly reports that include a summary of his operations, to the Bank's President & CEO as well as to the CEO's of the subsidiaries in which he serves as a compliance officer.

In accordance with guidelines of the Supervisor of Banks, prior to the introduction of new products/operations, the Bank performs an orderly and systematic process ensuring the identification and evaluation of all risks inherent in the new product/operation, while examining their effect on the risk profile and verifying the propriety of the infrastructure and controls supporting their operation. The said process has been established in a designated policy and in supporting work procedures applied by the Bank and the Group mutatis mutandis.

Proper disclosure in publications of the Bank

The Bank strictly applies several basic principles in the advertising and marketing of its products:

Truth in advertising - Strict measures are taken in the publication of valid information, which is being properly examined prior to its release.

Social correctness - Material published by the Bank is being edited in a respectable and adequate manner while strictly maintaining social correctness and avoiding impingement of populations, beliefs, etc.

Ethics - The Bank is committed to the advertising ethical code adopted by advertisers and television channels and includes principles designed to protect values (such as human dignity), populations (such as children), etc. The said code is obligatory both as regards production of marketing communication as well as the products themselves. No complaint with respect to a violation of the said Code of Ethics was received in the years 2012-2013.

Communication with customers - improvement of service

The service concept of Discount Bank positions the customer at the center and places before the Bank a target of excellence in service. This concept is found in the core operation of the Bank, which has always strived for leadership in service and acts, every time anew, for improvement of service and customer satisfaction.

Measurement of the customer's experience. Measurement of the customer's multi-channel experience continued in 2014 at the branches and investment centers.

Measurement data is provided to the managers of the business units as soon as the findings are received and which constitute an infrastructure for the drawing of conclusions and analysis of strengths and weaknesses in providing response to customers. In cases where immediate intervention is required, the unit manager addresses the customer in providing a personal response. In addition, the response

standard through direct banking has been updated, both in respect of the customer addressing the Bank by telephone and in returning a call to the customer who had contacted the Bank branches.

The service controls carried out in the Bank create an integrative picture of the level of service and improvement of the service over time. The measurement processes are carried out at the Branch level, the district level and the Bank level. The measurement itself is performed through outside specialist companies, which use the accepted professional tools.

Evaluation of customer satisfaction

The Bank is performing a series of current and designated surveys in order to evaluate the satisfaction of customers. These are made by telephone calls and SMS. The surveys are directed at customers of the Bank, and in certain cases, for comparison purposes, also at customers of competitor banks.

The surveys measure both short-term satisfaction indices (such as satisfaction from a particular service) as well as long-term satisfaction indices (such as hypothetical market share and recommendation index).

The surveys include also measurement of different indices dividing satisfaction into different components: the provider of service, the branch, the Bank in general, service channel, the product, the marketing offer.

Class	Survey	Population	Description
Current surveys	Current survey	48 hours after making contact with the Bank, private customers and those customers receiving investment advice at the branches	A daily survey on a permanent basis approaching customers who have had a direct service event
	48 hours TeleBank	TeleBank customers	A daily survey on a permanent basis approaching customers who have had a direct service event
Designated surveys	48 hours Investment centers	Customers of investment centers	A daily survey on a permanent basis approaching customers who have had a direct service event
	Satisfaction	Private banking customers	A designated survey
	Satisfaction	Mortgage department customers	A designated survey approaching customers interested in a mortgage loan
	Satisfaction	Business center customers	A designated survey
	Satisfaction	Business customers at the branches	A designated survey
	Satisfaction	Real estate department customers	Research by means of in-depth interviews
	Satisfaction	Capital market department customers	Research by means of in-depth interviews
	Satisfaction	Browsing on the Bank's application	A designated survey
	Satisfaction	Browsing on the Bank's Internet website	A designated survey
	Satisfaction	Customers who contacted the Internet support center	A designated survey
	Customer experience - interfaces	Customers of the five largest banks	A designated survey
	Customer experience - post contact	Customers of the five largest banks who have experienced contact with the Bank	A designated survey
	Customer experience	Business customers of all banks	A designated survey

48-hour survey

The survey constitutes the main work tool for evaluating the quality of service in the Bank. The survey examines, on an ongoing basis, the customer's service experience proximate to the time the interaction occurred - a visit to or telephone call to the branch.

As part of the survey, the customer is interviewed within 48 hours following the transaction made in order to receive from him a feed-back regarding the service experience. The survey presents to the Manager the strong points to be maintained and the aspects regarding relations of the branch with the customers that should be improved.

Measurement is performed all through the year with the aim of obtaining findings reflecting the current operations of the branch, and allow comparison between periods of operation of the branch.

Some 28,000 measurements (including SMS surveys) were made in 2014. The rate of customers awarding a mark of 9-10 for the question on satisfaction in the 48 hour survey made in 2014, was 80%. This, compared with 13,000 measurements in 2013 with an overall mark of 79%.

The service index marking is based on the question of "How was the satisfaction from the last visit". Additional parameters are also measured, such as: professionalism, initiative, personal treatment, telephone service, etc. The service markings serve as a management tool for continuing improvement. The service grades also constitute a parameter in various measurement processes, such as the excelling branch award.

SMS surveys. In addition to service surveys conducted by telephone, in May 2014 the Bank began measurement by SMS messages sent to customers who transacted business at the Bank during the 48 hours preceding the sending of the message. One SMS question is sent to the customer asking him to grade in reply the level of service he had received at the branch. The marks awarded through the SMS messages are being weighted in the service index of the branch.

Internet survey. It is planned in 2015 to begin service measurement also by means of satisfaction surveys for private customers on the Internet website. Upon exiting the transaction website, customers would be asked to rate their level of satisfaction from the most recent service received from the branch.

Maintaining customer satisfaction

The Bank acts on several levels with respect to the maintenance of customer satisfaction:

- Management in accordance with survey findings - Survey data with a low mark of the satisfaction index, are (subject to the consent of the customer) referred to the Branch Manager for further treatment. The Branch Manager is responsible to refer back to the customer trying to understand the reasons for the dissatisfaction of the customer, and to the extent possible try and improve satisfaction by solving the problems raised by the customer;
- Service targets - Branches are allotted annual targets of satisfaction indices. The extent of compliance with the annual target serves as a basis for remuneration of the branches on a permanent basis;
- Comparative analysis and implementation - The surveys are analyzed for the identification of weaknesses in customer satisfaction from the Bank either absolutely or relatively in comparison to competitor banks. Also analyzed are trends of satisfaction among different populations in order to identify changes in indices. The findings and insights are passed on to the service group in order to perform an in depth examination and/or a change of policy, as required. The

findings and insights are delivered also to the various business factors in charge of customer relations policies.

Integration of service values in the organizational culture

In order to strengthen the service value within the organizational culture, the Bank applies several measures:

- Designated staff meetings on the subject of service and service films projected at the branches within the framework of the "Morning magazine";
- Focused assistance to branches having relatively low service ratings, through apprenticeship/training sessions;
- Current measurement of service providers in the branches, at the "telebank" and at the investment centers;
- Integration of the service index target in the "excelling branch" competition;
- Control tasks for the branch managerial staff under the supervision of regional managements;
- A challenging personal service competition between Bank employees - accumulation of points in respect of each survey in which a customer expresses high satisfaction;
- Meetings of the Head of the Banking Division with managers who failed to reach service targets and with outstanding managers.

Customer inquiries

The Bank attributes great importance to listening to its customers and to encouraging customers to inquire about any matter or problem. The natural and immediate address is the business official who services the customer, in a branch or in other business units. Nonetheless, there are cases in which another address is needed.

The Public Complaints Commissioner at the Bank¹⁸ coordinates the handling of complaints and approaches made by customers in different banking issues, including mortgages, interest charges, treatment and service.

Among the duties of the Commissioner are: maintaining an interface between the treatment of complaints and approaches and the various units at the Bank, the Supervisor of Banks, the Israeli Police and various outside factors; conducting examinations of various banking matters and the formation of findings for the business functions, the branches, collection functions and for the legal advisory group; assistance, guidance and follow-up of Bank employees in the formation of solutions for customer problems; providing guidance to new employees regarding

¹⁸ The Public Complaints Commissioner was appointed in January 2015. Until then the officer in charge of public complaints had fulfilled similar duties at the Bank.

common deficiencies; assistance in the production of study material to Bank employees designed to prevent deficiencies raised by complaints, assistance in the drawing of conclusions and in organizational study.

In 2014, the Supervisor of Banks published a Proper Conduct of Banking Business Directive in the matter of the treatment of complaints made by the public. According to the position of the Supervisor, the Commissioner represents the customer vis-à-vis the bank and he has to act, handle complaints and initiate the drawing of conclusions in accordance with the standards set by the Supervisor of Banks. The Commissioner has to act in accordance with the standards of fairness vis-à-vis the customer and reach a fair decision in the customer's complaint.

In accordance with the Directive, the Bank has to adopt a policy as regards the treatment of complaints and publish on the Internet website and in the branches a service treaty for the handling of complaints. Customers should first refer their complaint to the Commissioner. Complaints submitted to the Bank of Israel would be passed to the Commissioner for attention, and the Commissioner, in replying to the complaining customer, must clarify that the customer has the right to file with the Bank of Israel an objection to such reply.

The response time of the Commissioner to complaining customers will stand at 45 days and in exceptional cases, the Commissioner may inform the customer of a 15 day delay in replying. A complaining customer who has not received a reply within 45 days may refer the complaint directly to the Bank of Israel.

The Commissioner has the authority to compensate customers.

The Commissioner has to report once in every six months to the Bank's Management and once a year to the Bank's Board of Directors regarding the treatment of complaints. The Management and the Board of Directors have to discuss these reports soon after submission thereof.

Material deficiencies and data regarding complaints received and dealt with have to be reported by the Commissioner to the Supervisor of Banks once in every six months.

The Commissioner is required also to publish to the public once in each year, on the Bank's Internet website, a concise description of the Bank's policy in the matter of treatment of complaints, the process of treatment of a complaint and data regarding complaints received and dealt with.

The Bank is required to publish on the Internet website and in the Branches the service treaty adopted by the Bank.

The service treaty is available to the public on the Bank's website as from March 2015, after its approval by the Board of Directors.

Following is data regarding customer complaints and approaches:

In 2014 some 3,378 complaints and approaches were treated, compared with 4,250 complaints and approaches treated in 2013. In 2014 some 3,793 complaints and

approaches were received, compared with 4,287 complaints and approaches received in 2013. Treatment of 2,136 complaints was concluded in 2014, compared with 2,417 complaints in 2013. The rate of justified complaints in 2014 was 43% as compared with 39% in 2013.

In addition, treatment of 1,602 approaches, requests and various clarifications was concluded in 2014, as compared with 1,833 in 2013.

Most of the complaints referred to matters of credit (12% of the complaints in 2014, as compared with 14% in 2013), current account services (20% in 2014, as compared with 16% in 2013), service and treatment (13% in 2014, as compared with 14% in 2013), self-service banking (5% in 2014, as compared to 9% in 2013) and commissions (6% in 2014, as compared to 7% in 2013).

Customer complaints to the Bank of Israel

The Bank-Customer Relations Department for banks in Israel, monitored by the Bank of Israel, deals with the complaints of the customers of all banks and credit card companies.

In 2014, the Department addressed 5,555 complaints and written inquiries of customers of all the banks and credit card companies, compared with 5,067 complaints and written inquiries in 2013. Of the complaints addressed during 2014, a position was taken ("not justified", "justified") in 1,602 complaints, constituting 40% of all the complaints addressed, compared with 1,131 complaints in 2013 (73%).

The percentage of complaints against the Bank which the Supervisor of Banks found to be justified out of the total complaints against the Bank for which the regulator adopted a position, stood at 15.1% in 2014, similar to 2013. This average percentage in the entire banking system amounted to 15.4% in 2014, compared with 21.1% in 2013.

The ex gratia compensation of customers. In certain cases, the Bank decides to compensate customers, even though their complaint had been found unjustified. This is generally based on business considerations with the aim of preserving long standing and loyal customers. In 2013, some 71 cases of unjustified claims were received (out of 253 unjustified claims - 25.4%) in which ex gratia compensation was given, in a total amount of NIS 65 thousand. In 2014, some 69 cases of unjustified claims were received (out of 283 unjustified claims - 24.4%) in which ex gratia compensation was given, in a total amount of NIS 415 thousand.

Quality of service

The Bank of Israel classified the manner in which complaints have been serviced in the Public Inquiries Departments in the banking system.

In 2014 the Bank maintained the "Good" marking in the overall rating of complaints.

In 2014, Discount Bank received the grade of 98.7% for the quality of its dealing with complaints, compared with 99.3% in 2013. The average grade of the five largest banks stood at 98.8% in 2014, compared with 98.7% in 2013.

Preparations for improving service and reducing complaints

In recent years, the Public Complaints Commissioner unit in cooperation with the Banking Division, initiated various measures to improve service and reduce the number of complaints, including:

- Improving the work processes for dealing with customer complaints when identified in the branch, including the establishment of a steering committee in which strategic decisions are reached, and cases of justified complaints are analyzed; as well as the transfer of dealing with complaints received from the Bank of Israel to the personal responsibility of district managers;
- Strengthening the process of learning lessons at team meetings in the branches, in a discussion on matters that are prescribed by the Service and Sales Department;
- Bolstering training to officials that coordinate the handling of complaints in the branch and the training of service teams;
- Increased incorporation of the subject of corporate culture in training (with emphasis on proper relationships and conduct) and its integration, performing measurements through surveys and lessons learned;
- Improved mapping and reporting of frequent failures or system failures;
- Determination of an annual target for the rate of justified complaints.

Confidentiality and privacy

The Bank stringently adopts an array of actions and measures for retaining customer data in data bases, in order to protect them from impairment in durability and exposure to a change to the data. This activity is carried out in accordance with the provisions of the law and the regulatory agencies.

The Bank insists on maintaining banking confidentiality and on protecting the privacy of the customer and the information in his account, and does everything it can to identify malfunctions and prevent their repetition.

3 complaints were received during 2014. In one case, no support had been found for the customer's complaint and it was filed away. 2 cases refer to the entry of employees to data of other employees. 12 complaints were received in 2013, of which 2 were found justified with conclusions drawn accordingly.

During the years 2013-2014, no complaints were received in the matter of loss of customer data.

Appendix: Suppliers

Purchasing from suppliers

Purchasing at Discount Bank is mostly performed in a centralized manner for all units of the Bank, by means of the central purchasing department, operating as part of the Planning, Strategy and Finance Division. The department is responsible for the formation of a purchasing specification for the internal customers, where required, locating suitable suppliers, screening them, obtaining offers, conduct of negotiations, engagement and current follow-up of relations with them.

The purchasing department is responsible for both technological purchases (hardware, software, projects and services) and general purchases (operating and logistical equipment and services, security and safety, gifts and sales promotion products, training). It is also responsible for purchases regarding construction and maintenance (renovation of buildings, systems installation and maintenance, furniture, etc.).

Purchasing procedures at the Bank had been reorganized in 2011, when responsibility for most purchasing areas were transferred to a central purchasing department established in that year. In 2014, the internal purchasing procedures were refreshed, leading to stricter supervision and control over the purchase expenditure of the Bank's various units. Concurrently, a renewed examination of the engagements of the Bank in different areas and their cost was performed. The combination of these two procedures has tightened the level of supervision and control over purchasing procedures, and, as estimated by the Bank, has led to a gradual reduction in costs.

The acquisition of manpower services, including manpower in the technological field, is the responsibility of the human resources department at the Human Resources and Properties Division. The acquisition of property or its rental is the responsibility of the construction and real estate department, being also a part of the Human Resources and Properties Division.

Expenditure on purchases from suppliers and service providers is relatively low at the Bank. Payroll expenses constituted 39.2% and approx. 36.3% of the Bank's total operating and other expenses in 2013-2014, respectively. A major part of the non-payroll expenses is with respect to the acquisition of products and services from entities in Israel - local manufacturers and service providers, and importers of products that are manufactured overseas.

The Bank purchases products and services on a current basis in accordance with its needs. The Bank's supplier pool includes various suppliers engaged in different fields and conducting different volumes of activity.

Over 98% of the volume of purchases is made with suppliers who operate and employ staff in Israel.

The Bank maintains long standing relations with its suppliers and is committed to fairness, offering equal opportunity, transparency and a current dialogue with them. The Bank strictly maintains the existence of agreements with suppliers and non-adverse utilization of its position towards them, endeavors to prevent damage to integrity and does everything possible to prevent corruption and improper conduct. The Bank approaches suppliers inviting them to submit price offers. The Bank chooses providers of services under competitive processes, while strictly maintaining the confidentiality of the submitted offers, beginning with the identity of the offerors and ending with the contents of the offer, while aspiring to increase the trust of the offerors in the purchasing processes.

As a general rule, offers in significant amounts regarding public tenders, are deposited in a locked box or mailed to an electronic offer box. The opening time of the boxes is fixed in advance, is being strictly enforced and the boxes are opened in the presence of at least three participants. The content of the envelopes is documented in minutes signed by all participants.

The Bank endeavors to transact business with suppliers that comply with the following requirements:

- Compliance with and maintenance of the provisions of the law;
- Strict observance of legal and fair employment conditions;
- Maintaining the quality of the environment;
- having an ethical code and a commitment to its values.

The Bank strictly observes the following:

- Maintenance of honesty;
- Prohibition of the granting of benefits;
- Fair competition;
- Confidentiality and data protection.

Within the context of its purchases, the Bank also acquires labor services.

On June 19, 2012, the Intensification of Enforcement of Labor laws Act, 2011, came into effect, the aim of which is "to intensify enforcement of labor laws and making it more efficient". The law imposes extensive liability on employers, as purchasers of services with respect to enforcement and securing the rights of personnel engaged on their premises in guard, security, cleaning and catering duties. The Act prohibits the engagement by entities ordering services and contractors supplying such services, in agreements which do not provide for basic wage terms for the personnel involved.

Strict payment ethics

Already during the competitive process, the Bank agrees with its suppliers the terms of payment, in accordance with the date of delivery of the goods or services. The Bank strictly adheres to the agreed payment dates, in order to maintain proper business relations and cooperation with its suppliers. It is noted that the payment process is controlled by a digital system

Fair employment and maintenance of rights of outsource workers

The engagement agreements with companies providing cleaning and security services comply with the provisions of the law. In the engagement agreements of the Bank with providers of services, the contractors are required to confirm, among other things, that they abide by the provisions of the Act for increasing enforcement of labor laws. The Bank strictly observes the fair employment of persons working at its premises and the violation of rights of outsource workers is taken seriously.

The Bank has appointed an officer responsible for this matter and has engaged the services of an independent accountant in respect of monthly sample tests to be performed according to the law. Where deficiencies are found, these are rectified by the suppliers and the Bank monitors the actual rectification thereof.

The scope of purchases that fall into this category is not material.

Social purchasing

To the extent possible, the Bank engages with factors employing handicapped persons or those with special needs. For example, for the Purim holiday of 2014, the Bank purchased from the AKIM Association Purim gifts for the centers in which employees of the Bank do volunteer work.

Complaints regarding discrimination

No complaints regarding discrimination were raised in 2014 on the part of suppliers. In 2013, there was one case, where an argument regarding discrimination was raised on commercial grounds, within the framework of a suppliers tender regarding a certain matter. Internal control has examined the complaint and found it baseless.

Future goals

The Bank, in cooperation with the Maala Organization, examines the raising of standards among the Bank's suppliers, their enhancement and increasing responsibility all along the supply chain, simultaneously with quality and excellence in the services/products being supplied.

- 111 Human Resources Policy
- 120 Employment terms and remuneration
- 130 Labor relations of the principal subsidiaries
- 131 Legislative and regulatory restrictions and their arrangement
- 133 Characteristics of Bank employees
- 134 Retirement and dismissal
- 136 Employee turnover
- 139 Vacation and absence data
- 140 Human resources planning and development
- 146 Organizational culture
- 148 Employee welfare
- 152 Safety in the workplace and work environment
- 155 Preventing sexual harassment

110

THE DISCOUNTERS

Human Resources Policy

General

Discount Bank has adopted a policy of directed management of personnel, based on the understanding that human capital is the key factor for the Bank's success. Therefore, it works to develop the human resource and to lay a foundation for outstanding, forerunning leadership, expressed in a long range view and planning as a basis for the organization's empowerment and growth. Concurrently, emphasis is placed on the recognition of the individual's aspirations for personal and professional advancement by providing an array of opportunities for the development of his career. The Bank insists on protecting the dignity of employees, of proper labor relations and on protecting employee rights, in accordance with the law and labor agreements. The treatment of employees is led by the Human Resources and Properties Division, which guides the employee from his hiring until termination, including from the aspects of: salary, welfare, employee development, guidance and professional training.

Discount Bank has many managerial systems that support the development and nurturing of the human resource. Entrenched in the organization are sophisticated evaluation and feedback mechanisms. The management training and development systems emphasize directing employees who are facing challenges, from the professional and the managerial aspects.

Discount Bank places much importance on dealing with employee welfare, from the many possible leisure activities offered to employees and their families, to the aspects of social support to employees and their families when facing personal distress.

Principal activities in 2014

Reduction in the labor force. The reduction in the labor force has been declared as one of the central goals of the strategic plan for the years 2015–2019. In 2014, the plan for the early retirement of employees was completed successfully, within the framework of which 395 employees signed a retirement agreement, of whom 381 employees have actually retired by December 31, 2014 (see below and Note 16 to the financial statements). The employees who signed the retirement agreements, all of whom are tenured employees, comprise approx. 8.9% of the tenured employees labor force as at December 31, 2013 (4,408).

Implementation of a wage agreement. Completion of the wage increase move ("selective wage addition") based on an evaluation of employees, their contribution, the position they hold and their existing and anticipated wage level.

