

The FIBI Group
2019 Corporate Social
Responsibility Report



Table of Contents

A Word from the Chairman and Chief Executive Officer	4	Investing in Our Responsible Management	79
Key Performance Indicators for 2019	5	Corporate Governance	81
Activity during the Coronavirus Crisis	7	Compliance with the Law	86
Profile and Activity of the Group	9	Ethics and Anti-Corruption	88
Creating Economic Value for Stakeholders	14	Business Continuity	91
About the Report	15		
Material Issues	17	Investing in Our Environment and Our Community	93
Effective Communication with Stakeholders	20	Responsible Supply Chain	95
The FIBI Group and the SDGs	22	Managing Environmental Aspects of the Group's Activity	98
		Investing in the Community	105
Investing in Our Customers	25		
Serving and Promoting Diverse Populations in Israeli Society	27	External Assurance and Disclosure	111
Promoting the Small and Mid-Sized Business Segment	34	External Quality Assurance Statement	118
Service Accessibility for People with Disabilities	36		
Privacy and Information Security	38		
Enhancing Customers' Financial Understanding	40		
Product and Service Innovation	43		
Fairness of Products and Services	46		
Quality of Service	49		
Incorporating Sustainability and Social Considerations in Credit Provision and Investment Decisions	56		
Investing in Our Employees	57		
Employment Environment	61		
Equal Opportunity and Employment Diversification	72		
Employee Training and Development	75		



A Word from the Chairman and Chief Executive Officer

Dear Stakeholders,

We hereby present you with the Corporate Social Responsibility Report of the First International Bank Group for 2019. The purpose of the Report, published for the seventh consecutive year, is to outline the Group's comprehensive commitment to social and environmental values, as part of its business activities.

The FIBI Group advocates the concept that adopting corporate social responsibility practices at the core of the business activity leads to generating common value for the benefit of all stakeholders. As a leading bank in Israel, FIBI regards itself as a key partner in realizing social, economic and environmental objectives. In addition to generating business opportunities and growth engines for the Bank, it is a way of life for the Group and an expression of its sense of responsibility towards the environment and the community in which it operates.

In 2019, the Group was highly proactive in realizing its responsibility towards society and the environment in Israel, across all its areas of activity. In this context, the Bank continues to maintain transparency and continuous dialogue with its various stakeholders. In addition to contributing to strengthening and boosting relationships with its stakeholders, this dialogue helps the Group to better understand their needs and expectations, thereby enabling it to develop innovative solutions and value propositions that complement the quality response it provides to the various stakeholders.

During 2019, the Bank formulated a new strategic plan for 2020-2022, which is a direct continuation of its previous corporate strategy, developed in 2015 and implemented until 2019, and strategic processes implemented in recent years. The strategic plan set business targets aimed at propelling the Group forward in an innovative competitive environment and under conditions of uncertainty. Among other things, the new strategic plan emphasizes digital and technological innovation. The importance of this area - the development of which was boosted by the Group in recent years - has gained momentum in the shadow of the coronavirus outbreak in 2020. Thanks to developing this field, the

Group was able to maintain the continuity of essential services both during closure periods and for customers who wished to avoid going out into the public sphere. Thus, the Group could continue to support its stakeholders and address their needs during this challenging period. The digital strategy, which is based, inter alia, on collaboration with various fintech companies while taking advantage of innovation in the Israeli high-tech domain, helps the Group provide its customers with the growing need for advanced, efficient services.

Furthermore, in 2019, the Bank developed a responsible procurement management policy, which outlines the means for integrating its values into day-to-day operations. The application of the policy principles - which include, inter alia, fairness, professionalism, accountability and transparency - will enable the Group to the boost long-term relationships with its range of suppliers, and to realize its value objectives as well as its operational ones, through the supply chain.

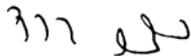
The FIBI Group's unique activity, through a variety of different brands, allows access to a variety of customers and economic empowerment of various sectors, including minorities, Israeli society. The different brands, their unique characteristics, and the different value propositions they generate for the various communities which they cater, make FIBI a leader in creating a tailored response to diverse populations in Israeli society. Each of the different brands is highly acquainted with the unique financial needs of its target audiences and provides them with dedicated solutions. In accordance with this concept, during 2019, Bank Otsar HaHayal was successfully merged with First International Bank, while preserving this long-standing brand, its deployment and character. This follows previous mergers made in a similar manner.

As a leading bank in Israel, FIBI is proud to play a significant role in Israel's economic backbone. FIBI will continue to make vigorous progress towards sustainable business, social and environmental growth, out of a deep commitment to all stakeholders.

Ron Lebkowitz
Chairperson of the Board



Smadar Barber-Tzadik
CEO



The FIBI Group's Key Performance Indicators for 2019

Investing in Our Customers:



151

The Group operates 151 branches, of which 34% are located in Israel's geographic periphery



12

The Group operates branches within IDF bases for members of the security forces



18

The Group operates branches dedicated to the ultra-Orthodox sector, located in ultra-Orthodox population centers



100%

Of the Group's branches are accessible to people with disabilities



7

The Group operates branches dedicated to the Arab sector, located in Arab localities



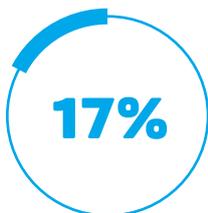
15

Of the Group's branches offer a dedicated service to Russian-speaking people from the former USSR



Bank Massad was ranked first in a survey conducted by the Bank of Israel in terms of customer satisfaction with the quality of service; The First International Bank ranked second among the large banks in the survey.

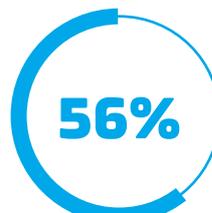
Investing in Our Employees:



Of Bank Massad employees are from the Arab sector



Of the Group's employees are women (compared to 47% in the entire labor market)



Of the managers in the Group, including the CEO of the First International Bank, are women (compared with 34% in the labor market)



The number of annual training days per employee was up by about compared to 2018.

Investing in Our Community:



10%

Of the Bank's employees took part in the Group's community outreach programs



2,254

The Bank and its employees donated volunteer hours and NIS 3,075,000 as part of the Group's community outreach programs.



3,000

Bank Massad distributed tablet computers to teachers through the Athena Foundation as part of a program to boost the status of teachers in Israel

Investing in Israel's Economy:

- The outstanding credit provided by the Bank to small and medium-sized businesses through the State-guaranteed Small and Medium-Sized Business Fund amounted to NIS 730 million
- The Bank provided NIS 206 million in credit to projects promoting environmental sustainability
- The outstanding credit provided by the Bank to ultra-Orthodox social organizations is NIS 920 million
- The Group has signed 1,900 debt settlement agreements with customers in difficulty

Investing in Our Suppliers:



98%

percent of the suppliers are local

Approx. 46%

Of the Group's suppliers are small suppliers

And 65%

Of the new suppliers in 2019 are small businesses
A responsible procurement policy has been developed for the Group

Investing in Our Environment:



81.5%

Of the power consumed by the Bank was generated using natural gas and a variety of clean fuels

58%

Of the vehicles in the Group's fleet are fuel-efficient

14%

There was a decrease in Group's emissions

Activity during the Coronavirus Crisis



Although the Report covers the Group's activities in 2019, at the time of its writing and publication, the world - including the Israeli economy - is coping with the coronavirus crisis. As a leading financial organization, the FIBI Group sought to assist its stakeholders in coping with the crisis and its ramifications, while striving to continue providing high-quality ongoing banking services.