Installation of time-clocks. A collective agreement was signed in March 2014, in the matter of recording presence at work and overtime compensation. Following several months of preparations during the second half of 2014, time-clocks were installed for the first time on January 1, 2015, for all employees of the Bank (with the exclusion of a small number of exceptions). Installation of the time-clock has brought about a significant change in the organizational culture at the Bank.

Development and enrichment of employees by means of training, mobility and personal development.

Challenges for 2015-2016

Effective management of the labor force and its cost. The central challenge for 2015 is the strict and restraining management of the labor force and its cost, in a manner that would ensure the preservation of the achievements of the retirement plan of 2014 on the one hand, and the utilization of the natural retirement potential in 2015 and thereafter on the other hand. All this, with the aim of ensuring the attainment of goals, as defined in the strategic plan, for the reduction in the labor force, and respectively, creating significant efficiency.

Providing supporting tools to the Bank's units. Providing supporting tools as regards locating, placement and supplementing knowhow, as a supplemental move of the move for the reduction in the labor force, with the aim of enabling the Bank's units to adjust to the reduction in the labor force, while making optimal use of employee mobility among the different units.

Assisting the efficiency move at the branches. Assisting moves for the downsizing, merger or shutting down of branches, from the different human resources aspects, including the providing of a supporting and respecting cover for employees and managers expected to experience the change.

Employee hiring policy

Discount Bank continuously hires new employees for a variety of positions. The hiring and placement of new employees uses a system of placement and absorption that is prevalent in the market. In these measures, emphasis is placed on the candidate's skills and his suitability for the specific position for which he is intended on one hand, and for the overall Bank system, on the other hand, using an organizational approach that champions employee growth within the system and providing diverse employment opportunities over time.

The placement of employees in the Bank is done objectively, while, as noted, considering the candidate's skills and his suitability for the position, and does not involve irrelevant considerations of race, gender, religion or nationality.

The Bank employs on a current basis persons having special needs (see below).

The Bank does not employ children in any way or form, either directly or through manpower agencies. The Bank employs a small number of teenagers during their summer vacation, according to age and conditions permitted by legislation, within the framework of projects to the benefit of the community (see "Employment of visually impaired teenagers", in Chapter 5 below).

Non-discrimination toward employees

The Bank's management has placed emphasis on preventing discrimination, and this principle is also implemented when new employees are hired.

Complaints regarding discrimination. As stated, the Bank denies discrimination of any kind. No complaints regarding discrimination were received during 2014. Notwithstanding, as part of claims filed with Labor Courts, an argument of discrimination had been raised as one of many arguments raised in these proceedings. As regards all legal proceedings filed, no legal instance has determined that discrimination of any kind had in fact existed. Furthermore, compromise agreements had been reached without the Bank admitting any discrimination claim and no determination that discrimination had in fact existed. This fact is reflected also, in most cases, in the small amounts paid in relation to the amounts claimed.

Six claims were filed against the Bank in 2014, alleging discrimination: four in respect of age, and two in respect of pregnancy/parenthood/gender. In one case the claim alleging age discrimination was dismissed, in three cases the claims were settled by compromise agreements, and two cases are still under legal proceedings.

Whereas the claims against the Bank were found groundless, no further treatment has been required except as part of the conduct of the legal proceedings. It is noted that with respect to the issue of retirement on grounds of age, the Bank acts in accordance with legal judgments in this respect (see below "Legislative and regulatory restrictions").

Diversity and equal opportunity

The Bank views with importance the diversity in employment while offering opportunities to populations in the society which are underrepresented in the labor market.

Already in 2008, the Bank took specific action for the implementation of this policy, including the engaging of workers with special needs. All this, a long time prior to the legislation in this matter taking effect. At present, the Bank is preparing for the implementation of the new requirements.

In recent years, the Bank has taken specific action for the employment of staff from the Ethiopian community and female staff from the ultra-orthodox sector.

For details regarding the employment by the Bank during the summer months of visually impaired youth and girls in risk situations, see below in the Chapter "Discount for the community"

Tech-Careers Association - Technological Training for Ethiopian Immigrants in Israel

The association was founded in 2003, with the aim of creating a unique opportunity for young Ethiopians to integrate in the software development field in the Israeli hi-tech sector. The target population of the association is youth with skills for professions in the information systems field (such as programming, software checks and network management) and motivation to work in this field.

Discount Bank has supported the association from the outset. Managers in the Bank's Technologies Division participate in the Association's guidance program, as mentors for students in the Tech-Careers College, and assist them in the final stages of their studies and in their search for a job after their graduation and their integration in the employment market.

During 2012, the Bank's tests center prepared to accept employees within the framework of the Nearshore project. It has been decided that some of the testers recruited to the Bank will be graduates of the testing course of the Tech-Careers College, and, accordingly, managers in the Technologies Division supported the course in its different stages.

The support framework included, inter alia, meeting with the professional team in the College, to learn about the contents of the course, and participation in deciding its contents.

Once the training of the testers was completed, a concentrated screening day was held in which all students in the course had an exam and job interviews. Candidates who passed the screening successfully began working in the Bank (through one of the software companies) at the end of November 2012.

Seven graduates of the "Tech career" Project currently provide service to the Bank.

It is important to note that this is a successful project, within the framework of which the Bank has gained talented employees and the employees gained a jumping board and the opportunity to integrate into the examination field.

Handicapped employees

As part of its personnel recruitment policy, for several years, the Bank offers handicapped persons, who generally are not hired, the opportunity of being integrated into positions at the Bank suitable to their ability and according to the requirements of the Bank. This offers such persons a window of opportunity to function as regular citizens who support themselves with self respect. In addition, this measure will shape the organizational culture of the Bank, as an organization that is open-minded toward those who are different. In light of the aforesaid, the employment of handicapped personnel has been defined as a primary focal point in the Bank's communal activity.

Order in respect of employment of handicapped persons. An Extension Order was issued and took effect on October 5, 2014, regarding the encouragement and enhancement of employment of handicapped persons. The Extension Order expands the provisions of the collective labor agreement signed in this matter between the Business Associations Board and the New General Federation of Labor, and it applies to all employers in the market, who employ one-hundred and over employees. The aim of the Extension Order is to encourage employment of handicapped persons.

Already since 2005, the Bank acts towards the integration of handicapped employees. The absolute majority of these employees are employed by the Bank to this day.

At the end of one year from the date on which the Extension Order entered into effect, namely, since October 5, 2015, where 2% or over of the workforce employed by an employer are handicapped persons, then he would be considered as having appropriate representation. At the end of two years from the date on which the Extension Order entered into effect, namely, since October 5, 2016, appropriate representation would be considered an entity where 3% or more of its employees are handicapped persons.

Appointment of a responsible officer. Employers are required to appoint an officer responsible for the employment of handicapped persons, in order to implement the provisions of the Extension Order and achieve the best and proper integration of handicapped persons in the workplace. In view of this guideline, the Bank appointed on January 11, 2014, an officer responsible for the employment of handicapped persons.

Promoting the employment of ultra orthodox Jewish women

The Bank

Employment using the "near shore" model, at the Examination Department of the Technologies and Operations Division. The Division uses the "near shore" model, whereby female employees of a company belonging to the ultra-orthodox sector are engaged by the Examination Department. Most of the candidates arrive with no previous employment background and experience, but are being trained in the examination methodologies of the Bank and integrate into the team. A designated work area has been established for these workers near the location of the Bank, which provides response to their needs while offering solutions to infrastructure issues and to the existing work environment.

At the end of 2014, following a period of three years, twenty such workers have successfully integrated into the work teams engaged in the wide variety of areas dealt with by the Department.

Engagement of temporary female employees belonging to the Ultra-Orthodox Sector at the "Telebank" of the Banking Division. An on-line banking "Telebank" formed a new team of female workers belonging to the Ultra-Orthodox Sector, who answer telephone calls by all Bank customers concerning a variety of banking matters.

Most of the candidates arrive with no prior employment background and experience, they are being trained in banking matters by the Bank, and are integrated into work at the center as temporary staff with an identical status to that of the other employees at the center.

This move included cooperation with a Rabbi, who guided the Bank in preparing a designated work area for these employees, equipment logistics and separation in accordance with all their needs, including special transportation to their homes.

At present, the team numbers ten employees, who fulfill the targets set for them, and are successfully integrated into the staff.

ICC

ICC operates a customer service call center in Modiin Illit, which employs approx. 170 ultra orthodox Jewish women and constitutes an integral part of the Private Customers Department. This service call center is suited to the needs of ultra orthodox Jewish women who live in the region. The call center was examined and is meeting business targets and measures, and combines in an integrative manner between the business needs of the organization and the customers and the personal needs of the center's female employees.

A new service and sales center was opened in Ashdod in 2014, which constitutes career anchor for residents of the area.

Laborrelations

General. Labor Relations at the Bank are based on the Labor Charter, collective labor agreements and employment arrangements that are formulated mainly in discussions between the Bank's management and the employees' representatives.

Labor Charter. "Labor Charter for the Employees of Israel Discount Bank Ltd.", which was signed in 1974 (hereinafter: "the Labor Charter") constitutes a broad outline incorporating employment conditions, disciplinary provisions, arbitration procedures and additional procedures and regulations. During recent decades, dozens of collective labor agreements were executed in addition to the Labor Charter. These other agreements include wage and other agreements intended to supplement and expand the Labor Charter, to change the Labor Charter or to cancel certain provisions of the Labor Charter.

Within the framework of the new collective labor agreements, signed in June 2011 and approved by the Board of Directors on June 13, 2011, the validity of the Labor Charter was extended until December 31, 2016, and it has been agreed that unless otherwise informed by one of the parties to the other party by notice in writing of up to three months prior to the said date, the validity of the Labor Charter will be extended for one additional year, being repeated in each year.

Rights of association. The tenured employees of the Bank are organized within the framework of the national Employees' Representative Committee. The Representative Committee is divided internally in such a way that employees at the clerical level come under the purview of the Clerks' Committee and authorized signatories and managers are organized under the Managers' Representative Committee. Most of the issues are agreed and signed between the Bank's management and the Employees' Representative Committee and the Federation of Labor. A Retirees' Committee also exists, under which retirees of the Bank are organized.

Bank participation in the budget of the Employees' Representative Committee. The Bank contributes monthly to the budget of the Employees' Representative Committee, in an amount double the monthly amount contributed by the employees. Five of the 21 Committee members are officers engaged on the Committee on a fulltime basis and receiving a full salary. The other members of the Committee fulfill various positions in the Bank and serve as Committee members in addition to their regular work. In addition, the Bank provides office premises for the Committee's use and covers its maintenance costs.

The Bank assists the retirees' committee and allows it to conduct activities at the Bank premises in Jerusalem, Jaffa and Haifa.

Majority covered by collective agreement. As of December 2014, the Bank had 5,909 employees. This figure includes all of the Bank's employees, as well as those employed in the Bank through outsourcing. Of the above, 5,520 are tenured employees and temporary employees, engaged under collective agreements and constituting 93.4% of total employees. If we deduct the number of outsourced employees, the number of employees stands at 5,608 and the number of those covered by the collective agreements reaches 98.4%.

As stated, the employees who are organized under the employee representative committee are entitled to be elected to the committee and to elect the members of the committee, are tenured employees only, comprising some 71.8% of all employees who are not employed by outside parties.

Organizational changes. Item 4 of the collective agreement dated April 2, 2000, in the matter of the definition of the Bank's units, stated that the Bank's Management shall forward its proposals regarding the definition of units and management duties, and a joint discussion will be held during fifteen days from date of forwarding the proposals to the managers' representative committee. At the conclusion of the discussions, if the parties have not reached an agreement, the matter will be forwarded to the Bank's President & CEO, whose decision will be final.

Developments in labor relations

Labor dispute. The Union of Clerks, Administrative Public Service Employees ("the UCAPSE") informed the Bank on April 25, 2013, of a labor dispute at Discount Bank. The main issues of the dispute relates to employee salary. The labor dispute was concluded on March 28, 2014, with the signature of two collective agreements in the matters of a selective salary addition, the recording of attendance at work and overtime compensation (see hereunder).

Collective labor agreements signed in 2014

The following agreements were signed in 2014:

- A collective labor agreement was signed on March 28, 2014, regarding a selective increase in salaries according to which an average wage increase at an overall rate of 4.5% had been agreed upon, composed of a supplement to the selective advance for the years 2011 and 2012 at the rate of 0.25%, a selective wage increase for 2013 at the rate of 3.25%, as well as a selective advance for the year 2014 at the rate of 1%. It has been further stipulated in the agreement that the wage negotiations in respect of 2014 shall begin on April 1, 2015 and until then, industrial peace is to be maintained at the Bank in the matter of the selective wage addition for 2014.
- A collective labor agreement was signed on March 28, 2014, regarding the matter of recording attendance and overtime compensation, intended to regulate the calculation of employee attendance in accordance with the provisions of the Hours of Work and Rest Act, including Amendment 24 to the Wage Protection Act. The agreement will take effect in respect of all the Bank employees (excluding limited exceptions determined in the agreement) following a pilot project of five months which began on May 1, 2014, to be conducted at several units of the Bank having different types of operations. The pilot project will test the implementation in practice of the agreement and will settle all matters that would require attention as a result thereof. The date fixed for the full application of the agreement is January 1, 2015.
- A collective agreement was signed on June 30, 2014, with the employees' representative committee in the matter of the update of the salary table for entitled employees of DMB. In accordance with the agreement, with respect to entitled employees as stated in the agreement (78 employees), a one-off updating of the salary table will be made, at a flat rate of 3.0%. The update shall be based on the December 2012 salary and shall be paid in effect as from January 1, 2013, onwards. It has been further agreed that each Bank employee who had been classified in the past to any grading group, shall receive from the Human Resources Group a letter stating the grading group to which he belongs and the top salary level applying to this group.
- The representative committee of the employees signed on September 2, 2014, a collective agreement with the Bank, according to which the Bank is entitled to employ in minor positions, in the properties and construction department and in the operations department, up to five persons under personal employment agreements.

Agreement signed in 2015

A collective agreement was signed on February 8, 2015, in the matter of extension of employment of workers employed by the project for the support of the community, within the framework of which, the temporary employment of handicapped workers, employed at the Bank in terms of this project, and whose employment was due to terminate in the years 2015–2016, was extended by three additional years.

For details regarding additional collective agreements signed in the years 2011–2013, see the 2014 annual report, pp. 230–231.

Employment terms and remuneration

Principal categories for terms of employment¹⁹

Following is a summary of employment data in the Bank in the various categories and the changes therein: [G4-10]

	As of December 31,			Change	
	2014	2013	2012	2014 compared to 2013	2013 compared to 2012
Employees					
Tenured employees under personal contracts and members of management	4,115	4,501	4,427	(386)	74
Temporary employees	1,493	1,685	1,733	(192)	(48)
Manpower companies employees	-	8	38	(8)	(30)
Software house	301	283	391	18	(108)
Total	5,909	6,477	6,589	(568)	(112)
Addition - employees on unpaid leave of absence and maternity leave	186	180	188	-	-
Total	6,095	6,657	6,777	(562)	(120)

Employees of the Bank are classified into three categories for purposes of employment terms:

Tenured employees. The employment terms of tenured employees are arranged, as stated, in the Labor Charter, special collective labor agreements and other employment arrangements. The item in the collective labor agreement of June 2011, relating to the updating of grading and stages, changed certain of the employment terms of new employees engaged as regular employees as from January 1, 2012.

On December 31, 2014, there were 4,027 tenured employees in the Bank (December 31, 2013: 4,408 tenured employees). The majority of the Bank's tenured employees are

¹⁹ The data in this Chapter does not include employees on unpaid leave and on maternity leave.

permanent employees, while a minority constitutes new employees on a trial period. As of December 31, 2014, the Bank's employees numbered 548 of the tenured employees, as stated, employed under a new employment agreement in accordance with the collective agreement of June 2011 (December 31, 2013: 471 employees).

Temporary employees. The employment conditions of temporary employees are arranged mainly in several special collective labor agreements, which detail the terms of their employment. In the labor agreement of June 2011, in the matter of the extension of the validity of the Labor Charter, the maximum temporary engagement period was shortened from five (with the possibility of extension of even up to seven years in special cases), to two years (this excluding in respect of employees engaged as tellers, concept branch and direct banking employees, whose maximum employment period remained five years). In an agreement dated September 12, 2013, the temporary employment period of these employees has been extended by one additional year, and it now amounts to three years (the agreement is valid for five years). Temporary employment may be terminated at any time, at the discretion of management. On December 31, 2014, there were 1,493 temporary employees in the Bank (December 31, 2013: 1,685 temporary employees), of which, 323 employees engaged by the Bank (December 31, 2013: 411 employees) and known as "computer temporaries". These employees are engaged in the IT field, and in accordance with an agreement dated 2002 between the Bank's Management and the representative committee of employees, may be engaged in a temporary status for a period of up to seven years. The item in the collective labor agreement of June 2011, regarding the engagement of computer employees, increased the quota of temporary computer employees which the Bank may engage, from the previous number of 350 to 750 employees.

According to the collective labor agreements to which the Bank is a party, the total number of temporary employees (excluding computer staff and excluding service employees engaged as Bank employees, such as: cafeteria, maintenance, security) is limited to 30% of the total number of the Bank's regular employees, as the number may be from time to time, starting with January 1, 2012.

Personal employment agreement. Prior to their engagement with the Bank, employees hired under personal employment agreement sign a personal contract, which precludes the Labor Charter and the collective labor agreements for these employees. Employees engaged under a personal contract include members of Bank management, part of the information technology staff and a defined and specific agreed list of position holders, mainly senior personnel. As of December 31, 2014, some 88 personnel were employed (including members of management) under personal employment agreements (December 31, 2013: 93 employees engaged under personal employment agreements).

In addition, the Bank acquires services of manpower company employees and software houses. As of December 31, 2014, no manpower company personnel were employed by the Bank (as of December 31, 2013: 8 manpower company personnel).

As of December 31, 2014, some 301 software house personnel were in the Bank. These employees are engaged mainly in software development tasks (as of December 31, 2013: 283 software house personnel).

Employee remuneration

The principal salary components of tenured employees are the base salary which includes a seniority increment, representation and signature fees for each employee based on his seniority and position. The base salary constitutes the basis for salary increments and for the payment of split working hours' remuneration at the rate of 2.5% of the base salary (only to eligible employees), shift remuneration (only to eligible employees), overtime and the 13th month salary and long term service award. Likewise, there exists an additional payment at the rate of 5% for managers and 6% for clerks effective from January 2014, payable to those entitled to split-time payment. Part of the employee's remuneration is linked to the CPI. In cases where the change in the CPI is a negative figure, the employees' wages are not reduced and the drop in the CPI is setoff against the rise in the CPI in following months. Employees are also entitled to various additional benefits. Bank employees are promoted by grades only and are also entitled to a long-service bonus equal to several monthly salaries plus additional vacation days, at the end of 20, 30, and 40 years of service in the Bank. A collective labor agreement dated November 22, 2007 specified that new employees shall not be entitled to "long-service vacation" or to wage components for nursery school and summer camp. The item in the collective labor agreement of June 2011, regarding the updating of grading and stages, changed the components and terms mentioned above, applying to regular employees engaged or converted to this status as from January 1, 2012. In addition, certain components have been cancelled in their respect and maximum salaries have been determined according to position and grading.

Payment of overtime to eligible employees is contingent on prior approval of his superior. Starting January 1, 2015, the Bank began the reporting of employee attendance by means of a time clock machine (excluding exceptional cases). For details regarding the collective labor agreement signed in the matter of the recording of working hours and the pilot project started in this respect at the beginning of may 2014, see above "Agreements signed in 2014".

Most of the Bank's employees are entitled to recreation pay in an amount significantly higher than the amounts provided by law. Employees are also entitled to accepted provident and continuing education funds contributions.

The Bank's liability for severance pay and provident fund contributions to its employees is according to the employee's base salary, global overtime payment, 1/12 of the employee's 13th month salary and other additional benefits.

The employees are also entitled to certain benefits after their retirement, similar to those to which tenured employees are entitled during their period of employment.

The Bank is prepared in accordance with the required changes in provisions for severance compensation under the Expansion Order regarding the establishment of compulsory pension for every employee and under Amendment No. 3 to the Provident Fund Law, which are effective January 1, 2008.

According to the Expansion Order, the Bank was required to make severance contributions on a personal basis and up to a maximum rate (as from January 1, 2014 onwards) of 6% of the employee's salary or of the average wage in the economy, whichever is lower. According to the Amendment to the Provident Fund Law, the Bank's contributions for severance compensation cannot be deposited in a central severance pay fund, as hitherto was the practice, starting January 1, 2008 in respect of new employees and starting January 1, 2011 in respect of other employees.

In accordance with the collective labor agreement in the matter of pension from June 2011, the Bank provides for employee pension, as follows: employer contributions - 6% of the employees salary (including loss of ability to work where the employee elected executive insurance), minimum contributions by the employee - 5.5%, as well as a provision in the entire amount of severance pay at the rate of 8.33%, including the finality of the provision (according to Section 14 of the Severance Pay Act, this in relation to temporary employees, who started work as from June 2, 2011, and/or employees converted to the status of tenured employees as from January 1, 2012 - and existing employees, who chose this alternative willingly, as from the date of choosing it). The Agreement further specified that each new employee shall be entitled to pension insurance starting with the first month of his employment, and also that existing employees (regular) will be entitled to change to the pension insurance arrangement, if they so decide.

Payment in respect of public holidays and sabbatical days. The Bank is closed for business on nine sabbatical days defined by law, as well as on Purim (Jewish holiday) and on the Ninth of Av. In a Knesset General Elections year, the elections day is also considered a public holiday. All Bank employees are being paid in full in respect of these public holidays. No minimum service period is required in respect of monthly employees. A minimum service period of three months is required by law for hourly workers. In addition, with respect to employees engaged on an hourly basis, the day of Purim and the Ninth of Av are considered unpaid leave days. Tenured employees, who do not belong to the Jewish faith, are being paid in full in respect of absence on their own religious holidays.

Employee termination benefits

The Bank's liabilities for the payment of severance compensation to employees at the rate of 100% upon termination of their employment, including at retirement age, as prescribed by the Severance Pay Act, is covered in full by deposits in severance pay funds and by insurance policies.

Fair wages

The Bank insists on the payment of wages in excess of the minimum wage to all of its employees. Accordingly, the starting wage given to most of the new temporary employees, at the end of 2014, was NIS 24.27 NIS to NIS 28 per hour. The minimum wage in Israel (as of December 2014) was NIS 23.12, therefore, the starting wage at the Bank was 10.1% higher than the accepted minimum wage.

It is noted, that in accordance with a special collective agreement of June 2011, in the matter of employment of tellers by the Bank, the starting wage for these employees and for TeleBank employees shall not be less than the minimum wage plus 5%. It should also be noted that, at the starting salary level, there is no gap between the salaries of men and women in the same positions.

Special remuneration to managerial personnel

Part of the managerial personnel is entitled to global overtime payment.

A managerial rank employee who has been promoted is entitled to a 5% salary increase from the salary table (provided that at least 12 months have elapsed since the date of his last entitlement to such increase due to promotion and/or transfer). A managerial rank employee who has been transferred to another position is entitled to an increase of 2% to 7% of the salary according to the salary table (basic salary components), at management's discretion, taking into account the additional responsibility and/or the special managerial effort required for acclimation to the new position following the transfer, and provided that at least 12 months have elapsed since the date of his last entitlement to such increase due to promotion and/or transfer. The item in the collective labor agreement of June 2011, regarding the updating of grading and stages, includes changes in some of the employment terms applying to new regular employees becoming Bank employees of this status as from January 1, 2012. In this connection, the average transfer payment has been reduced to 3%. In addition, maximum salaries have been determined according to classes in line with the accepted administrative grades at the Bank.

Employees in the last 3 senior grades (senior manager, Assistant to the President, Senior Assistant to the President) are entitled to receive a car from the Bank and full funding for one telephone landline in his home.

As of December 31, 2014, the staff of the managerial grade numbered 1,243 (December 31, 2013: 1,346 employees).

Officers and members of the management group at the Bank

For details regarding remuneration of Officers and members of Management, see Chapter 2 above.

The average remuneration amount in respect of the group of senior officers (the Chairman of the Board, the President & CEO, members of Management and the internal auditor) in the years 2013–2014, was 8.66 and 6.94 times higher, respectively, than the average cost, and 9.53 and 7.77 times higher, respectively, than the mean cost of remuneration paid to all other employees of the Bank and to outsourcing employees (security and cleaning).

The said data indicate a decline in the gap in 2014 compared to 2013 (a decline of 19.9% in the gap against the average wage, and of 18.5% against the median wage). The said decrease was affected, mainly, by the fact that no awards were paid in 2014, while in 2013 awards were granted to both the group of senior officers as well as to all employees (the calculation in respect of the employees has been made after elimination of the data with respect to the group of senior officers. The cost does not include payroll tax, and the cost regarding the employees also does not include the long service award ("jubilee award"). The main assumptions used in the computations regarding employees are: (1) it has been assumed that the average provision customary at the bank for vacation pay, jubilee vacation pay and pension expenses is expected in respect of the median employee; (2) expenses in respect of severance pay have been included based on current actual cost and not according to the provisions, this in view of the transition to actuarial computation).

Awards to employees and managers of the Bank in 2013–2014

Employee award (2013). In accordance with the business results for 2013, the Bank has decided to grant to its employees an award of an average amount of one and one third monthly salary.

No awards have been paid to employees in respect of the year 2014.

Annual award for 2013. Members of the Bank's Management, the Internal Auditor, the CRO and the Chief Accountant were entitled to an annual award in respect of the year 2013, in a total amount of NIS 5.2 million. In accordance with the terms of the plan, an amount of NIS 3.1 million out of the above award sum was paid in April 2014, and the

balance was divided into two deferred amounts the payment of which will be subject to the fulfillment of threshold conditions in respect of the years 2014 and 2015, respectively. The said amount is net of a deduction of 20% of the annual award and the denial of the discretionary award.

The Chairman of the Board and the former President & CEO are entitled to an annual award in respect of the year 2013, in total amounts of approx. NIS 2,160 thousand and NIS 2,888 thousand, respectively (the Board of Directors and the Remuneration Committee have reduced the award to the Chairman of the Board from an amount of NIS 2,552 thousand to NIS 2,160 thousand). The payment to the former President & CEO was made in accordance with instructions determined in the plan regarding the termination of his employment agreement. In June 2014, the Chairman of the Board announced the waiver of the award to which he was entitled in respect of the year 2013, in a total amount of NIS 2.16 million.

Awards to Officers in 2014. In view of the strategic plan formulated for the Discount Group and the efficiency measures required at the Bank and at the Group, and in view of the desire that the remuneration plans that are to be formed would be in agreement and in accordance with the strategic plan and the goals deriving there from, the Bank's Board of Directors has decided that no awards would be paid to Bank Officers in respect of the year 2014. For the same reasons, the boards of directors of ICC and of MDB have decided that no awards will be paid in 2014 to officers of ICC and of MDB.

Remuneration policy

The corporate governance code for the Discount Group determines, among other things, that the Board shall prescribe a group remuneration policy for the Bank, including its subsidiaries and foreign operations, based on broad organization wide considerations and on considerations designed to increase the value of the Bank in the long-term, while avoiding the granting of incentives for acceptance of undue risks.

It was further determined that the remuneration policy will ensure that changes in the business position of the Bank shall be expressed in the remuneration terms and will include incentives that will reflect the economic goals of the Bank in the areas of risk management and compliance to laws, regulatory directives and procedures of the Bank.

Amendment No. 20 to the Companies Act. The Companies Act (Amendment No. 20), 2012 ("the Amendment), which took effect on December 12, 2012, deals with terms of office and employment in public companies. The Amendment imposes on public companies the duty to adopt a policy regarding the terms of office and employment of officers.

A new instruction in the matter of the remuneration policy of a banking corporation.

The Supervisor of Banks issued on November 19, 2013, a new Proper Conduct of Banking Business Directive in the matter of remuneration in a banking corporation (hereunder: "The Directive"). The issue of the Directive is in line with the growing trend of supervisory authorities around the world, following the global financial crisis, and which stems from the acknowledgement that the subject of remuneration is an integral part of proper corporate governance of financial institutions, and that it must be ensured that remuneration does not encourage acceptance of exceptional risks that might endanger stability of banks and the financial system as a whole.

The Directive is intended to fortify corporate governance and control and documentation mechanisms in relation to the remuneration policy and ensure that remuneration arrangements are consistent with risk management framework and the long-term goals of the banking corporation.

In accordance with the instruction, the Bank's Board of Directors has to approve, at least once in every three years, a remuneration policy, which has to be formed by the remuneration committee, as well as determine principles for a Group remuneration policy. The remuneration policy shall apply to all employees of the banking corporation and to all types of remuneration, while focusing on the remuneration mechanism for key-employees (as defined in the instruction). The instruction prescribes many provisions as to everything relating to the principles required with respect to the remuneration of key-employees, with a focus on the variable remuneration and remuneration in respect of the termination of employment. The instruction further states provisions regarding the involvement of risk management, control and audit functions in the development of the remuneration mechanism and in examining the consistency of the remuneration policy with the Bank's risk management framework.

The instruction prescribes limitations applying to the variable remuneration, according to which:

- The maximum variable remuneration shall not exceed 100% of the fixed remuneration, excluding exceptional cases;
- At least 50% of the variable component of the remuneration in respect of key employees will be deferred over a period of not less than three years;
- It is stated that the granting of variable remuneration, which is not performance based, should be avoided, other than in exceptional cases.

Remuneration policy for Officers of the Bank. In accordance with the instruction and with Amendment No. 20 to the Companies Act (see "Legislation and supervision" above), the Bank's general meeting of shareholder approved in February 2014, a remuneration policy for officers.

The remuneration Committee and the Board have resolved that the existing terms of office and employment of the Chairman of the Board and of the former President & CEO (see Note 13 D (1) and Note 22 F, G and I to the financial statements) shall continue to apply until the end of the respective period. The remuneration Committee and the Board of Directors also decided that the existing award plan in respect of Officers (who are not the Chairman of the Board or the President & CEO; see Note 16 I to the financial statements) shall apply in respect of the payment of the annual award for 2013 and the long-term award for the years 2011 to 2013, subject to certain determined principles. It should be noted that there is no material difference between the approved remuneration policy and the remuneration terms for Officers, as described in the Note 16 I (2014 Annual Report, pp. 445-446).

For additional details regarding the remuneration policy for officers see the immediate reports dated January 7, 2014 and February 17, 2014 (Ref. Nos. 2014-01-066526 and 2014-01-040990). (See also Note 16K - 2014 Annual Report, pp. 446-451).

For additional details regarding the terms of engagement and office of the Chairman of the Board, the President & CEO and members of the Bank's Management, see Note 16 I and K, and Note 22 F, G and H (2014 Annual Report, pp. 445-451 and pp. 499-505).

Employees remuneration policy. In accordance with that required in the instruction, the Bank approved in June 2014, a remuneration policy for all employees of the Bank, including in respect of central employees, as well as the principals of group remuneration policy, the remuneration policy for officers, as approved by the general meeting of shareholders comprising a part thereof. In the framework of the employee remuneration policy, restrictions have been set that apply to the variable remuneration of employees and provisions have been prescribed with regard to the fixed and variable remuneration of key employees. It has been further determined that supplementary procedures would be approved regularizing the distribution of responsibility in respect of the relevant functions at the Bank engaged in the remuneration mechanism. Moreover, within the framework of the Group remuneration policy, principles have been prescribed regarding the fixed and variable remuneration of officers of controlled corporations.

Following the approval of the Group policy in September 2014, the subsidiary companies in Israel, which are subject to the directives of the Supervisor of Banks (ICC, MDB and DCMI) approved a remuneration policy complying with the provisions of the instruction, based upon the principles of the Group remuneration policy that had been approved by the Bank.

Questions and Answers file for the implementation of Proper Conduct of Banking Business Directive in the matter of "compensation policy in a banking remuneration".

On October 29, 2014, the Supervisor of Banks issued a questions and answers file, intended to summarize the position of the Supervisor on various issues relating to the implementation of the instruction regarding the remuneration policy.

On August 13, 2015, the Supervisor of Banks issued an amendment to the instruction ("the Amendment"), which established the duty of reimbursement of the variable remuneration awarded to central employees in the case that such employees had been involved in conduct causing exceptional damage to the corporation. The corporation has to establish criteria for the reimbursement as well as the amounts to be reimbursed, and take all reasonable measures to realize the reimbursement where the criteria for reimbursement apply. In accordance with the Amendment, the variable remuneration may be reimbursed within a period of five years since date of award. The reimbursement period in respect of officers may be extended by two additional years where an internal or external investigation has been opened, following which, the existence of criteria for reimbursement might become evident. It has further been determined within the framework of the Amendment that directors, including the chairman of the board of a banking corporation, are entitled only to a fixed remuneration. The remuneration of directors, excluding the chairman of the board, shall be determined in an identical manner according to the remuneration regulations applying to external directors. The remuneration applying to the chairman of the board shall be determined in proportion to the remuneration awarded to members of the board, taking into consideration the size of the banking corporation, the complexity of its operations and the scope of office of the chairman.

Additionally, the Amendment states that a corporation being a member of a banking group, shall not bear the costs of employment of a senior officer or of another employee in respect of their office in another role in the group, and that a central employee, excluding a director who is not an "external director", shall not receive any remuneration from the holder of a controlling interest or from the holder of a material interest in the banking corporation.

Additional details as regards the remuneration plan are presented in Part "C" of the document "Additional disclosure according to the Third Pillar of Basel", Table No. 15, which is available for perusal on the MAGNA site of the Israel Securities Authority, and on the MAYA website of the Tel Aviv Stock Exchange Ltd. together with the Bank's 2014 Annual Report.

Work on the day of rest

The Bank's personnel on duty at the computer center and security personnel work on rest days as defined in the Work and Rest Hours Law, 1951. Work on such days requires a special permit obtained by the Bank and which is extended from time to time.

Labor relations of the principal subsidiaries

ICC. Labor relations at ICC are established by a special collective labor agreement between the New General Federation of Labor and the national committee of ICC employees, which specifies the terms of employment and the rights and duties of company employees (excluding certain employees to whom the agreement does not apply). Among other things, the agreement determines the right to long-service bonuses (Jubilee Bonuses) and to a onetime signing bonus.

The agreement was valid until December 31, 2014, and will be renewed automatically each time for an additional period of three years, unless any of the parties will give notice to the other parties two month prior to the end of the period, of his wish to terminate or change the agreement.

Among other things, the agreement provides for an increase in salary for the year 2011, in accordance with the salary of the employee and with his relative period of employment, as well as for a selective annual increase in salary at an average rate of 3.5% for each of the years 2012, 2013 and 2014.

On March 23, 2015, ICC signed a collective labor agreement with the new Federation of Labor and the national representative committee of ICC employees ("the agreement"). The agreement extends by one additional year the validity of the previous agreement signed by the parties. According to the agreement, the parties shall continue negotiations, starting August 2015, in respect of a collective agreement for the years 2015-2017.

The agreement establishes the rate for the wage addition in respect of the year 2015, determines the rate of "seniority increment" payable to permanent status employees of ICC, and establishes amounts and rates of additional benefits to which ICC employees are entitled.

In terms of the agreement, the parties are bound to maintain industrial peace at ICC until February 29, 2016, with respect to the understandings to which the agreement relates, except for certain matters as defined in the agreement.

MDB. Labor relations with employees of this bank, except for those having a personal employment agreement, are principally based on a basic labor agreement - "labor charter" - and complementary collective agreements. These agreements determine,

among other things, that wage terms, work and related terms shall be linked to those of Bank Leumi Le'Israel B.M. The present agreement was renewed on December 31, 2011 and remained in effect until the end of 2013.

On July 8, 2014, updated labor agreements were signed according to which, among other thing: the validity of the previous agreement was extended for a further two-year period, through December 31, 2015. At the end of that period, the validity of the agreement will automatically be extended for a further two years, unless an advance notice is given by one of the parties, within a period of time of at least 60 days prior to the date of expiry of the agreement, as to the detailed suggestions for its amendment; the status of the non-permanent employees has been formalized, including their spheres of employment, their salary terms and the length of time during which they are to be employed at MDB; the size of the potential population of managers that may be employed in the future under personal employment agreements has been enlarged.

Following the signing of the agreement in Bank Leumi, and were as in the wage agreements in MDB a linkage of the labor terms of employees of MDB to those of employees of Bank Leumi has been determined, a wage agreement has been signed on April 28, 2015 between MDB and the employee representative, which constitutes an update to the former agreement with effect for four years starting January 1, 2015. The updated wage agreement adopts relevant understandings for MDB determined in the wage agreements of Bank Leumi, and adjusts other components to the labor charter prevailing in MDB.

The financial statement as of March 31, 2015 included appropriate provisions derived from the updating of the wage agreement, as stated.

Legislative and regulatory restrictions and their arrangement

General. In addition to the Labor Charter, the collective agreements and various work arrangements existing from time to time, the Bank operates within legal and regulatory frameworks that apply to the entire economy. Below we will briefly describe the main restrictions applying to the Bank in connection with its labor relations.

Amendment 24 to the Wage Protection Law, 1958. According to the Amendment, an employer will give his employees a monthly pay slip, within the framework of which, among other things, are detailed the number of days actually worked, and the number of hours actually worked by the employee, including overtime must be provided, in

accordance with the time clock, according to the alternatives prescribed in the Law. Following the demand made by the Bank for a change in the manner of recording the attendance of employees at the Bank, as required by Law, intensive negotiations have taken place with representatives of the employees, which were concluded in signing a collective agreement in the matter of recording attendance at work and overtime compensation. The agreement from March 28, 2014 took effect in respect of all the Bank employees (excluding limited exceptions determined in the agreement) on January 1, 2015. A time attendance system was introduced by the Bank on January 1, 2015 (see above "Principal activities in 2014").

Ruling in the matter of forced retirement on grounds of age. In December 2012, the National Labor Court issued an innovative ruling with respect to the duty of employers to consider approaches made by employees facing retirement on grounds of age (67 years), who are interested in continuing their employment. In accordance with the said ruling, employers must consider approaches made by employees based on the personal circumstances of each employee and not only on the requirements of the employer. In actual fact, a part of the employees apply for the continuation of their employment, and the Bank acts in accordance with the procedures required by the said ruling of the Court.

An Extension Order regarding cleaning services. An extension Order regarding cleaning services entered into effect on March 1, 2014. This Order expands the collective agreement signed on July 11, 2013, between the Federation of Labor and the Cleaning Companies Organization in Israel. Cleaning companies providing cleaning services to the Bank, are members of the said organization, and as such are subject to the provisions of the said agreement. The agreement improves the terms of engagement of cleaning workers employed by cleaning contractors and thus increases engagement costs. Accordingly, the Bank is preparing for the updating of engagement agreements with the cleaning companies, including the updating of the price paid to these companies in respect of cleaning staff employment, as well as the continuing supervision and control over compliance with the provisions of the collective agreement as regards employees of cleaning contractors, as required by the intensified enforcement legislation.

An Extension Order in the security and protection sector. On November 1, 2014, an Extension Order regarding the security and protection sector entered into effect, which extends the collective agreement signed on July 22, 2014, between the Federation of Labor and the Israel Security Association. The agreement improves the employment conditions of guard and security personnel employed by companies and increases the cost of employment. In accordance therewith, the Bank is preparing to update the engagement agreements, including the rates of payments made to security and guard companies in respect of the engagement of their employees, as well as the

continuation of supervision and control over compliance with the provisions of the collective agreement in respect of employees of security and guard companies, as required by the Intensification of Enforcement of Labor Laws Act.

Collective agreement in the matter of proper representation in the workplace of handicapped persons. A collective agreement was signed on June 25, 2014, by the Business Associations Board, the Manufacturers Association in Israel, Federation of Israeli Chambers of Commerce (FICC) and other organizations with the Federation of Labor, which states that an employer, who employs over 100 employees, must provide for the proper representation of handicapped persons. The parties have defined that "proper representation" at the end of the first year since the agreement became effective, would be 2% of the total number of employees employed by an employer, and 3% at the end of the following year. It has also been agreed that an employer has to appoint a person on his behalf as "responsible for the employment of handicapped persons".

The agreement became effective on October 5, 2014, upon the publication by the Minister of the Economy of the Extension Order. The Bank is preparing for the implementation of the provisions of the collective agreement, including the appointment of a "responsible officer", as stated.

Minimum wage (Increasing the minimum wage amounts - provisional instruction), 2015. On January 25, 2015, the provisional instruction for the updating of the minimum wage in the market took effect in several stages: on April 1, 2015 - to NIS 4,650, on July 1, 2016 - NIS 4,825 and on January 1, 2017 - to NIS 5,000. With respect to its temporary employees, the Bank has advanced the third stage to the date of the first stage.

Characteristics of Bank employees

Gender segmentation

At the end of 2014, 60% of the employees in the Bank were women, similar to 2013. The percentage of female tenured employees at the Bank at the end of 2014 was 59.7%, compared with 61.2% the end of 2013. The percentage of female managers in the Bank stood at 44.7% of all managers, compared with 44.4% at the end of 2013.

A comparison of the wages of all men to the wages of all women shows that the average salary of female managers is 20.5% lower, on average, than the wage of male managers (compared with 21.6% in 2013). Also, the average wage of female clerks is 17.0% lower than the average wage paid to male clerks (compared with 14.0% in 2013).

Age and seniority

The average age of the Bank's employees stood at 44.9 years of age at the end of 2014. At the end of 2013, the average age was 45.1 years of age. The average seniority of the Bank's employees is 17.4 years, compared with an average of 17.7 at the end of 2013. The decrease in the average age and the average seniority, stems, among other things, from the impact of the early retirement program.

Presented below are data regarding the age breakdown of the Bank's employee as of December 31 for the years 2013-2014:

	2014		2013	
	No. of employees	Rate in %	No. of employees	Rate in %
Under 30	709	12.6	825	13.3
30 to 50	2,575	45.9	2,641	42.7
Over 50	2,324	41.4	2,720	44.0
Total⁽¹⁾	5,608	100.0	6,186	100.0

Note:

(1) Tenured and temporary employees.

Academic education

The percentage of the Bank's employees with academic degrees stood at 55.4% at the end of 2014, compared with 52.6% at the end of 2013.

This increase was driven by two processes. The first, the hiring of academics mainly, and the second, encouraging the completion of academic studies among the Bank's employees, including partial participation in the necessary financing and giving special vacations on exam days.

The percentage of academics among managers is 66.0%, compared with 65.1% at the end of 2013. Among the clerks, the percentage of academics was 45.3%, compared with 40.5% at the end of 2013.

The percentage of academics among women stood at 52.1%, compared with 49.2% at the end of 2013, whereas the percentage of academics among men stood at 60.2%, compared with 57.7% at the end of 2013.