Customers:

As essential enterprises, the FIBI Group's banks worked to continue to provide their customers with full banking services during the coronavirus period - both through the digital service channels and by providing service at the branches, while preventing gatherings and complying with the provisions of the Purple Mark. In this context:

- The services that can be obtained without physically reaching the branches have been significantly expanded, both through the digital channels and by phone - from opening a bank account to having retirement consulting calls.
- If customers needed to arrive at the branches for meetings with bankers, the meetings were prescheduled by the branches or through a dedicated hotline.
- Representatives were placed at the branch entrances to prevent gatherings.
- The terms for arriving at the branches were communicated to customers using various communication channels, such as text messages, the Bank's website and the app.
- A courier service has been added to deliver credit cards, checkbooks and cash, to save customers the need to arrive at the branches.
- All pension recipients who did not have credit cards and who were used to withdrawing cash from their branches prior to the coronavirus period, had debit cards delivered to their homes with a courier, free of charge, to enable them to withdraw cash and conduct transactions.

In particular, the Group sought to assist senior citizens, who were at high risk for the coronavirus but are less likely to use digital channels. In this context, these customers were provided information - through a variety of means - about the possibilities of using the digital channels, and were given high priority when accessing a variety of channels. In addition, senior citizens were provided with debit cards, to allow them to continue to withdraw cash from bank branches without having to wait for teller services. The debit cards were delivered to their homes via courier, free of charge. In addition, Bank Massad initiated phone calls to its senior citizen customers, in order to make sure that their needs were met, and to maintain personal contact during the period.

The Group took a series of steps to help customers cope with the economic recession created by the crisis. The Group's banks continued to operate in accordance with the Group's policy, showing sensitivity to their customers, especially to those in difficulty, acting sensitively and fairly as far as collection processes were concerned. Moreover, specific steps were taken to alleviate the difficulties encountered by customers around the crisis:

Customers were offered the option of freezing loan repayments and mortgage loans

The First International Bank takes part in the scheme of the State Guarantee Fund for businesses hurt by the economic impacts of the coronavirus.

Bank Massad offered its customers dedicated loans for the period, which includes a built-in option to defer repayment by six months.

Employees:

During the coronavirus crisis, the FIBI Group acted under an emergency format in accordance with the guidelines and regulations set by the Government of Israel and the Bank of Israel. Work from the Bank's facilities was reduced and some employees worked from home in an effort to protect employees' health, as



far as possible. In addition, the FIBI Group used various means to reduce employees' risk exposure, enable business continuity and provide full-scale service to the Group's customers and employees, including the following:

- The FIBI Group has worked relentlessly to implement the emergency regulations that have changed from time to time - guidelines have been formulated to prevent gatherings of employees, work pods have been created and innovative management processes were introduced to mitigate employees' exposure to risk. Furthermore, guidelines were put in place to prevent crowding, work areas were segregated and protected, and employees were provided with hygienic equipment to maintain their health.
- Throughout the coronavirus period, the Group's management sought to maintain employment stability for its employees, and the overwhelming majority of the Group's employees continued to work without any change to their employment status.
- The Bank addressed the logistical difficulties of employees (for example, in terms of transportation), in order to enable the operation of banking facilities using a cadre of vital employees, in accordance with the Government's guidelines.
- Efforts have been made, across the entire organization, to enable employees to work remotely, while providing them with extensive technological assistance. In particular, as of the Report's publication date, employees at risk can still work from their homes.
- The Group put in place a daily procedure to follow up on the health status of employees, and support was provided to employees and managers who contracted the coronavirus, needed to quarantine, or were in mental or personal distress as a result of the crisis.

Suppliers:

Upon the outbreak of the crisis, the Group sought to try and advance payments to all suppliers, in order to help them cope with the consequences of the crisis. All payments for purchases relating to the protection and maintenance of hygiene were made immediately. These measures were taken as part of the Group's responsible supply chain management practices and to maintain effective and fair relationships with suppliers.

The Community:

During the coronavirus period, the Group maintains constant contact with the non-profit organizations with which it cooperates, in order to listen, support, learn and stay connected, especially in light of the period's challenges of the period. After mapping the needs and gaps of these organizations following inquiries on their behalf, the Group increased its special contributions to social organizations during the crisis:

- The Group donated NIS 490 thousand to at-risk youth schemes at boarding schools and out-of-home settings, to women's shelters, to Holocaust survivors, as well as food baskets for the needy.
- NIS 290 thousand was donated to hospitals, medical centers, Magen David Adom (Israel's medical first responders' organization) and the security forces.
- Giving campaign - in a matching project conducted by the Group, NIS 400 thousand was raised for various non-profit organizations and needy populations.

In addition, the Group continues - as far as possible - its employee volunteer programs. The Bank's employees participate in the NGOs' activities through digital communication channels, both by physical participation and by delivering lectures and knowledge in various fields to both at-risk youth and women's entrepreneurial groups.



Profile and Activity of the Group

Profile and Activity of the Group



The First International Bank is a public company founded in 1972. The Bank is a licensed banking corporation under the provisions of the Banking Law. The Group's headquarters are located at 42 Rothschild Boulevard, Tel Aviv. The First International Bank is Israel's fifth largest bank.

The Group's business activity focuses on several main levels:

- Financial brokering between depositors and borrowers - the quintessence of commercial banking. Income from this activity is expressed in net interest income, which constitutes the Group's main source of profit.
- Financial and banking services in a wide range of activities, including: foreign exchange, foreign trade, securities, information services, credit cards, derivative financial instruments, etc.
- Investment consulting and retirement consulting.
- Investment of the Group's nostro funds and management of market and liquidity risks.
- Capital market banking services for provident funds and mutual funds.
- Assistance to exporters and importers in the Israeli economy - The FIBI Group considers exports and imports a key anchor in the Israeli economy and assists in their promotion through various financing and recruitment programs.

The FIBI Group operates via three main business divisions:

- The Business Division coordinates all activities with large and corporate business clients (middle market), as well as with business and institutional clients active in the capital market. The division operates a business area, which coordinates the activities of the bank's business branches.
- The Banking Division coordinates the entire range of retail banking services, focusing on private banking customers and the security forces, as well as services for small businesses. The service is tailored to the customers' needs and is provided by front office staff at the Bank's branches, through digital means via the app, on the website and through the call center (Beinleumi Call). Platinum customers are served through the Bank's Platinum Centers, which provide customers with all their banking needs. Capital market services are provided both through the consulting centers and branches and via automated services on the app and website. The Bank also operates mortgage counters, which assist and advise customers through the process of obtaining mortgage loans. The Customer Assets Division coordinates the Bank's capital market activity and

deposits, including the dealing rooms specializing in working with the branches, professional customers and institutionals.

In addition to First International Bank, the Group includes Bank Massad, which specializes in providing services to Israel's teacher population¹

First International Bank and Bank Massad are members of the Association of Banks in Israel. As members of the Association, they are entitled to receive information and participate in the discussions and decision-making processes that take place within the framework of the Association's activities.

During 2019, the Bank formulated a new strategic plan for the years 2020-2022, which is a direct continuation of the previous corporate strategy and strategic processes carried out in recent years. The strategic plan set business targets aimed at propelling the Group forward in an innovative competitive environment and under conditions of uncertainty. Under the new program, the Bank places emphasis on providing added value to its customers, in accordance with the needs of each customer, including through digital channels and innovative technological responses, while continuing its streamlining processes and informed risk management.

Ownership Structure

FIBI Holdings Ltd. owns 48.34% of the issued share capital and voting rights in the First International Bank (constituting the controlling core, pursuant to the Bank of Israel control permit). There are no other entities with material holdings in First International Bank. The controlling shareholders in FIBI Holdings Ltd. are: Mr. Tsadik Bino and his children - Mr. Gil Bino, Ms. Hadar Bino-Shmueli, and Ms. Dafna Bino-Or (hereinafter - the "Bino family") through the Binohon Ltd. holding company; Mr. and Mrs. Michael and Helen Abeles through Instanz Number 2 Ltd, and Mr. Barry Lieberman, Ms. Casey Lieberman-Harris, Mr. Lee Lieberman, and Mr. Joshua Lieberman through Dolphin Energy Ltd. The current controlling shareholders have various arrangements with regard to their holdings in FIBI Holdings Ltd. and, accordingly, in the FIBI Group, as detailed in the "Details regarding the Bank's Controlling Shareholders" section in the 2019 Annual Financial Statements.