Retirement and dismissal

Conducting dismissal procedures while maintaining and respecting the rights of employees

With respect to tenured employees, forming the majority of Bank employees, the Bank acts in accordance with the Labor Charter and agreements with the employees'

representative committee, according to which, the Bank may not dismiss employees unless in exceptional cases, and excluding cases of criminal wrongdoings, dismissal requires the approval of the said committee, and in its absence - a process of arbitration. In addition, from time to time the Bank encourages early retirement of tenured employees, as detailed below. With respect to the remaining Bank employees who are not union members and are employed for determined time periods (temporary employees) and/or in accordance with personal employment agreements - managerial flexibility regarding the termination of their employment is higher, and indeed termination of employment of these employees occurs generally at the end of the contractual engagement period, or on grounds of dissatisfaction from the employees performance or disobedience, as well as in view of adopted efficiency measures and cuts in expenditure required by the Bank. Such termination of employment is effected only after the employee has been made aware of the circumstances and reasons for the termination of his employment, has been given the opportunity to voice their claims against the dismissal, and after the Bank has seriously considered each such case on its own merits.

Retirement of employees

The Bank encourages early retirement of permanent employees, directed at an employee population having defined characteristics, to whom the Bank offers early retirement, at beneficial terms.

The encouragement of retirement of permanent employees is a strategic human resources goal. The retirement has the retiring employee's consent and is not imposed (dismissals), and it advances goals like reducing the average cost per employee position and rejuvenation of the workforce.

2014 Retirement plan. On August 20, 2014, the Bank's Board of Directors approved a strategic plan for the years 2015-2019, in the framework of which, as part of the efficiency measures, approval in principle was given to a retirement plan, which is designed for approx. 250 employees.

The Bank approached those employees to whom the defined criteria (age and seniority) apply, and offered them an early retirement under preferential terms.

In view of the extensive demand on the part of employees to join the plan, the Bank's Board of Directors, in its meeting of December 17, 2014, decided to extend the plan, allowing 130 additional employees to join it.

As part of integrating the retirement plan, the Bank provided retirees with pension consultation by external consultants, financed by the Bank, which assisted employees in their decision as to the acceptance of the retirement offer and as regards the desirable compensation channel.

Following are details regarding the number of employees who retired from the Bank in the years 2013-2014:

The year	The total number of retired employees (including early retirement)	The number of employees who has elected early retirement
2014	488	390
2013	94	8

For details regarding employee rights in respect of severance pay, retirement benefits and pension payments, see Note 16, item E, in the 2014 annual report (p. 444).

Employee Retirement in key subsidiaries

Voluntary retirement plan at MDB. As part of the efficiency measures taken by MDB, which, among other things, include the reduction in the workforce of the bank, the Board of Directors of MDB approved on November 17, 2014, a framework for a voluntary retirement plan formed by the Management of this bank. The plan involves the payment of increased severance pay to employees to which the plan applies.

Employee turnover

During 2014, some 927 employees left the Bank (not including 58 employees, who were on unpaid leave or on maternity leave) and 405 new employees joined (of which 400 were temporary workers and 5 was tenured). Furthermore, 8 outsourcing workers and 1 worker under a personal labor agreement have been converted to the position of temporary employees and three temporary employees to a personal employment agreement status. The difference between the number joining and leaving reflects the decrease in manpower. Most of those hired are temporary employees, while some advance to the status of tenured employees on a trial basis. At the end of this period, their status changes and they become tenured employees of the Bank.

As shown in the table, the main reason for employees leaving in 2014 was voluntary retirement among temporary employees. Among tenured employees, the main reason for retirement in 2014 was encouraged retirement.

Breakdown of employees leaving the Bank in 2014:

Termination due to	Temporary	Tenured	Total
Encouraged retirement	-	*385	385
Natural retirement and leaving	68	56	124
(includes: termination of contract)	46	1	47
Resignation (wages and benefits)	265	18	283
Dismissal (imposed by Bank)	111	**14	125
Other	6	4	10
Total	450	477	927

* Excluding employees retiring while on unpaid leave or on childbirth leave

**Employees on a trial period.

An examination of the breakdown of the net additional employees according to regions in Israel reveals that most of the growth is in the central region, which includes the Head Office units, as is reflected in the table below.

97 employees were moved in 2014 from the position of temporary employees to the position of tenured employees and 8 employees from the position of an outsourcing employee to that of a tenured employee. In addition, 3 workers were converted from the position of temporary employees to the position of personal employment agreement.

Employee breakdown (joining and leaving) according to status/work location:

	Temporary				Tenured	
	Joining		Leaving		New*	Leaving**
	The Bank	Converted	The Bank	Converted		
Jerusalem	13		27	2	2	49
T.A.	36		64	5	5	22
Sharon	44		57	6	6	40
South	28		52	5	5	17
North	9		13	4	4	45
Remaining units	270	8	237	75	80	304
Bank total	400	8	450	97	102	477

* New includes temporary employees converted to tenured 22 in regions and 94 total in the Bank. Furthermore, there are 78 outsourcing workers that have been converted to the position of temporary employees and three temporary employees converted to the status of personal employment agreement.

** Not including retiring employees on maternity/unpaid leave: 48 temporary employees and 10 tenured employees.

The conclusion arising from the data is the breakdown of those joining and leaving, which shows a higher rate for women.

Also interesting is the average age of the men and women joining the Bank. The average age of new female temporary employees is 25.8 years, while the average age of retiring female temporary employees is 29.1 years, 59.2 years for tenured employees. On the other hand, the average age of new male temporary employees is 26.4 years and 46.4

years for tenured male employees. The average age of retiring male temporary employees is 30.6 years and 59.3 years for retiring male tenured employees.

Employee breakdown (joining and leaving) according to gender and status:

	Temporary				Tenured	
	Joining		Leaving		Joining*	Leaving**
	The Bank	Converted*	The Bank	Converted		
Women	289	3	257	39	42	321
Men	111	5	193	58	60	156
Bank total	400	8	450	97	102	477

* Joining - including temporary employees converted to the position of tenured employees. Furthermore, there are 78 outsourcing workers that have been converted to the position of temporary employees and 3 temporary employees converted to the status of personal employment agreement.

** Not including retirees who were on maternity leave or on unpaid leave: 48 temporary employees (48 female) and 10 tenured employees (10 female).

In addition to those leaving and entering the Bank, 921 employees changed their jobs or place of work in the Bank in 2014 (2,720 in 2013). These changes are an important expression of "employment rejuvenation" and of rotation, which is an important weapon in the war against embezzlement and fraud.

Breakdown of employees (joining and new) by age:

Hereunder are data regarding the age of new employees, in the years 2013-2014:

Age	2014		2013	
	Number of employees	%	Number of employees	%
Up to 30	329	81.0	354	69.0
30 to 50	72	18.0	154	30.0
Over 50	4	1.0	5	1.0
Total	405	100.0	513	100.0

Hereunder are data regarding the age of employees who retired in the years 2013-2014:

Age	2014		2013	
	Number of employees	%	Number of employees	%
Up to 30	270	29.0	263	49.8
30 to 50	198	21.0	202	38.3
Over 50	459	50.0	63	11.9
Total	927	100.0	528	100.0

Vacation and absence data

Data regarding absence days

Paid illness days

Paid sick days are days for which payment to the employee is made directly by the Bank. The number of paid absence days is counted according to the actual number of days.

Presented below are data regarding paid absence days⁽¹⁾ in 2013-2014:

	2014	2013	
	Illness	Illness	Change in %
Men	20,416	23,088	(11.6)
Women	44,470	49,609	(10.4)
Total	64,886	72,697	(10.7)
Absence percentage ⁽²⁾	4.61%	4.70%	

Notes:

- (1) The counting of days is of workdays missed by the employee and it refers to the total number of possible workdays in the year and not to the total number of days in the calendar year.
- (2) The absence percentage is calculated as the total actual number of absence days divided by the total number of possible workdays of the employee population at the end of the reporting year. It should be noted that the total number of absence days includes all employees who in respect of which an event of "vacation", "illness" or "military reserve" was recorded, while the denominator comprises the employee population at the end of the year. As a result of this calculation format the absence percentage has an upward bias.

Unpaid absence days

Unpaid absence days are days for which payment to the employee is not made by the Bank, but by an external party, or for which no payment is made at all (leave of absence). The number of unpaid absence days is counted according to the number of calendar days in the period of absence.

Presented below are data regarding unpaid absence days⁽¹⁾ in 2013-2014:

	2014	2013
Maternity leave/Leave of absence	69,012	71,240
Vacation/Illness ⁽²⁾	8,258	3,881
Break before leaving ⁽³⁾	-	89
Total	77,270	75,210
Absence percentage ⁽⁴⁾	3.76%	3.33%

Notes:

- (1) The counting of days is of the number of calendar days in the period of the employee's absence, and it refers to the total number of days in the calendar year and not to the number of possible workdays in the year.
- (2) With respect to vacation or illness days in excess of the balance standing to the employee's credit.
- (3) With respect to days prior to termination of employment, during which the employee did not work and was not entitled to vacation days.
- (4) The absence percentage is calculated as the total number of absence days, during the aforesaid period of absence, divided by the product of multiplying the number of calendar days by the number of employees at the end of the reporting year. It should be noted that the total number of absence days includes all employees in respect of which events of the type listed in the table were recorded, while the denominator comprises the employee population at the end of the year. As a result of this calculation format the absence percentage has an upward bias.

Accidents

The data presented below with regard to reported accident events are taken from the data reported to the National Insurance Institute and also include accidents that occurred on the way to the place of work and on the way back. Accordingly, such data do not represent an indication of the number of "work safety" incidents.

Presented below are data regarding the number of accident events reported in 2013-2014:

	2014			2013		
	Men	Women	Total	Men	Women	Total
Number of events	41	99	140	39	76	115

Maternity leave

Presented below are data regarding taking maternity leave in 2013-2014:

	Gender	2014		2013	
		No. employees	Rate in %	No. employees	Rate in %
Employees entitled to maternity leave	Male	163	33.7	190	37.7
	Female	321	66.3	314	62.3
	Total	484	100.0	504	100
Employees taking maternity leave	Male	1	0.3	1	0.3
	Female	338	99.7	314	99.7
	Total	339	100.0	315	100.0
Employees who returned to work after maternity leave ⁽¹⁾	Male	1	0.3	1	0.3
	Female	314	99.7	293	99.7
	Total	315	100.0	294	100.0
Employees who returned to work and were still with the Bank 12 months thereafter	Male	1	0.4	1	0.5
	Female	246	99.6	220	99.5
	Total	247	100.0	221	100.0

Note:

(1) The 2013 data for the number of male and female employees who returned and were still at work are as of June 30, 2014.

(2) The 2014 data for the number of male and female employees who returned and were still at work are as of December 31, 2015.

All employees who had returned to the workplace and worked for at least twelve months from date of their return, reverted to their same position.

Human resources planning and development

Development of human resources, according to existing and future needs, are derived from the strategic focuses and the Bank's organizational culture. Thus the Bank's ability is strengthened to address successfully its business and organizational challenges.

Management and leadership

Establishing, cultivating and strengthening the managerial backbone, throughout its extent, by developing managerial leadership that supports strategy, focusing on the customer and contributing to business performance (performance, profitability and value maximization) and guidance towards the cultivating and development of the human capital.

Long-term manpower planning

Managerial continuity ("bench depth"). An organizational process intended to secure a managerial cadre for the manning of key positions at the Bank and thus reducing the level of risk in the manning of key positions. The present risk level regarding key positions at the Bank was updated in 2014, potential replacements were mapped, and operational recommendations were formed.

Career routes. Routes for advancement to professional core duties have been established.

Development of acting managers

Academic enrichment for senior management of the Bank and of subsidiaries in the Discount Group as leaders of strategic subjects.

"An executive training room". Practical-implemental training, subject focused, for the maximization of the variety managerial skills and qualifications of the Bank's managers;

Development of an organic team. Development programs at the organic level were launched in 2014 for the development of a team, strengthening of the managerial role concept and the development of management expertise and apprenticeship among the medium level managerial echelon. Development plans included professional and administrative guidance, consultation assistance and a "consulting colleagues" forum.

Reserves - formation of the future managerial cadre

Training and classifying the reserves towards appointment for a role. "Management reserve" (junior management) and "reserve for branch management" (middle management). Classifying and qualifying trainings, which include behavioral training for managerial concept of duty, which is grade adjusted, and a level for completion of banking-professional knowledge.

"Advanced banking". A classifying development lane for the formation of a cadre having the potential for managerial roles at the branches. The third class of studies was completed in 2014.

"Horizons". A development and training, three year course for recruited outside the organization for the position of branch manager. Graduates of the course serve in managerial positions at branches (segment managers). Together with assisting them in their duties, their performance is being evaluated as a background for the examination of their suitability for qualifying as branch managers.

Personal development

A central layer of the management reinforcement, which is performed through a variety of methods for improvement of qualifications, evaluation and feedback.

Assisting and advising managers when assuming new duties and/or on the job managerial training. Assisting new branch managers upon their entry into office was performed according to an integrative guidance and assistance layout, for intensifying the role concept of a branch manager as the business manager, with a focus on the continuity of study from the managerial reserve until the end of one year in office.

The mentoring of managers and units undergoing change. Organizational diagnosis, development plans and consulting assistance to units in view of processes of change at the unit.

Program for the development of team leaders. A development program which includes behavioral managerial training, consulting colleagues group and specific consulting.

Developing organic teams. In 2014 the intervention was carried out in several units.

Training

Learning is viewed by the Bank as a principal value. It supports the availability of qualified human capital for the realization of the Bank's business strategy and the advancement of its goals, while stressing the maximum and exhaustive use of available internal capabilities, and constant improvement. In 2014, the staff at the Bank received a widespread response to their professional requirements by means of extensive training and instruction towards the core position (qualification), improvement of business performance (proficiency) and elimination of performance gaps, in accordance with the mapping of core duties and professional core abilities and according to the identification of needs conducted at the various divisions. Among other things, a solution has been provided for development and training needs derived from regulatory instructions that have effect on the banking industry and/or consumer instructions such as: updating of commission tracks, opening an account via

the Internet, administrative enforcement, prohibition of money laundering and more. Efforts were made in 2014 in the development of applicable short training classes of a diverse mix, including "distance learning". Certain of the studies were delivered by means of "computer mediated communication", distinct in its quick delivery to the office desk of the employee, as well as presenting a uniform and clear message to an especially large population.

Customer focus concept. Construction and absorption of a new sales concept, provision of skills and sales and service tools (including a new sales system) for the managerial level and to bank officers of the service teams all over the branch layout as well as among sales managers and sales training staff.

Profitability. Training for segment managers and branch managers regarding the subject of profitability – A unique training solution, within the framework of which managers chose the study subjects, studying in small study groups (according to their choice). A professional panel assembled at the end of the meeting, which summed up all study subjects discussed at the round tables. An information booklet on the subject of profitability has been published for the students, which documented the oral rules into an orderly codex. In 2014, the move was completed among all the managerial staff in all branches of the Bank.

Reinforcement of professionalism of functionaries in the credit field. Designated instruction improving the office concept and professionalism of all credit coordinators; instruction improving professionalism of branch managers and their deputies regarding the subject of credit; Strengthening the skills of business bankers of the Corporate Division in managing professional and focused relations with customers; designated and comprehensive qualification for new economists, including upgraded knowhow for officiating economists.

Training of mortgage representatives. Instruction for service teams that serve also as mortgage consultants as well as instruction for the managerial teams at branches having a mortgage station.

Compliance. Training and invigorating compliance officers, including a designated survey examining the professional service. In addition, training has been provided for compliance trustees, managers and officers responsible for regional control. In order to integrate compliance at the Bank and strengthen the organizational awareness to the subject, a preventive communication process was put into action, which, among other things, included the distribution of a quarterly electronic newsletter in the subject for all Bank employees.

Risk management. A knowledge matrix for risk management has been devised, which defines the training subjects for core business officers, in accordance with risk levels. Requirements for knowhow management in respect of risk management have been defined, an SAS risk management system has been absorbed, and a communication program for the absorption of a risk management culture has been formed.

Strengthening the orientation towards the Bank and the banking industry. The improvement of knowledge and familiarity of employees making their first steps at the Bank, with the world of banking contents in general and with Discount Bank in particular.

Accessibility. An on-line training for all Bank employees, strengthening awareness to the subject. Preparations for experience providing seminar training to all Bank employees, who provide service to outside customers.

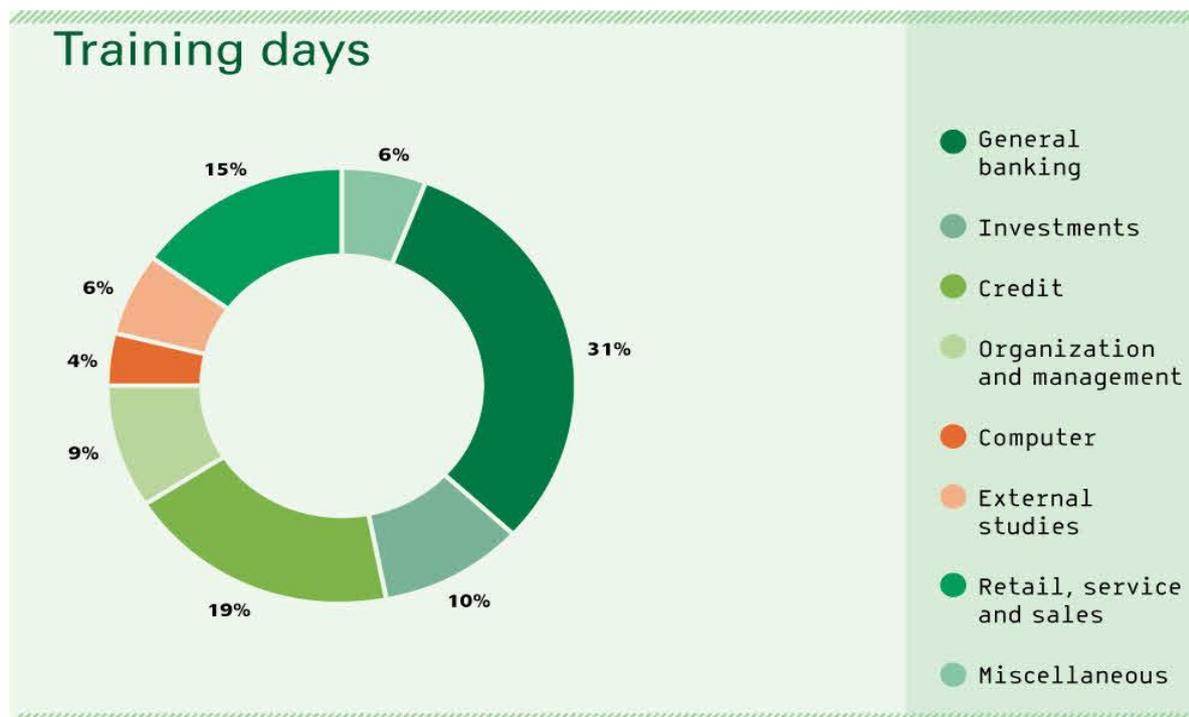
Scope of training. The number of training days in 2014 reached 25,370 compared with 34,600 training days in 2013, a decrease of approx. 26.5% The decline in the number of training days was the result of the "Protective Edge" Operation, of a specific strike at the Bank and the increasing use of computer communication learning. The data regarding the number of training days relate to actual training days on the College premises, and it does not express the development, enrichment and extensive self study activities conducted in a variety of subjects and areas. Thus, some 27,082 employees actually studied in 2014 through self computer communication learning - an activity, which as estimated, would require additional 13,540 training days (2013 - approx. 12,170 days of training).

Presented below are data regarding the average annual training hours per employee for the years 2013-2014:

	2014	*2013
Average training hours - clerk	24	29
Average training hours - manager	18	32
Average training hours - total	23	30

* The data for 2013 have been corrected following an error found during the preparation of the present report.

Work undertaking with respect to training. Within the framework of integrating new employees into the Bank and/or existing employees earmarked for certain positions with respect to which training is required for the improvement of professionalism, the Bank asks such employees to sign a financial undertaking that commits them in advance to a defined period of employment, with this being subject to and in accordance with statutory provisions. The existence of a requirement to sign such an undertaking is brought to the attention of the employee prior to his joining the Bank or prior to his being transferred to the new position. Other than in such cases, employees may terminate their employment with the Bank subject to giving advance notice.



Investment in training and development of employees

The Bank's investments in developing its human resources, in the training and shaping of an organizational culture amounted to NIS 10 million in 2014, compared with NIS 11.5 million in 2013, a decrease of approx. 13%. The said decline derived from the process of the reexamination of operations and the modification thereof to the goals of the Strategic plan. The above mentioned amounts include the training of employees in various subjects (development and providing training and training advice), professional qualification expenses, study seminars, etc. The amount does not include expenses in respect of academic studies for the Bank's employees and also not indirect costs regarding the wage of instruction staff, rental and building maintenance costs. The amount does not also include the relative part of employee payroll in respect of the participation of the staff in providing training courses, in the Bank's training framework, in self study by means of the distant learning computer systems and participation in outside training frameworks.

Furthermore, for the purpose of conducting the training, the Bank appoints mentors and training partners who are Bank employees and who, in addition to their regular work, assist in apprenticing training and in the preparation of training material. The cost in this respect is not included in the above amount.

Knowledge management

Knowledge management constitutes an important layer in the management of employee professionalism and the quality of service at the Bank supports employee performance by means of identifying and collecting professional knowhow; turning hidden knowledge into open knowledge; real-time validating and updating of information, the preservation and recycled use thereof; participation in professional knowhow; directing the required knowhow to the user in the shortest possible time and accessibility of the information by different means to the benefit of work and learning processes. The organizational portal on the Intranet system at Discount Bank comprises a central tool in Knowledge management.

Knowhow preservation. A methodology has been established for the capture of functional knowhow held by those having unique knowhow critical to the Bank. Measures to preserve the knowhow held in such units have been taken.

Drawing conclusions. Within the framework of promoting organizational learning and integrating risk management concept, the Bank cultivates a culture of drawing conclusions in order to expand organizational knowledge, information sharing, duplicating success and avoiding failure. Accompanying the conclusion drawing processes was continued in 2015.

Organizational culture

In 2014, the focus was placed on the design of a change supporting organizational culture, with an emphasis on performance and service.

Facebank. A new organizational portal was launched in 2014, in the format of news sites prevalent on the Internet. This allows updating on news and current updates at the Bank, and invites an open dialogue with senior Management on subjects that are the center of discussion in the organization. Since its establishment, the Facebank provided, among other things, a current updates of the employees regarding the new strategic plan, cross-organizational projects operated within the framework of which, the early retirement plan, the work time recorder put into operation on January 1, 2015, and more.

The Discount code of ethics. The year 2014 has been dedicated to the raising of the ethical standards at the Bank. Moreover, a move for the updating of the Code of Ethics has started and also a preliminary outline of the updated code was formed.

Internal communication²⁰. The Bank is investing in the development of open and two-sided communication with its employees, while strengthening their relations and commitment to the strategy and goals of the Bank, as well as to the community and the environment.

With a view of broadening employees' knowledge and understanding as to the Bank's total activities and to promote performance, a variety of communication lines were also used during 2014, including: Employee portal (FaceBank and Intranet); Senior Forum - meetings led by the President & CEO with a view of a joint discussion of material issues; "Morning magazine" - a weekly television newscast presenting subjects standing at the core of the Bank's endeavor; "Round table" meetings - face to face meetings between employees and members of Management with a view of extending the dialogue on a variety of issues. Four rounds of meetings have been held to date, in which some 600 Bank employees participated.

Workers from a variety of the different Bank units are invited to each meeting, taking care that different employees are invited each time to these meetings, in order to widen, to the extent possible, the conversation circles. The said meetings provide a fertile ground for new ideas, part of which are reflected in initiatives in the area of intra-organizational atmosphere. Thus, for example: improvement in the transparency of employee rights; new policy regarding the mobility of employees; improved terms of loans to employees; innovations on "FaceBank", etc.

In order to feel the mood, challenges and questions of employees, the Bank holds meetings at various levels, discussion groups and feedback processes, including:

- "Management in the field" - monthly tours of management members at branches and field units accompanied by senior managers from their head offices;
- "Ethics Café" - meetings led by a member of the Management, enriching the ways of facing ethical dilemmas.

Feedback interviews

Feedback interviews are a very important management tool in guiding and motivating employees. The feedback interview is intended to survey an employee's performance and functioning during the past year, to retain and reinforce the strengths and achievements, to identify what needs improvement and to set goals for the upcoming year. At the same time, the feedback conversation is an opportunity for open dialogue with the employee.

In the beginning of 2014 the performance appraisal process in its new format was conducted for the second time, in respect of performance in the year 2013. Some 6,231 discussions had been held in this process, an item reflecting 99% of employees.

²⁰ 64-26

Position Survey

In recent years, within the framework of the participation of the Bank in the BDI survey - "100 best places of employment", a survey is being conducted with participating Bank employee relating to their position on issues relevant to the Bank. The results of the survey are analyzed according to various sections: head office/field, regions etc. Multi-annual trends in the organization are also analyzed as well as trends in comparison to the benchmark of banking corporations in the industry, in order to identify differences and concentrate efforts to reduce them, respectively.

During the period reviewed in this report, the survey was performed at the beginning of 2014 and covered approx. 13% of all Bank employees.

The findings of the survey and the perceptions arising there from have been presented to the management of the Human Resources and Assets Division as well as to the Bank's Management.

The surveys are analyzed by the Human Resources and Properties Division, and the understandings being formed following this analysis, are used by the Division in forming the highlights of the work plans.

Employee welfare

Welfare services operated in the Bank

Since its establishment, the Bank has been known as an institution in with special sensitivity to the needs of the employee, and his troubles, and the approach to the employee is warm and familial. In 1976, the Bank began to operate welfare services in an institutionalized manner, becoming one of the first organizations in the economy to do so. The welfare services in the Bank do not replace community services, but are a connecting and complementary link.

The establishment of a welfare unit in the organization in general, and in the Bank in particular, is essentially taking the position that the organization (the Bank) views itself as a partner in the employee's problems and is interested in helping him, to the extent possible, to solve them, with a view that presumes that an employee who obtains assistance in solving his problems may be a more satisfied employee with a higher sense of belonging to the organization. Moreover, as part of the task of developing the organization's human resources, the Bank is interested in contributing to the employee's welfare, to improve his quality of life and diversify his leisure possibilities, in order for him to be a more satisfied and healthy person in body and soul.

The Bank's Welfare Department is engaged in development and prevention in an integrated manner: assisting the individual – the worker and his family and the development of welfare programs for all employees and common interest groups.

Treatment of the individual

Treatment of the individual focuses on consulting, servicing and direction under crisis, and is intended to assist the worker in dealing more effectively with his problems and needs, in order to return him to proper functioning as soon as possible, at home and in the work place. An important by-product of this involvement is the contribution to strengthening an employee's commitment to the organization.

The main areas of involvement within the scope of dealing with the individual are:

- Consulting and treatment in a wide variety of types of problems: personal, family (children, spouse, parents), health, finances, retirement, death, work problems. The consulting and treatment are provided in office meetings, in the work place, home visits, visits in institutions, etc;
- Providing information on and referrals to services in the Bank and the community in order to make the most of rights and/or treatment, while forging ties with those officials, as needed;
- The writing of psychosocial reports, which serve as a recommendation for the Bank's internal assistance funds, and to the extent necessary, also to outside parties (courts, adoption service, etc.);
- Consulting to those in charge of treatment of employee problems, instead of or as a complement to treating the employee himself.

The referral to welfare services is generally done by the employee himself, or by referring parties, such as: supervisor, unit's human resources coordinator, peers at work, etc.

In 2014, the Welfare Department dealt with 863 inquiries, compared with 838 inquiries in 2013.

Managers' involvement in treatment process

The Bank encourages the involvement of the immediate superior in assisting an employee in crisis. The concept on which this approach is based is the providing of basic tools for involving the manager with crisis events in an employee's life, as part of the concept of proper management, with the professional support and guidance of the Welfare Department.

Treatment of group pressure situations

Involvement in a pressure situation is accompanied at times by group treatment intended to provide a solution for the mutual need or difficulty of a group of employees, simultaneously, in addition to and as a complement to individual counseling. The group meeting enables an employee to learn from the knowledge and experiences of the group members.

Group pressure situations include: war, terror events, robbery or attempted robbery in the branch, sudden death of an employee, natural disaster, etc.

The involvement occurs in several plains: conversation and training for the unit's management team; individual personal treatment for employees who were hurt and need support; group conversation held close to the time of occurrence, intended to release fears and create an atmosphere of mutual support around the traumatic event; coordination and cooperation with parties in the Bank and the community.

"Protective Edge" Operation - During the fighting in the south, the Bank operated personal and group involvement in support of Bank employees. Current assistance of heads of units and their staff, individual treatment (where required), and support for employees and their family members who were called for military reserve service.

During the "Protective Edge" Operation (summer of 2014), 56 employees received individual treatment, visits were made to fifteen branches situated within the rockets range with instructions for dealing with emergency situations, and telephone support was provided for some 250 employees on active service.

In 2014, 24 events of group pressure situations were treated, compared with 13 in 2013.

Health in employment

This area is the responsibility of the officer in charge of safety at the Bank, which includes: environmental and employment monitoring tests as required by Regulations, including the performance of a preliminary survey. Performance control for employment medical examination is conducted in accordance with the duties prescribed by legislation relevant to employees according to the risks involved in their work, in coordination with the Bank's medical officer, heads of the relevant units and Human Resources.

Complaints by employees regarding suspicion of electromagnetic radiation generated by the electrical network or regarding the air quality in their workplace etc., are submitted to the safety officer for examination using qualified outside experts, and are being treated, as the case may be, by the Bank's construction and maintenance department, Human Resources, etc.

In 2014, complaints of 25 units were dealt with, compared with 15 units in 2013.

Welfare programs

The welfare programs come to develop employee welfare in the fields of health, community and leisure, and to provide a solution to a wide array of needs of employees and their families; to increase awareness of early detection of diseases, education, health, preventing physical wear and tear, and to improve quality of life in areas, such as: family, retirement, leisure and health.

Preparation for retirement

Retirement is one of the most significant transitions in an employee's life. The Welfare Department organizes and produces seminars on preparation for retirement. Within the framework of the seminars, the participants receive information on medical, psychological, legal, financial and other matters. By working in small groups, together with the spouse, the retirees are able to deal with their concerns together, in order to be prepared for the range of changes and possibilities brought by retirement. For those interested, personal counseling can be provided in addition to the seminars.

In 2014, 72 workers and their spouses participated in retirement seminars, of which, 31 couples. No retirement workshops were conducted in 2013.

Workshops and seminars

The Bank offers its employees a wide range of seminars and lectures on the subjects of health, family and leisure. The activities are conducted outside of work hours in Discount College, and at a number of the Bank's centers and sites throughout Israel. In 2014, there were 5,452 participants in the workshops and seminars, compared with 7,567 participants in 2013.

Medical tests and blood insurance

The Welfare Department, in partnership with the Bank's physician organizes various campaigns within the work place, for employees' convenience, for preventive medical tests and blood donations.

In 2014, 188 employees received blood insurance by donating blood, compared with 199 employees in 2013. 228 employees and their spouses had general medical tests performed in 2014, compared with 279 tests in 2013. In 2014, some 230 tests were performed on the Bank's athletes, compared with 288 in 2013.

In recent years, the Bank does not maintain illness avoiding programs, such as medical examinations for the early detection. With the increase in awareness of the need for such examinations, these are being offered free of charge by the health funds and employees are undergoing such examinations within the framework of the health funds. In view of the declining interest in examinations offered by the Bank, it has been decided to discontinue them.

Sports activity and medical insurance

The Bank offers to all its employees and their family members membership of fitness clubs, swimming pools and country clubs in various places around the country, at beneficial prices and payment arrangements.

The Employee Committee offers all the Bank's employees and family members participation in medical and dental insurance arrangements.

Safety in the workplace and work environment

Safety in the workplace

In July 2012, an officer was appointed to be in-charge for safety, which coordinates the topic of workplace safety and health at the Bank in place of the previous in-charge who had retired from the Bank.

In 2014, an educational computer program dealing with safety issues was launched to all of the Bank's employees which included information regarding risks at the Bank's offices and branches which is intended, inter alia, to encourage employees to spot hazards in their work environment and to report these to the parties who are charged with dealing with them.

In 2014, a safety testing program was activated for the identification of hazards and in order to provide a safe work environment and to ensure the safety of customers and those visiting the Bank's facilities.

During 2013-2014, employee populations with unique features were identified, such as: storekeepers, maintenance personnel and so forth, and these received instructions regarding the unique risks relating to their duties (notwithstanding, no occupational diseases have been identified at the Bank).

In 2013 a program was drawn up to establish and construct an array of safety trustees at the Bank's branches and sites, and to involve them in conducting the ongoing safety testing at their units. Implementation of the program began in 2015.

Within the scope of the activity for integrating safety awareness, all employees of the Bank receive a quarterly safety sheet that includes updated information and reminders about certain topics.

From time to time, appropriate environmental tests are conducted in order to identify factors that could endanger the existence of a safe and healthful work environment for the Bank's employees.

Safety events are investigated and checked, including drawing conclusions and implementing them, in order to establish a continuous process of improvement.

Presented below are data regarding events in which customers and/or employees were involved, in 2013-2014, which resulted in exercising the Bank's insurance policies:

	2014	2013
Customers (third-party)	2	11
Employees (employers liability)	3	1
Total	5	12

Item 41 of the Labor Charter states that the Bank shall employ all necessary measures, in order to provide physical work conditions that protect the health of the employee in the workplace.

The Bank does not have a safety committee. Nevertheless, the manager of the properties and construction group conducts periodic discussions on safety issues.

Work environment

Work-life balance. The Bank continues to promote an organizational culture of work-life balance, and has trained managers in personal and organizational effectiveness issues, such as the management of meetings and time management.

Banning of smoking. According to the provisions of the Law to Prevent Smoking in Public Areas, the Bank prepared and disseminated a detailed procedure that brings the provisions of the law to the employees, as well as the rules of conduct required for its implementation in the best possible manner. The procedure is accessible to employees at all times. According to the said law and procedures, smoking is banned within the confines of the Bank, aside from specially designated smoking areas in the head office premises. In the different Bank units, there is appropriate signage regarding the smoking ban and regarding special smoking areas where they exist. Any complaint on this subject reaching the responsible officials is dealt with immediately.

Radon gas. Management insists on having periodic tests performed in the branches for the existence of radon gas, if such a need arises.

Healthy nutrition. Insistence on employee health includes their nutrition and tests are performed on the quality of the food served in the Bank's units. Likewise, the meals served in Discount College and the head office units offer dietetic and healthy choices (light bread, vegetables, low fat cheeses, etc. Food vendors are also required to meet quality standards (Standard 9000).

An organizational health plan. A move for the absorption of an organizational health program at the branch layout was completed in 2014. The program focused on physical fitness and proper nutrition, led by the managerial level presenting a personal example. Furthermore, the program included intensive intervention among employees, when identified as population at risk.

Preventing sexual harassment

Sexual harassment and intrigues of a sexual nature damage a person's dignity, choices, privacy and equality of the sexes, and they violate the law and the Bank's policies and harm work relations. The Bank invests vast resources in preventing sexual harassment, in dealing with and putting an end to the phenomenon when it occurs, in accordance with the Prevention of Sexual Harassment Act, 1998, and Regulations enacted under it. The Bank has appointed an officer, in term of the Act, who is responsible of investigating complaints and reporting her findings and recommendations to the VP Human Resources, who acts as the representative of the employer for the purpose of taking decisions.

The "prevention of sexual harassment and intrigues of a sexual nature in the Bank" procedures is given to every new employee beginning work in the Bank, hangs on notice boards in the various Bank units and is prominently presented on the front page of the Bank's Intranet site. Additionally, frontal guidance is given to new employees of the Bank on the prevention of sexual harassment, within the framework of the introductory courses about the Bank that are taught in Discount College, and to veteran employees. Recently, the Bank had purchased a comprehensive educational software on the subject which was modified to its requirements and distributed to all Bank employees, as well as in respect of new employees, within the framework of courses for familiarization with the Bank.

In cases where sexual harassment had been found, punitive sanctions are adopted, which, among other things, include: oral reprimand, reprimand in writing, suspension from work and even dismissal, everything in accordance with the severity of the case and subject to the law and to labor agreements to which the Bank is a party.

Additionally, when the complainant decides to turn to the police, the Bank guides her and gives her full support and assistance.

Two complaints regarding sexual harassment were examined in 2014. In one case the Plaintiff was the spouse of a customer who alleged verbal harassment of his wife. The accused was a temporary employee. It was not possible to complete the examination in full due to the fact that the customer did not appear to give evidence. In the other case the Plaintiff was a temporary employee about to be dismissed, the accused being a manager. The examination did not reveal any harassment.

Also examined was a claim alleging an affair between a manager and a temporary employee. The parties were summoned and denied the existence of an affair between them.

Two complaints with respect to sexual harassment were received in 2013: in one case, a tenured female employee complained against a tenured manager. Investigation

indicated a serious case of sexual harassment and the Bank decided on the dismissal of the manager. An arbitration has been conducted in this matter. The Arbitrator admitted the Bank's position and the litigant was forthwith dismissed, in view of the opposition of the Employee Committee to the dismissal of the employee.

In the other case, the complaint was lodged by a temporary employee against a senior clerk. The investigation indicated improper behavior on the part of the senior clerk, though not amounting to sexual harassment. The clerk was reprimanded for this improper behavior.

158	Community Activity Policy
159	Volume of activity
160	"Discount Sprint for the Future" - Discount Bank's flagship project
164	Voluntary Activities
167	Various Projects
169	"Herzelilinblum" - Banking and Tel Aviv Nostalgia Museum
172	Arts
174	Sponsorships
176	Involvement in and contribution to the community by the principal subsidiaries
177	Social responsibility ratings

157

Community Activity Policy

Discount Bank has worked for the community since its founding, with a comprehensive management approach whereby activities for the community are part of the business, social and cultural commitment.

The Bank's main voluntary project is "Lema'an" - Discount Employees for the Community, part of the Bank's policy of encouraging volunteerism for the community among its employees. The project was launched at the end of March 2002, and within its framework the Bank's employees volunteered for activities for the community.

The Bank's policy, as formulated in recent years, is to consolidate the human and financial resources in activities for children and teens at risk and in crisis, mainly in the fields of education and training. This comes from the approach that these areas are the engines for personal and social success of the aforementioned target populations.

Within this framework and as expression of this approach, in 2005, Discount Bank joined the foundation "Sprint for the Future", together with which it launched a program that became the Bank's flagship program "Discount Sprint for the Future" (see below).

In addition to activities in education and training:

- The Bank encourages its employees who volunteer in the community and aspires to expand the circle of volunteers;
- The Bank enables the employment of special-needs employees;
- The Bank assists in inquiries on health issues through the Discount Fund in the "Ezra LeMarpeh" Organization;
- The Bank seeks to deepen the ties with the community on specific programs.

Future goals

- Increasing the scope of volunteer work among employees of the Bank;
- Creating a supportive atmosphere by means of election of the outstanding employee/branch/unit in each month, granting the Volunteer Shield and special publication of the activity.

Areas of activity. During 2014 the voluntary activities continued within the framework of the project "Lema'an" - Discount Employees for the Community, in which the Bank's volunteer employees contribute their time and the goodness of their hearts. In some of the cases, the Bank's Management finances the costs of the activity itself (such as the cost of purchasing materials used in the volunteering activity, purchase of gifts to residents of the volunteer center etc.).

The voluntary activity is diverse, providing assistance and support to a broad range of elements in the Israeli population: Children and teenagers, students, soldiers, distressed population strata, the elderly, the handicapped, the infirm, etc.

In addition to the activities in the "Lema'an" Project - Discount Employees for the Community, described below, activities were carried out in 2014 also in the areas of culture and art, providing sponsorships and making donations.

Voluntary activity continued in 2014 within the framework of associations engaged in helping children and youth in distress and risk situations, persons having special needs, IDF personnel, Holocaust survivors, and more, as well as assisting various associations that support target populations as defined by the Bank.

Volume of activity

Following are data regarding the scope of expenditure of the Discount Group in respect of the activities:

	In the year	
	2014	2013 ⁽⁴⁾
	In NIS thousands	
Direct expense including the "Lema'an" project activities	6,135	5,960
Direct current cost of operating the Hezelilienblum Museum ⁽¹⁾	5,964	6,934
Indirect expenses - payroll ⁽²⁾	3,784	3,233
Miscellaneous expenses ⁽³⁾	529	396
Total⁽⁵⁾	16,412	16,523

Footnotes:

- (1) Guidance team payroll and building maintenance.
- (2) Staff of the social responsibility unit and certain other factors who were directly engaged in social responsibility matters as part of their regular working hours.
- (3) Mostly expenses relating to the preparation of various social and environmental responsibility reports, and participation of the Banks' Management in financing the travel to Poland.
- (4) The data for 2013 has been restated following a re-examination of the data.
- (5) The data does not include the cost of the financial education project.

Hereunder is data regarding the areas in which funds had been invested:

	In the year	
	2014	(1)2013
	In NIS thousands	
Education and training	3,074	3,138
Herzeliinblum Museum	5,964	6,934
Persons having special needs	820	896
Health	480	667
Adoption of IDF units	300	208
Other social causes	1,402	1,000
Indirect and miscellaneous expenses	4,372	3,680
Total	16,412	16,523

Note:

(1) The data for 2013 has been restated following a re-examination of the data.

It should be noted that the data presented above do not include the Bank's investment in the financial education field.

Donations

Donations are directed mainly to associations, clubs, education establishments, health organizations and others, that focus on children and youth and personal welfare. Noteworthy among the Bank's donations in 2014 are: Discount Sprint, ALEH Negev - Nahalat Eran, Association for the Wellbeing of Israel's Soldiers, Association for Advancement of Education in Jaffa, AKIM, Friends of Rabin Medical Center, Yad Sarah, Israel Cancer Association Ramon Foundation, Reuth Medical Center, Make-A-Wish Israel, Ezra LaMarpeh, Beit Weinstein, NaLaga'at Center, Lirot, Hom Association, Silent Angels, Zichron Menachem, Krembo Wings, Tech-Career, Unistream and more.

Assistance to families in need

In line with the Bank's tradition, the Bank rallied also in 2014 to assist families in need towards the Passover holiday. The Bank has contributed an amount of NIS 72,000 to the "Warmth" Association, which assists in delivering food parcels to families in need.

"Discount Sprint for the Future" - Discount Bank's flagship project

General. In 2005, the Bank joined the "Sprint for the Future" Association with a view of advancing education and schooling in the social and geographical periphery in the State of Israel.

During the past nine years the Bank was a party to the growth and expansion of activities and budgets of the Association, assisted in the structure of unique projects and partnerships with government agencies, such as the Israeli Ministry of Education and the Israeli National Insurance Institute, and also has founded a student scholarship foundation.

General background - the Association and its activities. The "Sprint for the Future" Association develops and operates programs for advancement of youth in distress from peripheral areas with the aim of reducing social gaps and increasing social mobility through education and learning. The Association strives to integrate the youth into the academic and employment world.