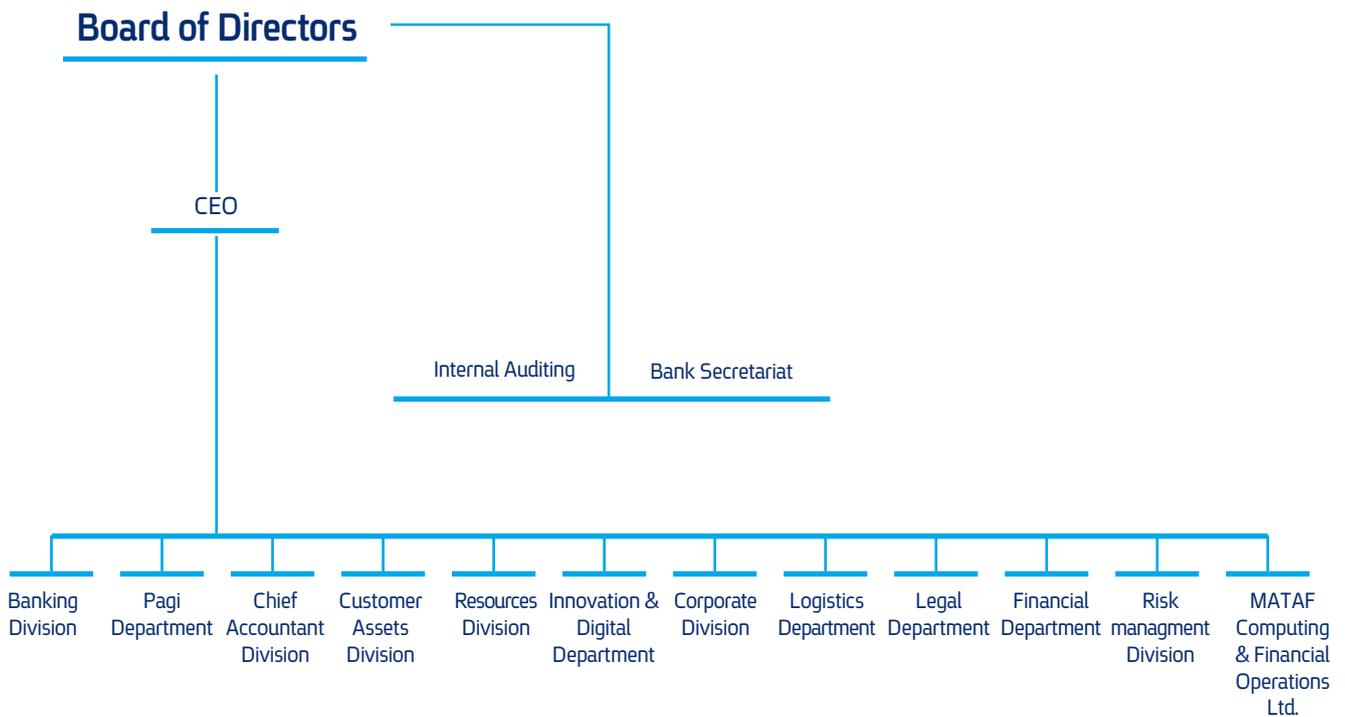
According to FIBI's report, as of the date of the financial statements' publication, the holdings of the controlling shareholders in FIBI Holdings Ltd. (in terms of equity and voting rights) are as follows: Binohon Ltd. - 28.54%; Instanz Number 2 Ltd. - 11.68%; and Dolphin Energies Ltd. - 11.68%.

The FIBI Group's Major Investee Companies in 2019

Company	Equity	Voting rights
Bank Massad Ltd.	51%	51%
Israel Credit Card Company Ltd.	28.2%	21%
First International Issues Ltd.	100%	100%
U-Bank Trust Company Ltd.	100%	100%
Habeinleumi Unique Investment Management Ltd.	100%	100%

The FIBI Group's Organizational Structure

As of the end of 2019, the Bank operated through six divisions and four professional departments, after integrating the Finance Department into the Resources Division. Each division - including the Audit Department and PAGI - is headed by a member of management (for a total of 9 members of management, including the CEO). The organizational structure of the divisions and departments is in line with the management philosophy of customer-centric banking, allowing the Group to provide tailored banking and financial services to customer segments with similar characteristics and needs. MATAF (Computing and Financial Operations Ltd.), a wholly-owned subsidiary of the bank, is engaged in computing and the operation of banking processes of all the banks in the Group.



Creating Economic Value for Stakeholders

As a key leading financial organization, the FIBI Group has major economic impacts reflected in the value it creates for its various stakeholders. The Group's activities create direct economic value for its shareholders and investors: for the State of Israel - through the payment of taxes, creation of jobs nationwide, purchase of locally-produced ("blue and white") goods, and more; for the Group's employees - by employing them and paying their salaries; for its customers, suppliers and business partners - by advancing their business activities; and for the community - by support and outreach through financial donations and volunteer work by the Group's employees. The Bank receives no government aid or financial support.

In addition to the direct impact of the FIBI Group on the Israeli economy, it also contributes to the development of the Israeli economy in indirect ways. Thus, for example, the Group's branches are deployed nationwide, enabling economic activity in remote communities and regions. About a third of the Group's branches are located far from Israel's center. In addition, the Group's various brand names provide professional services customized

to the specific needs of diverse populations in Israeli society: The ultra-Orthodox; the Arab community; career soldiers, active-duty soldiers and retirees of the defense establishment; teachers; immigrants from the former Soviet Union; as well as small and mid-size businesses. Each of these population sectors has different financial needs, and the unique specialties of the various brand names in the Group allow it to render financial services accessible and tailor them to all sectors and population groups in Israel, providing dedicated value-added services and products. In doing so, the Group banks boost their customer's financial independence and help them manage their financial activity on an ongoing basis. The Group continues to proactively promote small and mid-size businesses operating in Israel. The survivability and stability of these businesses - which serve as the Israel economy's backbone - is essential to the domestic economy. In addition, the Group's banks proactively promote initiatives to advance financial knowledge among customers and the public, thus helping them to make more informed financial decisions.

Branch distribution:

Bank	No. of branches	No. of branches far from the center of Israel ²	Percentage of branches far from the center of Israel
First International Bank	67	22	33%
PAGI - First International	17	4	24%
U-Bank - First International	5	0	0%
Otsar HaHayal - First International	39	16	41%
Massad	23	10	43%
Total	151	52	34%

Economic Performance - FIBI Group (NIS million) 2015-2019

	2019	2018	2017	2016	2015
Total income	4,122	4,123	3,752	3,649	3,494
Operating and other expenses	2,654	2,819	2,607	2,683	2,710
Salaries and related expenses	1,601	1,696	1,579	1,581	1,589
Provision for income tax	478	408	358	398	326
Net income	865	733	678	521	446
Dividend to shareholders	410	355	310	200	130
Community outreach	3	3	3	2.8	2.8

Credit to the Public, by Operating Segment (NIS million) 2019 .

As of 31 December 2019, credit granted to the public by the Group totaled NIS 88,829 billion.