The "Sprint for the Future" Association operates four central programs:

- **"Sprint" Program** focusing on supporting students having study difficulties helping them to graduate from high school with a matriculation certificate and continue with higher studies;
- **"Pre-Atidim" Program ("Sprint for excellence")** leads students having academic potential to excellence in science studies, attaining a quality matriculation certificate that admits entry into prestigious faculties at universities (engineering and sciences);
- **"Sprint for Industry" Program** designed to prevent youth in distress from dropping out of school, lead them to technological and professional studies and integrates them into industrial enterprises in their areas of residence. The Program had begun as a "start-up" financed by the Bank and developed into a nationwide extensive scope project. The Ministry of Education and the National Insurance Institute have recognized the importance and contribution of this program and have taken a strategic decision to participate in a joint enterprise with the Association (in which the Bank also participates) and to operate it at some thirty centers of operation in peripheral areas;
- **"Sprint for the Academy" Program.** Assists graduates of the programs of the Association to enter into the academic world. The Bank has established a scholarship foundation, through which it awards hundreds of scholarships each year (see below).

General data "Sprint for the Future" - December 2014

- Fourteen years of activity;
- Sixty-five activity centers around the country;
- One hundred and eighty classrooms per year;
- Six thousand young persons per year;
- Seventeen thousand young persons have participated in the programs of the Association during its years of activity;
- Six hundred students a year at universities and colleges.

Nationwide disposition. The Association operates at a country-wide disposition, in various sectors of the Israeli society (ultra-orthodox Jews, orthodox Jews, secular, Arabs, Druze and Bedouins). Among other places, the Association operates in Hatzor, Zefat, Kiriyat Shmonah, Acre, Beit Shean, Spring Valley, Tiberias, Isifya, Kisra Samia, Salalme, Upper Nazareth, Migdal Ha'emek, Nazareth, Um-el-Fahem, Or Akiva, Bnei Brak, Ariel, Ramla, Lod, Jaffa, Tel Aviv, Jerusalem, Dimona, Shderot, Yeruham, Ofakim, Beer Sheva, Rahat, Lakia, Tel-Sheva, Kseiffa, Churra and in many youth villages around the country. In many places the Association operates in all schools.

Achievements. The programs are being accompanied by an independent evaluation research performed by the "Szold Institute for Social Research". The results of the research made in recent years indicate a high level of achievements and compliance with the aims of the Association's programs: some 85% of the "Sprint" program graduates completed their high school studies with a full matriculation certificate. Some 87% of the "Sprint for Excellence" graduates completed their high school studies with marks of 85 and over in their science oriented matriculation certificate. 56% of whom reached high distinction with average marks of over 95.

Furthermore, the results of the research regarding the "Sprint for Industry" program indicate a clear and proven turnaround in the prevention of the dropout of students at risk from the education system and in directing them to a professional future in trades and profession required by the military and by industry.

The Bank's involvement. The Bank is a party to both the financial support of the Association and the promotion and advancement of its activities. Representatives of the Bank's management are members of the Association's executive board and in this framework they participate, among other things, in the formation of the work plans of the association. Employees of the Bank have started voluntary activity within the Association's programs, including in the adoption by Bank branches and Banks units of neighboring schools participating in the project. Representatives of the Bank are members of the audit committee and the finance committee of the Association. The Bank's Accounting Group provides accounting and payment services for the Association. An initiative which started in 2013 is the mentoring of students from peripheral

areas conducted by senior Bank employees with a view of jointly forming ways and means for the successful integration of young persons in the community. The mentors provided by the Bank will assist students in their way to a first job and will constitute those social relations for the students.

The late Nissim Alagem Fund. In January 2007, the Bank instituted a scholarship fund for academic studies named after the late Nissim Alagem, who passed away in 2006. Mr. Alagem worked at the Bank for 40 years, his last post being Vice President, Head of the Commercial Division. Within the framework of the Foundation, the Bank makes in each year a contribution to finance academic studies of youth graduating from the programs of the Association. The Foundation enables these graduates to continue in academic studies at higher education institutes with a personal mentoring and learning support of the Association.

Since the establishment of the Foundation, 762 scholarships have been granted through it to students in need. This number includes both scholarships donated by the Bank, scholarships donated by entities in the Arab sector (see hereunder) and scholarships by different donors, who wished that their donation would serve for scholarships granted through the Foundation. Some 110 scholarships were granted in 2014. Some 100 scholarships were granted in 2013.

A Sprint for the Future program in the Arab sector. In 2013–2014, Mercantile Discount Bank continued to operate the unique program for the advancement of higher education in the Arab sector, which started in 2008 in cooperation with the "Sprint for the Future" Association.

Within the framework of the program, Mercantile Discount Bank granted in each of the years 2013 and 2014, seventy-three study scholarships to students of the Arab sector, who were found deserving a scholarship according to determined criteria. In consideration for the scholarship, students grant study assistance to high school pupils and also partake in community work in the areas where they live. The cost of the program amounted to NIS 0.6 million in each of the years 2013 and 2014. The program includes also a festive annual event for students and their families, enrichment seminars for students and the employment of a coordinator belonging to the sector, who accompanies the activity in this sector.

Within the framework of the program to date:

- NIS 2.16 million have been granted as student scholarships;
- 36,420 study hours have been granted to the community;
- 250 students from thirty-four locations participated in the program;
- of which, 85 students received NIS 16,000 during three years.

"Sprint for the Future" Annual Event (2014)²¹. A meeting was held in May 2014 between the senior officers forum of Discount Bank and students and graduates from

²¹ 64-25

peripheral areas of the "Sprint for the Future" Association. The meeting discussed social, economic, educational and employment issues, during which new and unique initiatives have been formed for the reduction of social gaps and for the breakthrough by graduates of the Project to the center of action in Israel.

Voluntary Activities

The Bank encourages its employees to take part in various voluntary activities while emphasizing a long-term activity. Many units in the Bank have designated volunteer focuses that they have adopted, and they encourage their employees to volunteer in these focused areas. Some of the volunteers engage in voluntary activities on an individual basis, not within the unit framework.

In 2014 the volunteer efforts were concentrated on associations for at-risk and in-crisis teenagers, clubs for children and the elderly and in assisting various associations that support the target populations defined by the Bank.

As of December 2014 approx. 1,075 Bank employees contributed their time and engaged in volunteer activities on a regular basis. These volunteers were active in 113 voluntary positions (2013: approx. 815 volunteers who were active in 113 voluntary positions). The Bank estimates that 27 thousand hours were devoted to voluntary activities in 2014 (2013: approx. 33 thousand hours).

Promotion of volunteer work was, among other things, conducted by sixty volunteer coordinators, operating at the branches and units, in which an organized unit volunteer work exists. The volunteer coordinators maintain current communication with the relevant functions at the centers where voluntary work is done, among other things, in order to review the needs from the voluntary aspect and monitor its progress.

The voluntary activities of the employees are generally carried out during their free time, except in exceptional situations where the Bank's Management gives ad hoc approval for certain activities to be performed during work hours. However, there are employees, primarily those in the Social Responsibility Unit, the staff of the Herzlililblum Museum and employees who conduct activities for the Sprint project (see above "The Bank's Involvement" under "Discount Sprint for the future"), who are engaged directly in social responsibility fields within the framework of their work hours.

The Bank's Management appreciates the volunteer work of Bank employees by currently advertizing the volunteer activities on FaceBank, a designated website "Human resources for you", noting the elected "volunteer of the month", granting tickets to fundraising events, etc.

Hereunder are presented various examples of projects and voluntary activities within the framework of the "Lema'an" project.

Volunteer Activities in partnership with associations and within the framework of clubs for children and teenagers

Institute for Advancement of Education in Jaffa. The cooperation with this Institute continues, including volunteer work by Bank employees and a financial contribution by the Bank. The Institute provides a variety of education, welfare and enrichment programs to thousands of at-risk children, from families of a low socioeconomic background. Moreover, the Association assists many Holocaust survivors residing in southern Tel Aviv and in Jaffa.

Adoption of "A Place in the Heart" - children at risk - Jaffa "D". A club for first to sixth grades schoolchildren, operated once weekly by volunteers of the Bank, with the aim of assisting children at risk with their school homework.

Hanukkah and Purim events at volunteering venues. Bank employees conducted Hanukkah and Purim parties at centers in which they work as volunteers; children clubs, senior citizen clubs, schools, a shelter for battered women, Chimes - Rehabilitation Work Centers (adult population having special needs), "Dancing on Wheels", a club for the blind, children with special needs, hospitals etc.

Population with special needs

The Haifa Blind Association. A unique volunteer work modified for the blind, such as "Lag Baomer" Jewish holiday activity, summer parties etc.

Bazaar for items produced by the population with special needs. In 2014, towards the Jewish New Year and Passover holidays, the Bank assisted in setting up a bazaar (on the Bank's premises) at which Bank employees can buy items created by persons with special needs working under the auspices of the following associations: "Beit Miriam", "Sheculo Tov", Kfar Idud, the "Enosh" in Rishon le'Zion, and the Heletz School for special education. Income from sales was contributed towards the continued activities of associations employing population with special needs.

Assistance for Holocaust survivors

Cooperation continues with "Yad Ezer L'Haver" Association in Haifa. Voluntary work, which is focused on holidays.

Holocaust survivors residing in southern Tel Aviv and in Jaffa. A joint voluntary project of Discount employees and the Jaffa Institute. Some fifty Bank employees have enrolled for voluntary work in this project.

Volunteer activities and assistance in the health field

"Discount Fund" at the "Ezra LeMarpeh" Organization. The Fund was established in August 2007, and the activity continued uninterrupted in 2014. The objective of the fund is to provide financial assistance in exceptionally difficult cases. The Fund is a collaboration between the Bank and the "Ezra LeMarpeh" Association. Suitable inquiries received by the Bank are referred to the Association for examination of the case and its various aspects. When the request is found deserving, assistance is given from the Discount Fund in the association.

"Reuth" Medical Center. Voluntary work over many years. In addition to a yearly monetary donation for the purchase of medical equipment, the renovation of the residential unit for holocaust survivors in the place, etc., the staff of the Tel Aviv Region maintains voluntary activities. Each employee contributes his personal talent and together they hold a happening several times a year intended to make a change from routine life for the patients and holocaust survivors.

The Tel Hashomer Safra Children Hospital. Volunteers of the Bank hold for some years running Purim and Hanukkah happening in which the sick children and their families participate.

Various projects

Ramon Foundation. The Bank is a member of the "Ramon Award" program, the mark of quality, excellence and leadership, in memory of Ilan and Asaf Ramon. Within the framework of the program, eight young persons excelling in their studies and especially outstanding in their community volunteer work, as leaders of social change. The aim of the program is to encourage excellence and leadership among youth in Israel, in the image of Ilan and Asaf Ramon, who represent a personal example in their personality, deeds and achievements. The eight elected youth are to undergo a several months' course increasing their proficiency and skills, within the framework of which they would be qualified to lead varied projects for the reduction of various differences and social advancement in Israel.

Discount employees in aid of ELEM. Some thirty Discount employees participated in the ELEM race, all income thereof were dedicated to youth at risk.

"Social responsibility in business" day. June 10, 2014 has been declared in Israel as "Social responsibility in business" day, led by "Maala" Organization.

The Bank has elected to focus its activity on this day on broadening the circle of volunteers for community activities. The "Morning Magazine" transmitted to employees included a report intended to encourage Bank employees to broaden the circle of volunteers. The Chairman of the Board appeared on the "Magazine" and stressed the importance of this issue and expressed his appreciation of the volunteer Bank employees.

Operation of the Bank during the "Protective Edge" Operation. Gift parcels have been sent to families of Bank employees called for active service during the "Protective Edge" Operation, as well as to employees whose next of kin were called for active service.

At the same time, after examining the needs with the competent factors in the military units, products have been purchased for the soldiers of Squadron 916 and for and the soldiers of Regiment 405.

FaceBank. Current updates regarding voluntary work and community activities are provided to employees by means of FaceBank - a new organizational portal, in the format of news websites prevalent on the Internet, launched in the Bank in 2014.

"Adopt a combat soldier" Project

Discount Bank takes part in the Friends of the IDF's "Adopt a Combat Soldier" Project, adopting "Squadron 916" of the Israel Navy, which is responsible for the security of Israel's southern coast.

The bank supports the Squadron with a monetary contribution as well as with volunteer

work. The annual contribution is NIS 100 thousand intended for financing activities for the welfare of the soldiers. In addition to a monetary contribution, the Bank incorporates volunteer activity of the Ashdod Branch employees. Furthermore, naval servicemen participate in various events of the Bank.

In 2012, the Bank committed to adopt the squadron for an additional period of three years in continuation to six years of adoption of that squadron.

At the beginning of 2011, DMB committed to adopt Regiment "Tiger" of the Artillery Corp for an additional period of three years. Upon consummation of the merger between DMB and the Bank, the latter has also taken over this commitment.

The Bank's Management maintains current communication with the commanders of the units in order to review the needs of the units and coordinate joint activities²².

Employment of girls at risk and visually impaired teenagers

A project with "Ofek Liladenu" (Our Children's horizon Project) Israel National Association of Parents of Visually Impaired Children. Since the summer of 2005, the Bank employs visually impaired teenagers during the summer. Most of these teenagers reach the Bank with the help of the "Ofek Liladenu" Association - a national organization of parents of blind or visually impaired children. 21 youth were employed at the Bank in 2014, and in 2013, 25 teenagers were employed at the Bank. Before they begin employment, the teenagers undergo two days of banking and general training in Discount College.

"Young employment" Project. A project in conjunction with the Herzliyah Foundation, aimed at assistance in finding work during the summer vacation for girls at risk aged 14-17. The purpose of the project is to grant the girls positive experience at work, acquiring various knowhow and skills, which will advance their integration in future workplaces. 9 girls joined the project in 2014, and in 2013 - 15 girls joined the project for a period of two weeks in July.

"THE MARCH OF THE LIVING"

In April 2014, a delegation of Discount Bank employees participated, for the twelfth time, in the "March of the Living" from Auschwitz to Birkenau that takes place every year on the memorial day for the Holocaust and Heroism. The delegation numbered 70 of the Bank's and ICC's staff. This continued a tradition started on 2003, of participation of a Discount Group delegation in the "March of the Living", the Bank and the Employee Union participating in the cost thereof.

²² 64-25

"Herzelilinblum" - Banking and Tel Aviv Nostalgia Museum

The Herzelilinblum Museum, founded in 2009, is located in Schiff House, one of the first houses in Ahuzat Bayit. The Museum forms an integral part of the Bank's social responsibility concept, and is open to the general public free of charge.

The Museum exhibits the economic history of Israel simultaneously with the development of the City of Tel Aviv by showing original historical objects together with films and advance technological means.

The building, declared as preserved building under strict limitations, has undergone over three years a detailed restoration and preservation process, which included the restoration of the external architectural outline of the building as well as the internal architectural motives.

In 2011, the Herzelilinblum Museum was declared a heritage site by the Society for Preservation of Israel Heritage Sites, and is one of some one hundred similar sites around Israel.

The building has three floors, each dedicated to another time dimension:

First floor - Floor of the Past. In this floor are displayed articles from various periods of the building, a restoration of a bank branch from the thirties and forties of the twentieth century including original items of the period, a historical model of the city of Tel Aviv in the thirties, as well as the "Avenue of Time" a display, which through interactive means, provides accessibility to significant events in Israel's economic history.

Second floor - Floor of the Present. This floor presents present banking by advanced technological means such as an ATM machine with see-through sides, a self production of checkbook station, computer stations providing information regarding capital market and banking concepts, a pension computer, trivia games, etc.

Third floor - Floor of the Future. This floor presents the future banking by means of a 360 degrees surround 3D film. The forecasting scenario had been constructed with the assistance of the Technological Forecast Institute of the Tel Aviv University. The floor has also a meeting room equipped with wall to wall screens and with innovative technological means, in which the visitors participate in business games simulations.

Tours

Since its opening in May 2009 and until the end of 2014, the Museum hosted 240 thousand visitors of different populations: children, families, middle and high school students, university students, tourists, social organizations, associations, Bank customers, businessmen, Government officials and their guests and more.

Visits to the Museum are structured and led by skilled guide teams, all of them employees of the Bank.

Tours are varied and are adapted to various populations and age groups. There are economic tours for children and adults, workshops for middle and high school students on subjects of economics and civics, historical tours of the city of Tel Aviv and architectural tours.

In addition, the Museum hosts social organizations, associations and business entities and enables them to hold conventions, seminars and lectures in conjunction with guided tours.

In 2014, some 140 events were held for corporations, business forums and organizations, similar to 2013.

Cooperation with the Ministry of Education. The Herzlilnblum Museum is recognized by the museum department of the Ministry of Education and forms part of the study program in matters of economics, civics and the financial education field, recently introduced into the educational layout.

As part of the continuing cooperation with the Ministry, a new tour has been developed in 2013 for middle and high school students, dealing with the economic policies of the late Prime ministers Mr. David ben-Gurion and Mr. Menachem Begin, as a derivative of their ideologies.

Seminars for children and youth during the academic year. Students visit the Museum within the framework of tours and workshops dealing with economic development in Israel, acquiring knowledge regarding the capital market, banking and business as well as in socioeconomic theories by which they examine present issues of the Israeli reality. All these with the help of innovative and interactive technological means, which integrate the students into decision making processes.

During 2014 the Museum directed most of its activity in the education field to pupils taking five units in civics, economics and social sciences, within the framework of the following unique study programs:

- The stock exchange - an educated investment;
- Monetary policy in Israel - the Bank of Israel: independence and power;
- Meetings with the social-economic world in Israel: the social-democratic approach as against the neo-liberal approach.

During the academic year, some fifty tours per quarter on an average are being conducted for school children of seventh to twelfth grade. Part of the tours, lasts one and a half hours, mostly to middle schools and partly to high school classes, seminars of five hours on the subject of the Stock Exchange and the monetary policy of the Bank of Israel.

Workshops for children and youth during school vacation. During the summer and holiday vacation periods the Museum conducts workshops for children aged 6-12 and their families as well as for youth aged 13-17. These workshops expose them to economic contents worlds by interactive means such as imaging, games, trivia quizzes, films and other tangible means.

About 200 tours for children and their families were conducted during the school vacation in 2014, compared with 380 tours in 2013: "My money, a seminar for young economists" - economic seminars.

Fundraising event for the "Spirit of Israel" Association, held in September 2014, where works of art donated by artists have been sold in aid of the Association and its activity in aid of children at risk. Over 300 persons participated in the event and more than one half of the exhibits have been sold. The works of art had been on show at the Museum for two months prior to the event.

Fridays at the Museum - a series of bi-weekly events initiated by the Museum, open to the public at large and to Bank employees. Each of these events includes a tour outside of the Museum, a tour of the Museum and a lecture. The series commenced in November 2014, and is planned to continue also in the first half of 2015.

Exhibitions at the Museum

In addition to the permanent exhibition, the Museum hosts changing exhibitions on varied and different subjects relating to the characteristics of the house. Among the outstanding exhibitions held at the Museum in 2014, may be mentioned:

"Adorned - Pioneers and Dreamers". The exhibition opened in April 2013, and in view of public demand, continued exhibiting at the Museum until June 2014. The singularity of the exhibition was in the presentation for the first time of a group of ladies, each of them, amazing in her achievements and contribution to the Israeli society, in different occupational fields and world of contents: art, literature, science, justice, theatre, statesmanship, cinema, fashion and more.

Many events have been held within the framework of the exhibition (some twenty events in the first five months of 2014 alone), the closing event of the exhibition being in honor of generations of the Israel Prize laureates, held in June 2014. Participating in this moving event, the first of its kind held up to now in Israel, were the Israel Prize laureates and their family members. Also present and praising the laureates

were the chairperson of the Knesset committee for the promotion of female position, the Bank's President & CEO, and others.

The exhibition was moved to Haifa in January 2015, being open for one month at the lobby of the Auditorium, following which it was moved to its permanent location at the "Madatech" in Haifa.

"Paporisch" – an exhibition of the works of the artist Ruth Weinstein Paporisch, opened in November 2014, and was open until the middle of February 2015. Ruth Weinstein Paporisch presented in the exhibition thirty of her works created in the last two years, and which depict the legacy of her father, the well known geographer Dr. Yehoyakim Paporisch, one of the founders of "Tichon Hadash" High School in Tel Aviv, and who became known mostly due to his great contribution to education and to the teaching of Geography in Israel.

Arts

Discount's art collection contains some 2,200 original works and about 4,200 lithographs of the best of Israeli artists, representing a fascinating and varied assortment of making over more than fifty years and includes sculptures, paintings, tapestries, video art and photographs. The Bank's art collection is considered one of the quality collections of Israeli art.

Lending works of art. The Bank attributes importance to exhibiting the collection to the public and from time to time, several works of art are lent to exhibitions. Cooperation with various museums continued in 2014. Within this framework the Bank lent works from its art collection. The Bank loaned three works of the artist Ron Amir to the exhibition "Jisr-al-Zarqa, Back and Forth" at the Haifa Art Museum. A work of art by Tsibi Gevawas lent to a solo exhibition of the artist at the Macro Testacciot Gallery in Rome; Four works of the artist Elham Rokni were loaned to the "Until You Get Out Of My Voice" exhibition at the Ashdod Museum; Works of the artist Elham Rokni were loaned to the Ashdod Museum of Art until the end of 2014 to the exhibition "Until You Get Out Of My Voice".

"From photography to printing" Exhibition. Six engravings taken from the Discount Art Album No. 16, were on show in July at the exhibition held at the Negev Museum.

The work "Energy" by the artist Benni Efrat, from the Discount Bank art collection, had been restored and put on show in the lobby of the Discount Tower.