” The purpose of the report is to present as transparently, reliably and comprehensively as possible the activities of the FIBI Group in the areas specified in it, in order to enable the Bank’s stakeholders to obtain an overall picture of its activities in the field of corporate social responsibility. ”

About the report³

The FIBI Group's seventh corporate social responsibility report examines and presents the Group's actions and performance in its areas of activity vis a vis the various stakeholders. The report reviews the activity of the FIBI Group in Israel in 2019 in areas of corporate social responsibility. This report has been prepared in accordance with the GRI Standards' "comprehensive option".⁴ The purpose of the report is to present as transparently, reliably and comprehensively as possible the activities of the FIBI Group in the areas specified in it, in order to enable the Bank's stakeholders to obtain an overall picture of its activities in the field of corporate social responsibility. In this context, the Report is targeted towards the Group's various stakeholders.

The Report reviews the activity of the FIBI Group, including the activities of its two subsidiary banks: The First International Bank (including PAGI and U-Bank, which were merged into the First International Bank in 2015 and Bank Otsar HaHayal, which was merged into the First International Bank on January 1 2019) and Bank Massad, as well as subsidiary MATAF (where MATAF's activity has bearing on the issues presented in this Report). The Group's previous report, covering 2018, was published at the end of 2019. The data included in the present CSR report are in accordance with those presented in previous ones. Due to the merger of Bank Otsar HaHayal with the First International Bank at the beginning of 2019, there has been a change in the manner in which data is presented in the Report compared to previous ones. Thus, where data were previously presented separately for each of the Group's companies, the data for 2019 feature aggregate information for Otsar HaHayal and First International Bank. Thus, in some instances there may be large gaps between the 2018 data and the 2019 data of First International Bank.⁵

The Report presents the issues that are material to the corporate social responsibility aspects of the Group's activity, based on a process of identifying the issues material to the FIBI Group, carried out ahead of the preparation and drafting of the Report (for more information, see below).

The Report has undergone external due diligence by an independent third party - the Corporate Responsibility Report Quality Assurance Center (see the full due diligence version at the end of this document). In addition, the report was reviewed by the GRI's Materiality Disclosures service⁶, which reviewed the references from the content index to disclosures throughout the Report. All data regarding issues contained in the Report were collected by relevant professional parties in the FIBI Group, with the assistance of external consultants specializing in corporate social responsibility. Most quantitative figures in the report relate to the FIBI Group. Some of the data in this report are presented in comparison to the Group's previous report (covering 2018) while other data also serve as a baseline year (in aspects where measurement was improved). The quantitative figures in the Report are based and presented on the basis of accepted indicators, as required by the GRI's standards.

3. 102-46, 102-48

4. 102-54

5. 102-49

6. For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The service was performed on the Hebrew version of the report.





Corporate Responsibility in the FIBI Group

“ Corporate social responsibility is part and parcel of the FIBI Group’s daily activity. The Group takes into account economic, social and environmental considerations in its day-to-day business activity, taking a holistic view of corporate social responsibility

”

Corporate social responsibility is part and parcel of the FIBI Group’s daily activity. The Group takes into account economic, social and environmental considerations in its day-to-day business activity, taking a holistic view of corporate social responsibility, and out of a desire to create shared value for both the Group and all its stakeholders. By engaging in ongoing dialogue with the Group’s employees, shareholders, various suppliers as well as the community in which we live, the Group creates a thriving business as well as added value.

Corporate social responsibility is managed in a systematic and orderly manner. The executive-level party responsible for corporate social responsibility in the Group is the Head of Resources Division, a vice president and member of the Bank’s management. The Bank has also appointed a CSR manager, who is responsible for integrating, implementing and liaising with subsidiaries on all matters related to the field. Corporate social responsibility issues are discussed by management, the Board of Directors and various committees. In this context, the Head of the Resources Division and director of the Group’s Corporate Social Responsibility function present the Corporate Social Responsibility Report to the Board of Directors. The Resources Division is responsible for coordinating the various entities involved and is in direct contact with the unit managers across the FIBI Group. For more information about the Report, please contact the Director of Corporate Responsibility, using the email address in the GRI index at the end of the report.

” Material issues are corporate social responsibility issues (economic responsibility, socio-economic development, corporate governance) in which the organization has a major impact on its stakeholders or which impact the organization ”



Material Issues⁷

This CSR Report was written in accordance with the Global Reporting Initiative (GRI) standards - the accepted local and global framework for reporting on CSR. The reporting process begins by identifying and defining the material issues, according to which the issues to be reported on are decided. The material issues are the key corporate social responsibility domains that the organization and its stakeholders perceive as key to the core business activity, and are therefore relevant to the reporting. This framework outlines a process for analyzing the issues that are material to the organization - taking into account the expectations of the organization's external stakeholders - towards the preparation of the CSR Report.

Material issues are corporate social responsibility issues (economic responsibility, socio-economic development, corporate governance) in which the organization has a major impact on its stakeholders or which impact the organization. Material issues may be affected by the nature of the reporting organization's activity, the sector in which it operates, the economic or business environment in which it operates, its geographic location, its business and operational deployment, etc.

The choice of material issues is of great importance - these are the issues that the Group promotes in the areas of corporate social responsibility, and accordingly - which the Group is required to report. The GRI's reporting framework, according to which the FIBI Group reports, serves as a management tool for promoting and reporting about activity on material issues, and informs the organization in reporting on the Management Approach and annual performance on any material issue.

During 2019, the Group carried out a comprehensive process to revise and validate its list of material issues. The process included revising, validating and re-prioritizing the FIBI Group's material issues by First International Bank's management, as well as a process of dialogue with the stakeholders. As part of the dialogue with its stakeholders, the FIBI Group communicated with

representatives of material stakeholder groups through various means; the representatives expressed their opinion on the material issues and prioritized them according to the preferences of their stakeholder group. The list of material issues was also based on information from various international bodies engaged in the field (such as reporting frameworks and capital market analysis entities), as well as material issues identified by colleagues in the banking sector - both in Israel and around the world.

As part of the dialogue process with stakeholders, the Group's materiality matrix was revised, and changes were made to the matrix's content. Thus, a new material issue was added - effective communication with stakeholders. In addition, the issue of "corporate governance and compliance" was split into two separate issues - effective corporate governance and regulatory compliance, due to the importance of each area. On the other hand, the material issues "equal opportunities and diversity in employment" and "employment environment" were merged into a single issue - "equal opportunity, fairness and diversity in employment", due to their common management approach, and the understanding that these areas must be managed holistically. Changes were also made to the materiality level of some issues.

The materiality level of following issues was increased:

- Fairness of products and services
- Equal opportunity, fairness, and employment diversification
- Employee training and development

The materiality level of following issues was decreased:

- Serving and promoting diverse populations in Israeli society
- Promoting financial knowledge
- Incorporating sustainability and social considerations in credit provision and investment decisions
- Responsible supply chain

7. 102-43, 102-44, 102-46

The FIBI Group's Material Issues for 2019

	Serving and promoting diverse populations Corporate governance and compliance	Equal opportunity, fairness, and employment diversification	Privacy and information Ethics and anti-corruption security Fairness of products and services
Significance to stakeholders	Incorporating sustainability and social considerations	Quality of service Making our service accessible to people with disabilities	Creating economic value for the stakeholders Regulatory compliance
	Providing financial knowledge Efficient management of resources and energy	Effective communication with stakeholders	Employee training and development
	Responsible supply chain		Business continuity

Significance to the FIBI Group

The FIBI Group's material topics

Privacy and information security

managing information security and protecting customers' information secrecy, while responding to, and handling customer inquiries in this area.

Ethics and anti-corruption

reducing risks embodied in the Group's activity by maintaining integrity and promoting business and moral excellence by implementing business ethics in the Group's activity.

Fairness of products and services

implementing the principles of transparency and fairness in the Group's products and services and meticulously adapting products to customers' needs and characteristics, by implementing the various consumer regulations that apply to the Bank and exercising responsible marketing based on accepted ethical principles in this field.

Creating economic value for the stakeholders

As a leading financial organization, the Group creates value for various stakeholders: shareholders and investors, customers, employees, suppliers, the State of Israel, the community, and others. The Report presents the key economic disclosure that reflect this.

Regulatory compliance

mapping the obligations that apply to the Group pursuant to the provisions of the law and various regulators, and all the actions taken to ensure that the Group complies with them.

Equal opportunity, fairness, and employment diversification

the principles and processes that allow and advance workplace equality and non-discrimination and maintain adequate, fair and pleasant employment conditions and work environment for all employees of the Group, while maintaining effective interfaces between employees and management, and maintaining employment security for employees; as well as taking proactive measures to hire employees from populations that are under-represented in the Israeli labor market and maintaining a diverse, high-quality employee profile in the Group, in order to address social and business needs.

Quality of service	Steps taken by the Bank to promote quality of service and maintain customer satisfaction, including training, monitoring and measuring, learning and improving service quality.
Making our service accessible to people with disabilities	a key service aspect, which provides value to the Group's customers in several aspects: In addition to providing innovative, quick, and professional service, promoting service accessibility allows people with various handicaps to obtain equitable service, like any other customer. In addition, service through direct channels (telephone, the Bank's website, applications, etc.) meets customer needs, prevents unnecessary use of paper, and results in cutting down emissions of pollutants caused by driving to branches.
Employee training and development	professional training of Group employees according to the Group's business needs and for its employees' personal and professional development.
Business continuity	promoting preparedness for maintaining business continuity and for operating under various conditions, including emergencies.
Serving and promoting diverse populations in Israeli society	the Group comprises five brand names - the First International Bank, Otsar HaHayal, PAGI, Massad, and U-Bank), which provide services to diverse customers, populations, and sectors in Israeli society. While promoting economic activity, as a result of working with these sectors, the banking products and services provided by the banks also advance social causes.
Corporate governance and compliance	activity and structure of the board of directors (with regard to corporate responsibility) and the compliance units at the banks, which serve as key factors in the Group's regular activity, pursuant to the laws, provisions, and rules binding the Israeli banking system.
Effective communication with stakeholders	conducting an open, continuous and effective dialogue with all of the FIBI Group's stakeholder groups, in order to strengthen long-term relationships with them.
Investment in the community	investment in the community by the Group, including policy, financial and cash-equivalent donations, volunteering by employees, and promoting a range of social activities.
Product and service innovation	promoting innovation with an emphasis on digital services through direct channels.
Incorporating sustainability and social considerations in credit provision and investment decisions	a combination of sustainability aspects (such as long-term considerations, corporate governance, human and civil rights, environmental protection, etc.) in addition to financial considerations, including environmental risks, in the FIBI Group's significant investment and credit provision decisions.
Providing financial knowledge	various initiatives to promote financial knowledge among the banks' customers and in the community.
Efficient management of resources and energy	the Group places great importance on making significant efforts to reduce its environmental impact. The Group thus takes into account various environmental aspects when making decisions in its regular course of business.
Responsible supply chain	incorporating corporate social responsibility values into the Group's contracts with suppliers, such as ensuring fair and proper employment conditions by manpower contractors, contributing to the Israeli economy by contracting local businesses and businesses in the periphery, and ensuring proper management of procurement processes.

Effective communication with stakeholders⁹

The FIBI Group has numerous, varied stakeholders, who impact, and are impacted, by the Group's activities. The Group maintains contact and dialogue, with each stakeholder group, on various topics which concern them, through direct and indirect dialogue channels. In this context, there are parties in the Group responsible for the dialogue and contact with each stakeholder group. The FIBI Group makes significant efforts to be attentive to the needs of its stakeholders, and to address them in the course of its business activities. The dialogue is carried out through the relevant professional parties in the Group for each stakeholder group at a frequency and manner arising from the nature of the interface with that stakeholder. As part of its work routine, the Group combines and incorporates its stakeholders' positions into its activity, insofar as these allow it to mitigate risk and create value for the stakeholders.

” The FIBI Group has numerous, varied stakeholders, who impact, and are impacted, by the Group's activities. The Group maintains contact and dialogue, with each stakeholder group, on various topics which concern them, through direct and indirect dialogue channels. In this context, there are parties in the Group responsible for the dialogue and contact with each stakeholder group. ”

Key Dialogue Channels in 2019¹⁰

Customers

Branches - The FIBI Group maintains direct contact with its customers through its many branches throughout Israel. The branches offer customers a wide range of banking services, provided by high quality professionals, to all FIBI Group customers - private banking, capital market and/or business customers. The Group strives to strengthen its relationship with the customers through the branches, while maintaining a unique direct dialogue between the employees and the customers.

Direct channels - The FIBI Group relentlessly seeks to promote and instill the use of online channels (including a website, mobile app, Beinleumi Call Center, texting and web-mail services, as well as a marketing website and Facebook page) and open as extensive as possible communications channels with its customers. To this end, among other things, training is provided to customers and bankers, through various means, and diverse channels are being added for the purpose of conducting dialogue with customers and stakeholders, as applicable (using e-mail, texting, push notifications, our Facebook page, etc.).

Conferences and workshops - the FIBI Group promotes dialogue with its customers by conducting dozens of training sessions, conferences and workshops each year. Professional conferences are held for the corporate-, capital market- and private customers. In addition, specialized conferences are held for various populations, such as teachers and educational workers, the ultra-Orthodox sector, members of the security forces and former residents of the Soviet Union. These conferences, which include a range of lectures on a variety of topics, are delivered by experts from the Group as well as external experts - according to the needs communicated in the ongoing dialogue with the stakeholders;

Customer satisfaction surveys - each year, the Group's banks conduct dozens of customer satisfaction surveys, tailored to each bank's unique activity and customers. Surveys were also conducted through direct channels, for new and former customers, and for customers who have switched branches. In addition, the Group conducted qualitative focus groups among various types of customers.

Inquiries and requests - The FIBI Group's customers can submit proposals, requests and complaints to its Public Inquiries Unit via the website, telephone, in writing or by fax. It is also possible to contact the Bank through "state your opinion" on the Bank's website or through the Facebook page; the Bank strives to provide a quick and efficient response, to its customers' satisfaction.

Business customers - FIBI maintains direct contact with its business customers through regional business branches providing financial support for every business need. The FIBI Group has even retargeted its business customers, by dividing them into three operating segments (according to their business volumes): small businesses, commercial businesses - medium and large. A manager was assigned to each sector, in order to adapt the products and services to the nature of each population and provide adequate solutions to their needs. In addition, the Group maintains direct and ongoing contact with the small and medium business sector through dedicated business units at the branches and teams in the credit units at headquarters. Furthermore, the various digital channels offer services tailored to the needs of business customers, which can also use the services offered through the various digital channels.