Cooperation with Mercantile Discount Bank. The donation to the Um-el-Fahem Gallery of the "Discount 16" Album on behalf of Mercantile Discount Bank, on occasion of a sale event and the raising of funds towards the transition from a gallery to a museum in Um-el-Fahem.

Exhibition of the artist David Mey-Tal. An event held on January 22, 2014, at the Tirosh Gallery for customers of the Banking Division, launching an exhibition of the works of the artist David Mey-Tal. Participating in the event were customers of the Tel Aviv regional administration and of the Tel Aviv business center.

The Streichman Estate. The launching and initial exposure of works of art belonging to the Streichman estate that were transferred to the collection of the Bank by the Streichman family, was held on February 21, 2014. Among the items was an unfinished work by Streichman that had been completed by the artist Yair Garbuz, as well as twenty-five clay statutes made by Streichman.

Event at the Nahariyah Hospital. The event included an art gallery exhibited in the corridors of the wards. The lithographies have been donated by the Bank.

A stage for the artist. The project "A stage for the artist" is intended to provide exposure to artists within the premises of the Bank's branches. In this framework, an opening event was held on May 14, 2014, for the exhibition of works of the artist Lihi Talmor. This is an exhibition of photographs taken in the Ladakh Region of Northern India. Present in the event were the Deputy Ambassador of India, the Head of the Trade Department and the Secretary for Cultural Affairs and Communication of the Indian Embassy in Israel, as well as many guests from among the customers of the branch. In addition, a paintings exhibition of the artist Magda Ganor was opened on October 22, 2014, at the Rabin Square Branch, in the presence of the regional manager and customers of the branch.

Guided public tours. Guided tours of the Bank's art collection, open to the public, are conducted on Friday mornings at the Discount Tower. Some 50 tours were made during 2014, in which some 1,300 visitors have participated. Some 50 tours were made during 2013, in which some 1,800 visitors have participated.

The Discount Museum website. The Bank's art collection is considered one of the highest quality collections of Israeli art. The Bank attributes great importance to the maintenance and cultivation of its art collection and is proud to exhibit a selection of the works to the public at large through the Discount Museum website. The works selected for presentation are arranged according to themes in a manner that enables the public to learn about the structure of the collection and about the Bank's contribution to cultural and community life in Israel. The website address is: <http://www.discountbank.co.il/museum>.

Sponsorships

During 2014, the Bank granted sponsorship to entities and activities promoting goals in areas of community, activities in aid of weak populations, health, sporting, cultural, artistic and educational, environmental protection, science, energy and business.

Cultural and artistic sponsorships

Gala Event of the Israel Camerata celebrating its thirtieth anniversary, held in March 2014 at the Tel Aviv Museum of Art in the presence of business persons and donors.

Theatronetto. Festival of solo performances in the Jewish-Arab theatre in Jaffa, during the Passover Holiday.

Advancement of Israeli photography. Sponsorship for the Photography Festival held in April in Rishon LeZion.

The Stage Award for Children and Youth Festival. Sponsorship for the Festival held in August at the Habima Theatre.

Educational sponsorships

Israeli Friends of the University of Haifa Association. Sponsorship for an event held in January 2014 at the house of the Ambassador for Italy.

Fiftieth Anniversary Event of the Tel Aviv University Medical School, with the participation of the alumni of the Medical School.

Mentor for Life. Sponsorship for the Association which had initiated a self-fortifying expedition of IDF solitary veterans to the summit of Mount Elbrus.

Sponsorship for social activities and activities in aid of weak populations

Rotary Club. Sponsorship for the Hebrew and English issue of work booklets to members.

The Haifa Center for Rape and Sexual Molestation Victims. Sponsorship for an event held in March 2014 for the purpose of raising funds for operations.

The Jewish-Arab Institute. A fundraising event supporting the activities of the Institute, with the participation of representatives of leading corporations in the Israeli market.

"Be-Atzmi" Association - a film of the Association, which is engaged in the integration of weaker populations in the employment market.

The Spirit of Israel Association. Under this sponsorship, the Association held its annual fundraising event in September, at the Herzlilinblum Museum (see below). An art catalogue was published containing works of the Israeli artists whose works were exhibited at the Museum.

ELEM. Sponsorship for an event held by the association helping youth at risk.

NATAL Association. Sponsorship for the "Running in Color" race held in November, in aid of victims of national trauma.

Alin Beit Noam. Sponsorship for a fundraising event for Alin Beit Noam students, held in November. The Association manages a series of projects to help improve the quality of life of people with disabilities.

Yeladim - Fair Chance for Children. Sponsorship for the annual fundraising event of the Council, established with the object of assisting children living in residential group homes.

LIK RAT SHABAT. Sponsorship of a gala event of the Association, which helps in providing foodstuff to underprivileged people.

Sports sponsorships

Israel Tennis Association. Sponsorship for the Israel Tennis Association.

Health sponsorships

Lines and Thoughts Association. Sponsorship for an event held in March 2014, for family members facing Attention Deficit Hyperactivity Disorder, ADHD of their children.

"Avoidance Order" Association - event in aid of increasing awareness to colon cancer.

Lirot - The Israeli Research Association for Eye Health and Blindness Prevention. Sponsorship for the Eye Health Awareness Month held in December.

Environmental protection, science, and business sponsorships

Open day at the Arava. Sponsorship for an exhibition regarding agricultural research and development subjects in the Arava, held in January 2014.

Economic Conference for the Agricultural and Industrial Sector. Sponsorship for a conference held in February 2014, with the participation of the Minister of Agriculture.

The Industrial Economic Conference. Sponsorship for the Conference held in February.

Event in Memory of the Late Edgar Bronfman. Sponsorship for an event held in March 2014 at the Tel Aviv Museum of Art.

Eilat Convention of the Israel Bar Association as part of the sponsorship to the Bar Association of the Tel Aviv District.

Institute of Internal Auditors. Convention of the Institute of Internal Auditors.

Involvement in and contribution to the community by the principal subsidiaries

"Cal desire and dream". This project was started in 2014 together with the "Yeladim - Fair Chance for Children" Association, with the aim of realizing the dreams and necessities of children of the Association living in boarding houses all over the country. Employees of the company met with children of the Association, deciding together on the dream that would be realized for these children, thus making the children believe that sometimes dreams come true.

"Another lesson". ICC and MDB take part in a project of "A Different Lesson" association, which lanes the wealth of knowledge found among the public into enriching and enhancing the educational system, by inviting citizens from the business and public sectors, who are professionals in various fields, to come into the schools and give inspiring enrichment courses. ICC employees joined this association's voluntary setup within the educational system and invited school children to the Company's offices for an inspirational day to experience the world of finance and credit. Employees of MDB conducted several study groups at schools of the Arab and Ultra Orthodox sectors.

NFTE Israel. The ICC employees have joined the NFTE activities, the network for teaching entrepreneurship, adapted to the needs of youth at risk in Israel, providing them with hope and tools for initiating a change in their lives.

NFTE is an international program operating in 21 countries, including Israel, within which youth learn how to write a business plan and how to establish and manage a small business.

Volunteers integrated into a variety of program tracks, and thus contributed their professional knowledge and accompanied the youth through the thinking process and business plan creation. During the year, the business plans are presented at two major

events held by NFTE, at the end of which, a representative of the winning team represents NFTE Israel at the international contest.

Granting sponsorships and purchasing tickets for fundraising events. The social work and the contribution to the community at ICC emphasize the integration of its employees in such work. Accordingly, a part of the contributions is directed towards the participation of employees in fundraising events, so that the company's employees will take part in activities in aid of the community and vulnerable populations.

A start-up project in the Arab sector. In 2014, MDB continued the educational project launched in 2008, jointly with "Sprint for the Future" Association, in 2014, MDB financed over 70 scholarships for studies at academic institutions to Arab sector students who met the criteria for a scholarship, in return for their commitment to contribute time to community work.

Participation in an educational project "Yad Eliezer". MDB Bank has been participating also in 2014 in a project conducted by "Yad Eliezer" Association, within the framework of which this bank has granted 160 scholarships to Yeshiva students, in consideration for their commitment to serve as tutors to children of destitute families in the ultra-orthodox sector.

"Computer for every child". Mercantile Discount Bank has been a partner for several years in this project (conducted under the sponsorship of the Government of Israel), within which, dozens of computers, software and training are provided to children each year.

The Mercantile Discount Bank, which operates eighty branches throughout the country, uses its wide deployment for diverse community activity, both by granting donations and sponsorships and through the bank's employees, who partake in voluntary activities. This includes: remodeling, painting and renovation of buildings, institutions and residences serving the community, collection and packaging of food products and their distribution through associations helping the underprivileged, gardening and communal gardening, collection of clothing, tutoring and financial guidance, collection of medication in collaboration with Friends for Health Association, and more.

Social responsibility ratings

"Maala" rating for 2014. In June 2014, "Maala" published its rating for 2014. A new rating category was added as of 2012 – Platinum Plus (awarded to companies with an absolute score of over 90). The Bank has been rated in the Platinum Plus category. The rating is based on criteria detailed in six central areas of corporate responsibility: environmental protection, business ethics, human rights and work environment,

involvement with the community, corporate governance and social environmental reporting. The rating by Maala covers the largest public and private corporations operating in the market, and allows them to be included in the Maala rating and in the Maala Index on the Tel Aviv Stock Exchange.

BDI rating - the best 100 companies to work for. Since 2005, the business information and credit risk management company BdiCoface, performs an annual rating of "the best companies to work for". The rating examines what is important for employees, what are their expectations from the work place and what are the most desirable places to work for. The methodology includes quantitative parameters (human resources characteristics in an organization and the level of investments therein) as well as qualitative parameters (employee surveys and student surveys).

In 2014, the Bank was awarded the 14th place in the rating. In 2013, the Bank was awarded the 12th place in the rating.

180	Policy
181	The consumption of resources
183	Emission of greenhouse gas
186	Paperless Bank
187	Use of recycled materials
188	Additional activities
189	Management of environmental risks
190	Credit Policy regarding Environmental Risks

179

Policy

General

The Bank is a financial corporation providing various financial services to its customers, and as such, the direct environmental influences on its existing "production processes" are very limited. This differs, for example, from industrial plants that could deal with the problems of gas emissions, sewage, toxic waste removal, etc.

Most of the Bank's environmental influences are office effects deriving from the consumption of resources: energy, water, paper, etc. One of the Bank's environmental goals is to limit these indirect effects.

Environmental policy

Discount Bank attributes importance and relevance to the subject of the environment, from the social and economic aspects, and as a valuable basis for its business activity. Therefore, the Bank adopted a policy of maintaining the proper balance between business activity and environmental protection.

Principles

- Discount Bank views the subject of the environment with importance and relevance, in the social areas - toward the community, and in economic areas - its business success and positioning as a leader and its commitment to prevent environmental damage and to ongoing improvement in environmental performance;
- The Bank directs its business activity while aspiring to service its customers' transactions and their economic development, while considering subjects related to environmental protection, and while assessing that the legal and regulatory obligations are fulfilled where applicable to a financial body;
- In the construction and property sector, the Bank is obligated to identify environmental influences, measure and understand them, as a basis for reaching decisions, prevention of environmental damage, and an obligation to a proactive approach;
- The Bank will include its employees and the community in its environmental activities;
- The Bank's Corporate Division undergone a process, with the objective of evaluating credit policy with an eye to environmental matters;

- The Bank's Management will allocate manpower and financial resources to evaluate and monitor to the extent possible, the environmental influences of the Bank - direct and indirect - in order to reduce them.

The Bank's Management has chosen a high-ranking official - the construction and Properties Department manager. The manager reports directly to the Head of the Human Resources and Properties Division, who reports to the Bank's Management.

Ultimate Objectives

- Commitment to preventing environmental damage and ongoing improvement in contribution to the environment;
- Recognition of natural resources as a limited public resource;
- Commitment to the principle of sustainable development;
- Commitment to the entrepreneurial approach in the real estate sector, primarily the reduction of damaging effects to the environment;
- Examining the possibility of installing of energy-saving equipment in the operation of electrical equipment and air conditioning.

Goals Related to Impact on Environment

- Energy - reducing electricity consumption - 5% annually;
- Reducing gasoline consumption - 1% annually;
- Reducing the carbon footprint in Scope 1 and Scope 2 by 1% per year.

The Bank intends to distribute during 2016 to all Bank employees a tutorial on matters derived from the environmental policy of the Bank and its integration.

The consumption of resources

Energy usage

In continuation thereof and according to the policy as described above, and considering the nature of its environmental implications, the Bank has determined the reduction in energy consumption as a central goal in its operation in this field. Almost all of the Bank's energy consumption results from its buildings - bulbs used for lighting and air conditioning systems. The Bank monitors its energy consumption with the aid of an outside company. The Bank has set goals for savings in energy consumption.

Among the measures taken in order to encourage awareness, and in consequence - actions taken for savings in electricity, may be mentioned the reporting to managers.

A reporting procedure has been instituted whereby an electricity consumption report that includes a comparative analysis, is produced for attention of branch and unit managers. The object of this process is to reflect electricity consumption to managers in order to encourage energy saving. The report is produced on a monthly basis and in addition, a condensed semi-annual and annual report is produced for each unit manager at the Bank.

Electricity consumption

Following are data regarding the consumption of electricity by the Bank in KW/H:

	2014		2013		2012		Change in % ¹	
	Absolute	Relative Per Sq. Meter	Absolute	Relative Per Sq. Meter	Absolute	Relative Per Sq. Meter	2014 compared to 2013	2013 compared to 2012
Electricity consumption from Israel								
Electricity Company	56,529,575	339	61,629,000	368	61,639,000	378	(8.3)	(0.02)

Note:

1) The percentage change is computed on the absolute amount.

Fuel consumption

Data regarding fuel consumption for employee travel and generators:

	2014	2013	2012	Change in % ¹	
	In Liters			2014 compared to 2013	2013 compared to 2012
Benzene for transportation	589,450	582,197	584,493	1.25	(0.4)
Diesel oil for transportation	14,977	17,002	19,182	(11.9)	(11.4)
Diesel oil for generators	4,000	9,000	9,000	(55.5)	-
Total	608,427	608,199	612,675	0.04	(0.73)

Presented below are the principal data relating to energy consumption, from various sources, for the years 2012-2014:

		Energy Consumption in GJ units ⁽¹⁾					
		2014		2013		2012	
Energy source	Details	Absolute	Relative Per Sq. Meter	Absolute	Relative Per Sq. Meter	Absolute	Relative Per Sq. Meter
Indirect energy consumption	Electricity from the grid	203,506	1.22	221,864	1.32	221,900	1.36
Direct energy consumption	Diesel for generators	144	0.001	323	0.002	324	0.002
Direct energy consumption	Benzene for transportation	19,594	0.118	19,107	0.114	19,228	0.118
Direct energy consumption	Diesel for transportation	538	0.003	611	0.004	691	0.004
Total - overall energy consumption		223,782	1.34	241,905	1.44	242,143	1.486

Notes:

1) GJ - Energy measurement unit (Gigajoules).

2) Energy consumption data for the years 2012 and 2013 have been updated in accordance with the DEFRA coefficients used by the Ministry of Environmental Protection for the conversion of energy units in reports of the voluntary staff (the DEFRA coefficients have been updated in accordance with the updated computations of the inter-governmental panel for climate changes - IPCC).

The Bank does not measure extra-organization energy consumption.

Emission of greenhouse gas

The Bank is voluntarily committed to targets for reducing the emission of greenhouse gases.

In each year, the Human Resources and Properties Division monitors the progress in this area by collecting performance data in the various areas and formation of a report reflecting such data.

The Bank voluntarily reports emissions created by it to the reporting and recording center of the Israel Ministry of Environmental Protection and to the CDP. This, in view of the expectation that with time such voluntary reporting would become compulsory.

In operational terms, the Bank strives to gradually reduce its carbon footprint through energetic efficiency at the branches and at head Office (see hereunder).

In addition, to the extent possible the Bank combines green criteria in the building projects of its Head Office and branch buildings (see hereunder).

Carbon footprint⁽¹⁾:

Scope	Contents	2014		2013		2012		Change in %	
		Absolute	Relative Per Sq. Meter	Absolute	Relative Per Sq. Meter	Absolute	Relative Per Sq. Meter	2014 compared to 2013	2013 compared to 2012
Scope 1	Fuel consumption for transportation, diesel oil for generators ⁽²⁾	1,452	0.0087	1,436	0.0086	1,447	0.0089	1.11	(0.71)
	Refrigerant gases	852	0.0051	839	0.005	-	-	1.55	-
	Total	2,304	0.0138	2,275	0.0135	1,447	0.0089	1.27	57.22
Scope 2	Electricity consumption ⁽²⁾⁽³⁾	38,880	0.2334	43,314	0.2586	48,477	0.2975	(10.24)	(10.65)
Scope 2	Internal and overseas flights ⁽⁴⁾	261	0.0016	230	0.0014	251	0.0015	13.48	(8.37)
	Total carbon footprint⁽⁵⁾								
	Total	41,445	0.25	45,819	0.27	50,175	0.3	(9.55)	(8.7)

Notes:

- 1) The percentage change is computed on the absolute amount.
- 2) The computation is based on coefficients determined by the Israel Ministry of Environmental Protection based on the DEFRA coefficients.
- 3) In quantifying the indirect emission of greenhouse gases resulting from the consumption of energy supplied by the electricity network, use is made of the countrywide emission coefficient, which is affected by the mix of fuel used by Israel Electric Corporation. In 2012, following the decline in use of natural gas for the generation of electricity and the increase in use of diesel oil and fuel oil (among other things due to interruptions in the supply of natural gas from Egypt) the emission coefficient has increased by almost 7% compared with 2011. On the other hand, due to increased use of natural gas in 2013, due to the supply from the "Tamar" gas field, the said coefficient decreased by 11%.
- 4) The computation is based on coefficients of the Greenhouse Gas Protocol.
- 5) It is noted that the greenhouse gases originating in gases of air conditioning units, comprised in the years 2011-2012 about 5% on an average of total greenhouse gas emission at the Bank. As this data is based on estimates and not on measurement of cooling gas used to refill the air conditioning systems, this value is not included at this stage in the computation presented above. (In order to complete the picture, it is noted that the computation presented in the report to the voluntary layout for the reporting and recording center of the Israel Ministry of Environmental Protection, includes the said estimates).
- 6) The data for 2012 has been restated following a reexamination thereof.

The data presented in the Table indicates a decrease in the Bank's total carbon footprint, which stems from a 9% change in the volume of electricity consumption (Scope 2), alongside the reduction in business floor space of approximately one-half of a percent. These changes led to a reduction of 9.5% in the Bank's total carbon footprint.

The Bank purchases air-conditioners and central air-conditioning systems as comprehensive systems. There is no independent purchase of refrigerant gases; therefore, the Bank does not measure the quantities of refrigerant gases being refilled into the existing systems by the supplier.

Annual absolute reduction targets of 1% both in Scope 1 and Scope 2.

Energetic efficiency

Measures to reduce greenhouse gas emissions

Presented below are details regarding the investment in measures¹ to reduce greenhouse gas (GHG) emissions in 2014, and the annual savings which have resulted therefrom [EN31]:

		2013			
Type of activity	Description	Investment in NIS thousand	Annual energy savings (in kwh)	Annual GHG emissions reduction (CO2e tons)	Expected annual financial savings ⁽²⁾ (estimate in NIS ⁽³⁾)
Energy efficiencies in buildings	Energy efficiencies in A/C systems	2,175	250,666	172	165,450
Energy efficiencies in buildings	Upgrading electricity control systems	800	1,784,799	1,228	641,168
Energy efficiencies in buildings	Installing building control systems	85	3,063,960	2,107	374,015
Total		3,060	5,099,425	3,507	1,180,633

Notes:

- 1) A number of actions were taken in 2014 in the field of energetic efficiency and the reduction of greenhouse gas emission, such as: performance and implementation of energy efficiency surveys at various locations of the Bank (including 6 large head offices locations), connection to security systems for turning-off the lights at 93 branch and head office locations, determination of service duty days (Sundays and Fridays) at 20 locations, installation of timers and/or Sabbath clocks.
- 2) In accordance with actual savings data.
- 3) Electricity prices increased in 2014 as compared with 2013. Therefore, the monetary savings is lower compared to the savings in KWh.

In 2014, due to cost-saving considerations, cut backs were made in the scope of construction and infrastructure projects, including renovations at branches and head offices units, and also infrastructure upgrades. As a result, there has also been a decrease in the scope of investments in this area.

Employee transport system

In order to reduce greenhouse gas emissions resulting from employees' transportation on the one hand and in order to make things easier for employees on the other hand, the Bank operates three transportation facilities at the disposal of employees. One operates at 07:30 AM from the Arlosorov Train Station in Tel Aviv to the Bank offices at 160 Herzl Street, and at 15:30 PM from the offices at 160 Herzl street to the Haganah Train Station in Tel Aviv. In addition, during the day there is transportation service (at fixed hours) from the 160 Herzl street offices in south Tel Aviv to the Discount Tower in the center of Tel Aviv. In addition, a transportation array is provided from Jerusalem to the Discount College in Rishon le'Zion.

Bicycle parking facilities have been placed at one of the Management buildings in order to encourage employees to use this means of transportation to arrive at work.

Presented below are data regarding the estimated savings resulting from the provision of a shuttle service for employees:

Leaves from	Destination	Daily frequency		Average no. of passengers per circuit	Average no. of passengers per Month	Length of journey (in mins.)	Estimated savings in travel time (in hours)
		Frequency Days per week	Circuits				
Central Jerusalem	Discount College Rishon Lezion	4	2	6	192	60	192
Within Tel Aviv	Discount Tower, 160 Herzl St.	5	10	15	3,000	30	1,500
Central train station	Discount Tower, 160 Herzl St.	6	2	4	192	20	64
Total monthly savings							1,756
Total annual savings							21,072

Paperless Bank

One of the main goals related to environmental responsibility is to become a paperless bank. The Bank, together with its employees, has mobilized in a major process with the objective of reducing paper consumption. This process is reflected in several projects being integrated simultaneously.