9. 102-42, 102-43

10. 102-40

The FIBI Group Employees	<p>Direct line to Human Resources - The Group's employees have a direct line to the employee inquiries officer for inquiries on any subject (and to the sexual harassment supervisor, if needed); there is also an emergency line for internal audit purposes; both channels can be accessed anonymously as well. The Human Resources Department is also responsible for ethics-related inquiries, which may also be submitted anonymously.</p> <p>Employee feedback and assessment meetings - The Group considers employee assessment one of the key processes in human capital management. An annual assessment process is conducted for the Group's employees through an assessment meeting between the employee and his/her manager;</p> <p>Management-employee meetings - All of the Group's banks hold management-employee meetings, which include visits by the CEO, members of management and senior executives in the branch network and the various headquarters units.</p> <p>Internal communications channels - Including each bank's enterprise portal and other communication methods.</p> <p>Executive conferences and workshops - a unique activity for executive development and organizational performance improvement. The conferences and workshops focused on enhancing management skills, holding discussions on core banking issues and enrichment on banking topics, as well as current affairs.</p> <p>Process improvement teams - annual discussions which serve as a means for obtaining information, feedback and suggestions for improvements on a variety of strategic and procedural issues, with the participation of managers and authorized signatories. These discussions allow for a fruitful dialogue between executives from various Group units, branches and headquarters units.</p> <p>Streamlining forum - streamlining proposals by employees on various topics.</p> <p>Round tables - promoting dialogue through round table discussions, on a variety of professional topics, with various organizations.</p>
Shareholders and Investors	<p>Stock exchange filings - To update the investors and shareholders about FIBI immediately and with full transparency.</p> <p>Financial statements.</p> <p>Investor relations website - Allows full access to reliable information and supports decision-making.</p> <p>The shareholders' general meeting mechanism.</p> <p>Dialogue (conference calls, meetings) with analysts and investors on a regular basis.</p>
Suppliers	<p>Periodic meetings - the FIBI Group holds periodic meetings with all suppliers at a frequency that depends on the substance and scale of activity.</p> <p>Direct contact point for complaints and inquiries by contract workers - The Group's procurement manager serves as a direct contact point for contract workers wishing to file complaints and inquiries on any issue.</p>
Society and the Community	<p>A close ongoing relationship with NGOs and social organizations - the FIBI Group conducts a dialogue with various social organizations, such Matan Investing in the Community, Unistream, Pitchon Lev, Adopt a Soldier, Fathers and Sons on the Court, etc. The FIBI Group runs various programs with these organizations. In addition, the FIBI Group holds periodic meetings with these organizations and submits reports on the issue to management and the Board of Directors.</p>
The Environment	<p>Measuring the FIBI Group's key impacts on the environment - The FIBI Group works together with relevant professional entities, discussing how to potentially reduce the Group's environmental impact. In this context, the FIBI Group conducted a dialogue with the Standards Institution of Israel and various consulting firms, such as when incorporating green building standards in our buildings (the Bank Headquarters and MATAF Building) or other aspects of logistical resource management related to the environment (power consumption, paper consumption, etc.)</p>
Government Authorities	<p>Ongoing cooperation and contact - The Group cooperates with the relevant government agencies, has regular contact with them, and scrupulously updates them with any relevant information. However, the FIBI Group does not take positions on public issues nor participates in the development of public and/or political policies.</p>



The FIBI Group and the Sustainable Development Goals (SDGs)

As part of its corporate social responsibility, the FIBI Group takes part in advancing Sustainable Development Goals in Israel. In September 2015, the UN General Assembly - which comprises 193 member states - adopted a set of goals to be implemented with the view of promoting global sustainable growth by 2030. The program, named 2030 Agenda for Sustainable Development, includes 17 sustainable development goals and 169 sub-goals. The goals encompass numerous fields related to diverse economic, social and environmental aspects.

As a member of the organization, the State of Israel is obligated to report on the processes it carries out in order to advance its goals and meet the international SDGs. To realize the goals, the public, business, and voluntary sectors in Israel need to cooperate long-term, with a large portion of the work dependent on the business sector. As a leading financial organization, the FIBI Group recognizes the importance of its contribution to realizing the SDGs and to promoting sustainable development in Israel.

This year too, the FIBI Group reports on its contribution and activity to promote the SDGs in its CSR report. FIBI Group is proud to be one of the first entities in Israel to incorporate the UN's Social Development Goals into its CSR report and is committed to continue to promote the goals which are consistent with the Group's strategy, as part of its business activity.

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The following details cover the Group's main activities to promote the SDGs. The Report includes extensive information on the manner in which the Group promotes the SDGs across the organization.

Contribution to the advancement of the UN's SDGs:

SDG

	Promoting financial understanding	The Bank conducts numerous activities to make professional financial knowledge accessible to customers and the public, so as to enable long-term informed financial decisions.
	Social considerations in financing and investments:	In 2019 Bank Massad granted NIS 70 million in credit to higher education institutions.
	Employee training and development	The Group empowers its employees through ongoing face-to-face training in content areas that are relevant to employees both personally and professionally.
	Community outreach	The Group's employees volunteer with at-risk youth in diverse educational settings, as part of the Group's community outreach programs.
	Equal opportunity and diversity in employment	Women account for 67.5% of the workforce at the FIBI Group (compared with 47% of employees in the Israeli economy as a whole). Women account for 56% of the Group's managers - more than half (compared with 34% of the managers in the Israeli economy). Women account for 40% of executives (management and senior managers) in the Group, including the Bank's CEO. The base salary of each manager and employee at the Bank is according to his/her role and rank, regardless of the employee's gender. All of the Group's companies take significant actions to prevent sexual harassment.
 	Environmental considerations in financing and investment decisions	The Group attaches importance to granting credit to environmental projects that contribute to a cleaner environment and, in this context, finances various renewable energy projects. In 2019, the outstanding loan balance provided by the Bank for such projects was NIS 687 million.
	Assistance for small and medium-sized businesses	The FIBI Group provides state-guaranteed loans to small businesses.=
	Employment environment	The FIBI Group provides high-quality employment conditions and work environment for employees, and is considered one of the 40 preferred employers in the Israeli economy (according to a BDI survey).
	Equal opportunity and employment diversification	The Group adheres to strict equal opportunity practices and ensures full representation of the Israeli population across the recruitment, onboarding and employment processes.
	Responsible supply chain	To be entered in the Group's procurement systems, each new supplier must submit a declaration in which it undertakes not to accept any benefits and a CPA's approval that all its employees are paid salaries and provided social benefits according to law.

SDG

	Assistance to small and medium-sized businesses	<p>The Bank sponsors a program to finance exporters' operations in cooperation with a credit firm. This program serves as a means to assist small and medium-sized exporters on the one hand, and to provide them with opportunities to expand their overseas business on the other hand.</p>
	Innovation in products and services	<p>The Bank promotes innovation by assimilating products and technologies by FinTech start-ups, alongside ongoing efforts to develop in-house products and technologies through the Bank's IT Unit.</p>
	Addressing and promoting diverse serving and promoting diverse populations in Israeli society	<p>customer-targeted activity designed to provide an optimal solution to the unique financial needs of diverse population segments. PAGI enables economic development and financial activity in the ultra-Orthodox and religious sector, including through financial literacy activities and by granting credit to social organizations in this population segment. Bank Massad is expanding its deployment in, and improving its service to, the Arab community, offering products and services tailored to the sector. The First International Bank holds ongoing activity in an effort to make financial services more accessible to Former Soviet Union (FSU) citizens and senior citizens.</p>
	Accessibility for people with disabilities	<p>In 2019, the Bank completed its effort to render all its branches physically accessible to people with disabilities; presently, all the Bank's branches are accessible to the public; the Bank continues to make its range of services accessible.</p>
	Responsible supply chain	<p>The Bank takes care to cooperate with suppliers and service providers which comply with local and international laws. To be entered in the Group's procurement systems, each new supplier must submit a declaration in which it undertakes not to accept any benefits. In 2019, the drafting of a responsible procurement policy was completed and is integrated across the entire Group.</p>
	Environmental considerations in financing and investments	<p>managing borrowers' environmental risks as part of the credit granting process.</p>
	Management of environmental aspects	<p>the FIBI Group works to reduce its environmental impact in various ways, including by consuming power generated by gas, and by integrating cost-effective vehicles into its car fleet. In 2019, the Group's carbon footprint was 10,831.</p>
	Fairness of products and services	<p>ensure proper disclosure to customers, including full information and comprehensive explanations. Fairness in marketing, advertising, sales, and investment advice. Fairness towards customers in financial difficulties. In 2019, the Bank did not receive fines for breaches of information disclosure or marketing.</p>
	Ethics and anti-corruption	<p>The Bank works to prevent bribery and corruption through a number of mechanisms, such as the Internal Audit System, the Risk Management Division and the Control of Procurement Activities. The Bank is working to implement the principles of the Code of Ethics, which constitutes a binding declaratory document. Furthermore, the Group has various internal procedures designed to ensure caution and control, as well as enable enforcement of the Group's Code of Ethics.</p>



Investing in Our Customers



Serving and Promoting Diverse Populations in Israeli Society

The FIBI Group works with a wide range of customers from diverse social sectors. The Group recognizes the unique needs of each customer population, and works to create unique value for customers, tailored to their needs. The Group's banks create dedicated solutions for their various customers, and address each group of customers in ways that suit it. Thus, the banks work to make the Group's most advanced, high-quality financial services accessible to numerous social sectors in Israel. The dedicated and unique activity, and access to customers through the different dedicated brands is one of the Group's main competitive advantages.