- **Branch without archives:** The process includes extracting the daily material from the central archives (performed at all branches), extracting basic documents from the branches, the scanning thereof and presentation in the customer digital file (performed at 70% of the branches), converting paper documents to original digital documents (the first stage has been implemented covering 15% of the documents at branches on transactions without the customer's presence);
- **Paperless archives:** The process includes the conversion of paper documents to original digital documents. The number of bins in the central archives will be reduced by 70% over a period of seven years, within the framework of an effort that will result in saving 3,000 tons of paper;
- **Reduction in the number of reports printed on paper:** The production of printed reports to the branches has been terminated, these being made now via computer only;
- **System for management and distribution of procedures and circulars** - Enables access and retention of the Bank's procedures over time. Is carried out by a transition to an Intranet system (an internal communication network in the Bank) which enables the distribution of circulars and procedures in an employee portal, thereby saving the need to print the procedures and distribute them to all the employees;

- **Discount mail service in the Internet** - The Bank contacts its customers and enables them to receive updates about their account activity by means of a secured mailbox on the Bank's website. This process makes it possible to reduce the distribution of notices and letters to the customer's home by mail. The service allows secured access to the mailbox from any computer by use of a personal password. Furthermore, the service allows the safekeeping of mail messages and management of a personal archive, where mail may be retrieved during a period of seven years;
- **Computerized forms system** - Banking work uses a large number of forms. Until now, the forms were printed in advance, requiring extensive storage space, and the destruction of the inventory of forms whenever they were updated. The Bank switched to a computerized forms system, which enables each employee to print the updated form when needed, while it contains the particulars of the specific customer, thereby avoiding recording errors. This process also saves space for storage of the blank forms, and enables customers to receive faster and more efficient service;
- **Envelope savings** - Replacement of inter-office envelopes with multi-use envelopes.

Consumption of paper by the Bank	2014		2013		2012		Change in % ¹	
	Absolute	Relative to employees	Absolute	Relative to employees	Absolute	Relative to employees	2014 compared to 2013	2013 compared to 2012
Tons	610	0.108	⁽²⁾ 485	0.078	505	0.082	25.7	(3.96)

Note:

1) The percentage change is computed on the absolute amount.

2) The data for 2013 has been updated following a reexamination thereof.

Use of recycled materials

The Bank makes extensive use of toner cartridges. Most of this consumption is based on refurbished toner cartridges, as detailed below. The purchase of new toner cartridges is marginal, being approx. 100 units per year.

Consumption of refurbished toner cartridges	2014	2013	2012	Change in % ¹	
				2014 compared to 2013	2013 compared to 2012
Units	18,209	16,500	14,500	10.4	13.8

Note:

1) The percentage change is computed on the absolute amount.

Use of recycled paper is in immaterial quantities.

Additional activities

Promoting green building

Examining environmental effects also at the Bank's buildings - environmental effects are being examined also as a basis for making decisions in matters of construction and assets. This in the framework of moves described hereunder.

Integration of green criteria in construction in branches and Head Office buildings - as part of the process of choosing and planning of buildings, in engineering and the choice of materials (see above "Energetic Efficiency").

Environmental control - measurement and monitoring of radiation.

Promoting green building - at the present time, the Bank has one building complying with Standard 5281 for green construction of the Israel Standards Institute. The building is located at 17, Yehuda Halevi Street in Tel Aviv, and has been awarded the Green Label certificate of the Israel Standards Institute. The Bank has acted towards obtaining a Green Label certificate also for the Bank's building at 41 Yehuda Halevi Street.

The building has been constructed according to the "green building" principles, which include the use of natural lighting, energy saving air-conditioning system, use of building materials having a green standard stamp, providing a bicycle parking facility as well as shower stalls for the riders.

Additional activities

In addition to that stated above, several additional activities were held, such as:

Upgrade of air-conditioning systems and transition to VRF systems - All renovation and construction of branch premises performed in 2014, included the replacement of the air-conditioning systems with advanced energy saving systems.

Additional actions - reduction in the floor space of archives following scanning operations and the use of such space for work station purposes, and the repeated use of furniture following the renovation of branch premises.

Communication of the subject and employee instruction

The Bank promotes the environmental issue through two principal moves:

An environmental organizational portal - use of the internal Intranet site for employees in the matter, where information/ activity in this respect is being published. The site serves also as an address for employee questions and approaches in the matter.

Additionally, in all the offices and conference rooms, stickers were affixed to the

switches, reminding to shut off the lights at the end of the workday. Likewise, all of the cafeterias have hung banners calling for saving resources and encouraging employees to make use of the recycling bins placed at the cafeterias.

Management of environmental risks

In the Supervisor of Banks' guidelines regarding the exposure to environmental risks and their management, various possible aspects regarding the exposure of banking corporations to environmental risks are detailed and the need to relate to these risks individually is emphasized.

Environmental risk may derive from an impairment of collaterals when realized. Furthermore, the risk might be realized in an indirect manner as a result of deterioration in the financial condition of another party due to environmental costs resulting from regulations regarding environmental protection. Damage to reputation may also be recognized as part of environmental risk, as a result of the possibility that relation to an environmental hazard might be attributed to the banking corporation.

Training sessions have been performed by outside experts, as part of the process of absorption of environmental risk management for the business factors.

Risk deriving from climate changes

The main climate change risks to which the Bank is exposed, may result from factors affecting the Bank's operations (for example: changes in physical conditions or changes in regulation) or from Bank customer activities (mostly in the financing area).

Physical changes are being managed at two levels - firstly, as part of the Bank's business continuity plan, which examines and estimates the probability and severity of potential risks which might affect the essential operations of the Bank, including extreme events, such as extensive flooding caused by heavy rain. The evaluation of risks is continuing by updating Bank's response plans to their possible materialization. Furthermore, the Bank is prepared for operation under difficult weather conditions, such as heavy snow in Jerusalem or a storm that might affect the Discount Tower.

Such risks and the updating of assessments, respectively, are performed on a current basis.

Risks deriving from the Bank's customer operations are managed within the framework of credit risk management. At the same time, the Bank has identified the opportunity inherent in the financing of the solar energy field and has put an emphasis on enlarging the credit to this area (see below).

Credit Policy regarding Environmental Risks

In recent years, there has been a significant increase in the global awareness of ecological and social damage caused as a bi-product of the development of projects, mainly in the industrial, real estate and infrastructure sectors. As a result of the increased awareness of various environmental matters, some of the companies engaged in these sectors have begun to consider environmental criteria in their feasibility studies.

As a result of increased awareness, widening legislation on the subject and claims by those who had suffered damage which were admitted by courts around the world, a part of the companies engaged in these areas began taking into account environmental criteria in considering the profitability of projects. Legislation in this field has widened also in Israel, though it is not yet wide-ranging compared to Europe and the U.S..

Banking corporations may be exposed to environmental risks in the various aspects of their operation, and such risks may be included with other risks, such as: credit risk, market risk, operational risk, legal risk and liquidity risk.

Already some years ago, the Bank formed a credit policy with respect to environmental risks, and from time to time, as part of a periodic examination of the credit policy in general, the credit policy as regards environmental risks is also examined and updated.

The Bank's policy as regards environmental risks relating to credit is focused on the identification of the risks, evaluation thereof and reporting it to the decision makers, as well as conducting a continuous monitoring of borrowers having a high environmental risk potential.

The aim of this policy is to identify borrowers having a high risk potential, and making specific decisions with respect to cases where the risk is viewed as material (having a high probability of materialization and when in potential materialization the credit loss may be material).

In this framework, the Bank has defined an evaluation process with respect to the level of environmental risk and of the quality of risk management regarding business customers upon the granting of credit and upon performing the periodic evaluation of customer quality, with special reference to customers having a high environmental risk potential. The monitoring of the credit risk exposed to significant environmental risks is performed on an ongoing basis during the year.

For further details regarding the risk management at the Discount Group, see 2014 Annual Report (pp. 109-154).

Granting "green credit" (green businesses)

As part of the credit policy and of the overall process of relating to the environment, the Bank emphasizes credit to green businesses, everything subject to adherence to the credit granting rules in effect at the Bank, including the examination of the repayment ability of the borrower.

"Green credit" - credit granted for:

- Financing the operations of a company producing green products contributing to the protection of the quality of the environment;
- Credit to a company that has a green production process protecting the quality of the environment;
- Credit granted for the establishment of a green operation, including the purchase of green equipment (machinery);
- upgrading of production systems of those protecting the quality of the environment.

Following is a list of green areas determined preferential as regards financing:

- Banking services on the Internet - the granting of benefits to customers using the Internet banking services also as part of the environmental risk management concept. These customers do not visit the Bank branches using air-polluting vehicles, thus reducing air pollution;
- Companies developing green products - companies manufacturing products having environmental added value, such as cleantech companies;
- Installation of solar energy systems - installation of solar energy systems both for commercial and private purposes;
- Purchase of green vehicles - credit for the purchase of hybrid/electric vehicles;
- Companies rated highly by the Ministry of Environmental Protection.

The area of activity, which became relatively significant from among the above mentioned areas, is credit financing the installation of solar energy systems, as detailed below.

Financing in the solar energy field

The sub-sector of photovoltaic installations (PV) is a part of the renewable solar energy field. This field began to develop in Israel in recent years, and is based on Regulations under the Electricity Market Act, designed to regularize the establishment of electricity production installations using solar and wind energies. The method chosen by the Regulators to provide incentives for renewable energies in Israel is the "feeding pricelist", according to which, the owner of the installation sells the electricity produced by him to the Israel Electric Corporation at a predetermined price. The feeding pricelist is based on an analysis of the costs involved in the construction and operation of an installation operating by use of photovoltaic technology and which is intended to allow the entrepreneur an appropriate return on his investment over the life of the installation. In many cases, the regulation includes an outline of amortization following identification of technological developments and a decrease in the cost of the installations. The feeding pricelist is secured for entrepreneurs who will construct installations supplying electricity up to the total agreed quota. The Government of Israel publishes in recent years supply quotas for the construction of small installations (up to 50 kilowatts), medium installations (over 50 kilowatts) and large installations (over 12 MW). The said method has created a basic infrastructure for the granting of bank credit to this industry.

The Bank has a specific policy for the granting of credit to the solar energy systems field, both to business and private consumers. Among other matters the processes for granting credit, controls and specific collateral for this field are arranged within the framework of the policy.

This field has grown significantly at the Bank in the years 2012-2013, in view of the emphasis put on the growth of credit to this field. The Bank's total credit exposure to this field as of December 31, 2014, for the financing of voltaic projects amounted to over NIS1.1 billion (as of December 31, 2014: NIS 740 million).

- 194 Thank you's!
- 194 Reaction to the Report
- 195 GRI index combined with UNGC

194

Thank you's!

And before Discount Bank's Fourth Corporate Responsibility Report gets going... the pleasure of thank you's!

Thank you to the dozens of **Discounters** who worked so hard gathering and processing the material, who provided responses, ideas, comment, clarifications, proofreading, initiative and encouragement.

Thanks to the devoted team from BDO Ziv Haft's Corporate Social Responsibility and Sustainability Group – Dr. Jonathan Menuhin, Nir Koren, Esther Peled and Roni-Lee Giladi, for the shaping control process in preparing the Bank's social responsibility report.

A special thanks to the staff of **Ruth Kantor's Studio** for the prolific and original ideas.

And last but not least – a huge thank you to all the Discounters who convert the corporate commitment, a daily activity, from a vision to a reality.

Reaction to the Report

The Bank's customers, its employees, shareholders from the public, other stakeholders or remaining readers of the Report – all are invited to respond and comment on the Report and its contents: send ideas, comments or illuminations, or just talk about the Report and the social activism of Discount Bank.

Responses may be sent:

- By **telephone** – 03-5146793;
- By **fax** – 03-5146764;
- By **mail** – to: Israel Discount Bank Ltd. – Human Resources Group, 41, Yehuda Halevi Street, Tel Aviv, c/o Ms. Anat Sigman, in charge of social responsibility;
- Or by **email** – anat.sigman@discountbank.co.il

The Bank's employees are also invited to react through the intranet website.

GRI index combined with UNGC

General Standard	Disclosure	Page Number	reason for omission	External Assurance	UNGC
GENERAL STANDARD DISCLOSURES					
Strategy and Analysis					
G4-1	Statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	4-5		Yes	N/R
G4-2	Description of key impacts, risks, and opportunities.	7-8		Yes	N/R
Organizational Profile					
G4-3	Name of the organization and its organizational profile	24		Yes	N/R
G4-4	Description of the primary brands/services.	24,70-90		Yes	
G4-5	Location of organization's headquarters.	24		Yes	
G4-6	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	24		Yes	
G4-7	Nature of ownership and legal form.	24-27		Yes	
G4-8	Markets served.	27,78-90		Yes	
G4-9	Scale of the reporting organization.	24-27,120		Yes	
G4-10	Total workforce by type of employment, type of contract and geographical area, by gender.	120-122,133-136		Yes	6
G4-11	Percentage of employees covered by collective bargaining agreements.	118		Yes	3
G4-12	Description of the organization's supply chain.	106		Yes	N/R
G4-13	Significant changes during the reporting period in the organization, including size, structure, ownership and supply chain.	24-25,59		Yes	
G4-14	Explanation regarding the implementation of the precautionary approach or principle.	180		Yes	7
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses.	64-65		Yes	1-10
G4-16	Membership in associations/organizations and/or national or international advocacy organizations.	64-65		Yes	1-10
Identified Material Aspects and Boundaries					
G4-17	List all entities included in the consolidated financial statements	9		Yes	N/R
G4-18	Explain the process for defining the report content and the Aspect Boundaries	9-15		Yes	
G4-19	All the material Aspects identified in the process for defining report content.	14-15		Yes	
G4-20	For each material Aspect, report the Aspect Boundary within the organization	14-15		Yes	

General Standard	Disclosure	Page Number	reason for omission	External Assurance	UNGC
GENERAL STANDARD DISCLOSURES					
Identified Material Aspects and Boundaries					
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	14-15		Yes	
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	9-10		Yes	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	9-10		Yes	
Stakeholder Engagement					
G4-24	List of stakeholder groups engaged by the organization	6		Yes	N/R
G4-25	Basis for identification and selection of stakeholders with whom to engage	6,164		Yes	
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	27,90-93,147		Yes	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	91-93		Yes	
Report Profile					
G4-28	Reporting period	4		Yes	N/R
G4-29	Date of most recent report	6		Yes	
G4-30	Reporting cycle (annual or biennial).	6		Yes	
G4-31	Contact point for questions regarding the report or its contents.	194		Yes	
G4-32	Report the 'in accordance' option the organization has chosen Report the GRI Content Index for the chosen option	9		Yes	
G4-33	Organization's policy and current practice with regard to external assurance of the report.	16-22		Yes	
Governance					
G4-34	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	29-37		Yes	N/R
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	29-30		Yes	
G4-36	Report whether the organization has appointed an executive level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	8		Yes	
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	29		Yes	
G4-38	Report the composition of the highest governance body and its committees	29,32-37		Yes	
G4-39	Indicate whether the Chair of the highest governance body is also an executive officer	29		Yes	

General Standard	Disclosure	Page Number	reason for omission	External Assurance	UNGC
GENERAL STANDARD DISCLOSURES					
Governance					
G4-40	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	39-41		Yes	
G4-41	Processes in place for the highest governance body to ensure conflicts of interest are avoided	37-39		Yes	
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	11		Yes	
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	35		Yes	
G4-44	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	30-31		Yes	
G4-45	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	47-48		Yes	
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	37		Yes	
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	35		Yes	
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	10-11		Yes	
G4-49	Report the process for communicating critical concerns to the highest governance body	35		Yes	
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	35		Yes	
G4-51	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	42-46,124-125		Yes	
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization	42-46,124-125		Yes	

General Standard	Disclosure	Page Number	reason for omission	External Assurance	UNGC
GENERAL STANDARD DISCLOSURES					
Governance					
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	29,45		Yes	
G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	125		Yes	
G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country	125		Yes	
Ethics and Integrity					
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	48-49,52-55		Yes	10
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	49		Yes	10
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	49-51,53-54	The number of reports to the mechanisms is not mentioned, as there are a few reports a year.	Yes	10
SPECIFIC STANDARD DISCLOSURES					
Economic Performance					
G4-DMA	Generic Disclosures on Management Approach	57		Yes	N/R
G4-EC1	Direct economic value generated and distributed	57,60-63		Yes	
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	189-192		Yes	7
G4-EC3	Coverage of the organization's defined benefit plan obligations.	123-124		Yes	N/R
G4-EC4	Significant financial assistance received from government.	57		Yes	
Indirect Economic Impact					
G4-DMA	Generic Disclosures on Management Approach	57-58		Yes	N/R

General Standard	Disclosure	Page Number	reason for omission	External Assurance	UNGC
GENERAL STANDARD DISCLOSURES					
Indirect Economic Impact					
G4-EC7	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	63,159-166,174-178		Yes	N/R
G4-EC8	Understanding and describing significant indirect economic impacts, including the extent of impacts.	57-58,63,91,158-159		Yes	
Procurement Practices					
G4-DMA	Generic Disclosures on Management Approach	106-109		Yes	N/R
G4-EC9	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	106		Yes	N/R
Energy					
G4-DMA	Generic Disclosures on Management Approach	180-182		Yes	7-9
G4-EN3	Energy consumption within the organization	182-183		Yes	7-8
G4-EN4	Energy consumption outside of the organization		Measurement energy of consumption outside of the organization is not preformed	Yes	8
G4-EN5	Energy intensity	182-183		Yes	8
G4-EN6	Reduction of energy consumption	185-188		Yes	8-9
G4-EN7	Reductions in energy requirements of products and services	73		Yes	8-9
Emissions					
G4-DMA	Generic Disclosures on Management Approach	183-184		Yes	7-9
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	184		Yes	7,8
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	184		Yes	
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	184		Yes	
G4-EN18	Greenhouse gas (GHG) emissions intensity	184		Yes	8
G4-EN19	Reduction of greenhouse gas (GHG) emissions	185,188		Yes	8-9
G4-EN20	Emissions of ozone-depleting substances (ODS)	184		Yes	7,8
G4-EN21	NO _x , SO _x , and other significant air emissions		The bank does not measure those emissions, as they are insignificant	Yes	

General Standard	Disclosure	Page Number	reason for omission	External Assurance	UNGC
GENERAL STANDARD DISCLOSURES					
Employment					
G4-DMA	Generic Disclosures on Management Approach	108,111,117,132,134-135		Yes	1,2,6
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	11,134-138		Yes	6
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	122,124,130,151-152		Yes	N/R
G4-LA3	Return to work and retention rates after parental leave, by gender	140		Yes	1,2,6
Training and Education					
G4-DMA	Generic Disclosures on Management Approach	140-141		Yes	6
G4-LA9	Average hours of training per year per employee by gender, and by employee category	144		Yes	6
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	140-144,151		Yes	N/R
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	147		Yes	6
Diversity and Equal Opportunity					
G4-DMA	Generic Disclosures on Management Approach	112-114		Yes	6
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	41,133		Yes	
Equal Remuneration for Women and Men					
G4-DMA	Generic Disclosures on Management Approach	111-114		Yes	6
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	133		Yes	
Non-Discrimination					
G4-DMA	Generic Disclosures on Management Approach	112-113		Yes	6
G4-HR3	Total number of incidents of discrimination and corrective actions taken	108,113		Yes	
Local Communities					
G4-DMA	Generic Disclosures on Management Approach	158-166		Yes	1
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	159-168,174-177		Yes	

General Standard	Disclosure	Page Number	reason for omission	External Assurance	UNGC
GENERAL STANDARD DISCLOSURES					
Local Communities					
G4-SO2	Operations with significant actual and potential negative impacts on local communities	180-181,189-191		Yes	
G4-FS13	Access points in low-populated or economically disadvantaged areas by type	57-58,78	The bank does not monitor its access point in low-populated or economically disadvantaged areas	Yes	N/R
G4-FS14	Initiatives to improve access to financial services for disadvantaged people	90,94-95		Yes	
Anti-Corruption					
G4-DMA	Generic Disclosures on Management Approach	49-54		Yes	10
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	49-51	All the bank's units are assessed for corruption risks, but the bank does not report which are the significant risks identified	Yes	
G4-SO4	Communication and training on anti-corruption policies and procedures	51	The bank presents its anti-corruption policies and procedures training, but does not report the volume of participants in these trainings	Yes	
G4-SO5	Confirmed incidents of corruption and actions taken	51		Yes	
Compliance					
G4-DMA	Generic Disclosures on Management Approach	52-53		Yes	1
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	54		Yes	1

General Standard	Disclosure	Page Number	reason for omission	External Assurance	UNGC
GENERAL STANDARD DISCLOSURES					
Products and Services Labeling					
G4-DMA	Generic Disclosures on Management Approach	91-92,96-97		Yes	N/R
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	96-97		Yes	
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	97		Yes	
G4-PR5	Results of surveys measuring customer satisfaction	97-105		Yes	

Principles of the Global Compact initiative

Discount Bank expresses support of the ten principles of the Global Compact initiative of the United Nations, and acts for the advancement of these principles.

Following is a list of the principles of the initiative:

Human rights

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

Standards of employment

3. Businesses should support the freedom of association and actively acknowledge the right for collective bargaining;
4. The elimination of all forms of forced and compulsory labor;
5. The effective abolition of child labor;
6. The elimination of discrimination in respect employment and occupation;

The environment

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

Anti-corruption

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