The FIBI Group banks promote long-term relations with customers by providing professional, fair, efficient, and courteous service and creating value for the Group's diverse customers. The activity and the relationship with the customers, as key stakeholders of the banks in the FIBI Group, are managed in the best interests of the customer and while maintaining a variety of accessible communication channels and diverse services according to the customer's specific needs.

The Group's unique response to the diverse financial needs of various populations and sectors allows it to make accessible - to a variety of audiences - the opportunity to receive high-quality management of their financial assets and liabilities, while making informed financial decisions. The Group thus contributes to the growth of the Israeli economy and to the reduction of its socio-economic inequality.

The Group has adopted a personal and empathetic attitude, in accordance with its Group policy. As a leading financial organization, the Group is committed to providing professional, fair and courteous services based on trust in both personal and digital banking services. As part of the implementation of the Group's strategic plan, processes are carried out to improve service and

the products offered to customers by drawing conclusions from customer satisfaction surveys. The Bank also conducts annual studies in order to monitor financial market trends; in addition, it measures and monitors customer satisfaction, using various communication channels, when making changes and introducing innovations in its services.

The FIBI Group attaches great importance to assisting all its customers, while taking into consideration the unique financial needs and specific economic needs of each customer group. The Group works to provide a unique, tailor-made solution to a variety of sectors, and to develop the financial independence of customers in these sectors: the ultra-Orthodox sector, the Arab sector, the FSU sector, senior citizens, students and youth, teaching staff, and the security forces.

In adapting its solutions to groups with unique financial needs, FIBI's strategy utilizes several methods:

Adapting branches to the characteristics of the population living in the area by stationing suitable personnel in the branches and tailoring marketing language and themes.

Adapting financial tools and services to fit the target group's way of life: loans on easy terms, crisis solutions, and tools adapted to the customer's financial ability.

Cooperation with, and support for, a variety of social groups and organizations: supporting programs and activities on behalf of disadvantaged groups. Examples of these activities include improving financial literacy, providing tools and training for household financial management, etc.



Investing in the Ultra-Orthodox and Religious Sectors

PAGI is focused on appealing to the ultra-Orthodox and religious populations. PAGI is developing new products and services tailored to these communities' unique financial needs. PAGI operates as an integral part of First International Bank, into which it was merged with great success, while fully preserving its brand name, character and activity in the ultra-Orthodox and religious sectors and deploying branches in places with significant ultra-Orthodox population.

PAGI takes care of meeting the unique needs of the sector, both in terms of the service model and through customized products and services. To ensure that PAGI continues to generate the unique value required of its customers, it maintains an ongoing dialogue with its customers and with opinion leaders in the sector, while conducting research to identify changing trends and needs in the sector in general and specifically within its diverse segments.

As part of its effort to tailor its service to the needs of the sector, PAGI takes care to provide personal human service in its 17 branches, since the majority of its target audience does not use the Internet. The branches feature employees from the religious and ultra-Orthodox sectors, who are able to provide service that is in line with the customers' needs. Due to the relatively high work load at the Branches, PAGI offers time- and cost-saving solutions at its branches, such as Internet kiosks, ATMs for depositing cash and checks, etc.

As part of its effort to adapt its products to the ultra-Orthodox sector, PAGI offers unique banking services tailored to the various needs at different stages of an ultra-Orthodox person's life, which are characterized by different economic abilities and financial

“ PAGI is focused on appealing to the ultra-Orthodox and religious populations. PAGI is developing new products and services tailored to these communities' unique financial needs. ”

needs. Unique products and tracks are also offered to specific sub-segments of the sector, such as young workers, students and small business owners. Some of the tracks include financial consultation, in order to help customers increase their financial independence. In addition, PAGI has a dedicated credit card club for the community, in which more than 1,000 businesses offer discounts to cardholders on charges for consumer goods and at businesses for the Ultra-Orthodox community.

As part of its community outreach in the sector, PAGI specializes in providing services to ultra-Orthodox and religious associations and institutions. PAGI thus contributes to economic activity as well as to advancing social processes and causes. The Bank's relevant departments have accumulated many years of experience in working with non-profit organizations, and its professional staff specializes in finding creative solutions and leading long-term processes for the proper management of these entities' activities over time, while scrupulously complying with regulatory restrictions.

Activity in 2019:

- PAGI operates through a network of 17 dedicated branches catering to the Ultra-Orthodox sector, while adapting the nature of the service, manner of address and language to this specific group. The branches' deployment offers easy access to all significant ultra-Orthodox population centers.
- PAGI continued to expand its activity under the "Language for the Ultra-Orthodox" initiative - the program is designed for people with a basic knowledge of English. Its aim is to expand and reinforce knowledge of the language, while developing skills until a working proficiency of English is achieved. The emphasis is on the labor market. In 2019, ten "Language for the Ultra-Orthodox" courses were held in Jerusalem, Bnei Brak, Modi'in Illit and Elad, in which about 140 participants took part.
- As part its unique assistance to ultra-Orthodox students, FIBI collaborated with the ultra-Orthodox campus at the Ono Academic College and the Jerusalem College of Technology - Lev Academic Center for the Ultra-Orthodox religious sector. As part of these collaborations, lectures were given on financial education, student conferences were held and mobile branches were set up on campus.
- PAGI held conferences for customers and its sector, such as the conference on culture and current affairs - "What's Happening Now", conferences in branches and an event for community representatives.
- PAGI provided professional lectures to business managers from the sector in order to boost their financial freedom. A lecture on maximizing income in NGOs was delivered at a conference for NGO administrators. Another lecture on business credit was given at a business owners' conference.
- Approximately NIS 600,000 was invested in sponsorships for events and conferences - in various fields - dedicated to the ultra-Orthodox sector.

Status of Objectives for 2019:

Objectives	Status
Continue to expand the "Language for the Ultra-Orthodox" venture to include a program for teaching high-level English to members of the Ultra-Orthodox community.	Done
Launch an online content site targeted at young workers from the ultra-Orthodox sector.	Not performed
Develop of a track for self-employed persons who do not receive salaries.	Not performed
Conduct conferences and events in various fields for PAGI's customers.	Done
Expand collaboration with academic institutions which feature ultra-Orthodox study tracks.	Done

Objectives for 2020:

- Develop collaboration with academic institutions which feature ultra-Orthodox study tracks
- Launch an informative campaign for the ultra-Orthodox sector on the possibilities of using digital channels
- Lectures to strengthen soft skills aimed at helping to remove barriers to entry into the employment market

- Lectures on smart finance for the general public

Investing in the Arab sector

Bank Massad is expanding its services in the Arab sector, making its products and services more accessible to the sector's unique financial needs. This is part of the Bank's general strategic plan for retail customers and its designated activity for the educational system and teaching employees in particular. The service for the Arab sector focuses on two main populations - teaching staff and medical professionals in the sector.

To address the unique needs of the sector, the Bank focuses on value creation through the services it offers as well as by adapting its service array. Thus, the branches located in Arab localities regularly employ and hire employees from the sector; currently, about 17% of the bank's employees are from the Arab sector. The Bank can communicate with customers using appropriate means, places and language, rendering financial services more accessible to the Arab sector. As part of the products and services offered by the Bank, adjustments are made to the unique financial needs in Arab society, such as by making credit services more accessible and marketing loans dedicated to the needs of customers in the sector (e.g., dedicated loans for the holidays). In addition, the Bank offers unique value propositions for various institutions in the sector, such as colleges or hospitals, depending on the customers' needs.

Activity in 2019:

- Bank Massad operated seven designated branches for the Arab sector (comprising approximately 40% of its branches). The branches' deployment provides customers with easy access to the range of services provided by the bank.
- Bank Massad carried out a variety of activities with social aspects for the Arab sector, targeting various segments in Arab society: unique social and business activities for the Muslim and Christian holidays, opening of the school year in September, activities for Mother's Day, and more.
- Sponsorships of local activities in schools and colleges in the Arab sector.

Status of Objectives for 2019:

Objectives	Status
Recruiting education students and providing benefits to students in educational and teaching studies at the Alqasemi Academy, the Haifa Academic Arab College for Education in Israel, and Beit Berl College.	Done
Opening additional branches in Arab communities in order to make services and benefits more accessible to teachers.	Not performed
Boost recruitment and marketing in medical centers among healthcare professionals, with a focus on people in the sector.	Marketing activities targeting the sector were carried out, both in centrally-located hospitals and professional conferences for healthcare workers.



Goals to Promote the Arab Sector in 2020:

- Recruit education students and provide benefits to students in educational and teaching study tracks at the Alqasemi Academy, the Haifa Academic Arab College for Education in Israel, and Beit Berl College.
- Boost recruitment and marketing in medical centers among healthcare professionals, with a focus on people in the sector.

Investing in the FSU Sector

First International Bank caters to new immigrants from the former Soviet Union. The Bank mapped the needs of its customers from this sector, and selected 15 relevant branches, in which there is a Russian-speaking employee who assists in making the bank's services accessible to customers in this sector. Such a representative is present at the branches at all times, and assists customers on a regular basis. The Bank promotes ongoing marketing activity in the Russian-speaking sector, such as holding lectures on financial conduct, assisting in organizing conferences for the general public and taking part in events in the community. To provide the optimal response to the segment's needs, the Bank is assisted by external consultants.

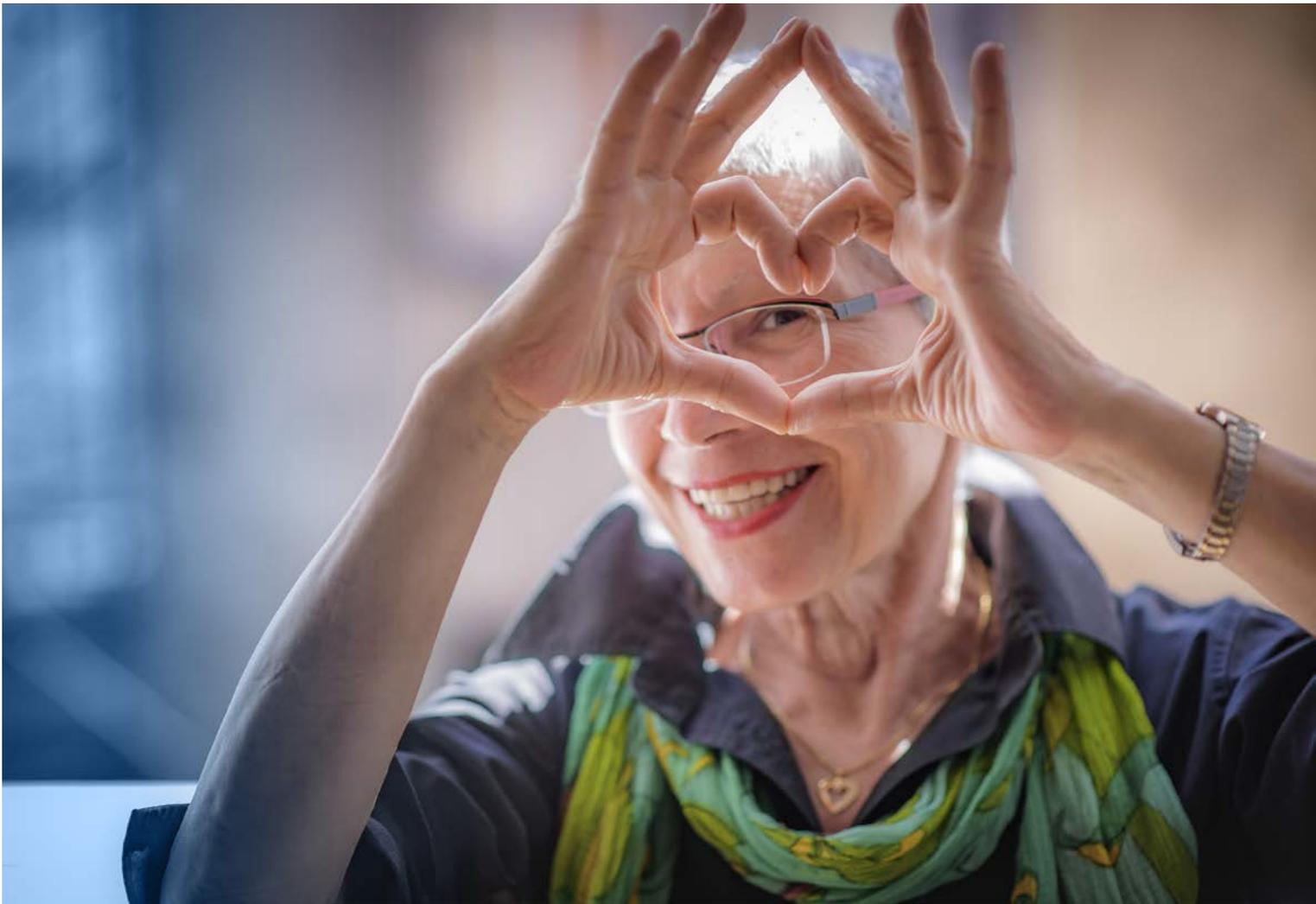
Also in 2019, First International Bank worked to increase financial awareness among the FSU residents and to make various banking tools more accessible to them. To this end, the Bank holds dedicated conferences on the subject in various contexts, in collaboration with the branches, municipal immigrant absorption departments, the Jewish Agency, and workplaces with a Russian-speaking majority. The Bank also appointed a dedicated spokesperson to assist branches in disseminating financial and banking knowledge in Russian.

Status of Objectives for 2019:

Objectives	Status
Expand activities to disseminate financial and banking knowledge among people from the former Soviet Union.	Done
Conduct training for Russian language representatives in the various branches and provide them with ongoing professional support.	Carried out on a regular basis.
Publish additional articles on banking services and innovation at the bank, and improve access for the Russian-speaking public in Israel.	Done

Objectives for Promoting Activities among FSU Residents in 2020:

- Provide support to everything related to service in Russian, employee training, imparting marketing, recruitment, advertising and service skills tailored to the Russian sector.
- Hold meetings, conferences, forums on financial and other issues in locales relevant to the Russian-speaking customer sector.



Investing in Senior Citizens

During retirement, customers' lives undergo material financial changes, stemming from retirement and reduced revenues, as well as increased expenses due to new needs. This new period in life brings new experiences to customers' lives and leisure time, alongside concern for their future and the future of their family. Furthermore, digitization in the worlds of service in general, and in the banking sector in particular, poses unique challenges for senior citizens, who - in many cases - find it difficult to adapt to changes.

The FIBI Group works to adapt the services to the unique needs of senior citizens, and to allow them access to these banking services. In this context, the Bank offers senior citizens unique services, enabling them to make informed financial decisions based on the unique characteristics of retirement. The services include retirement consulting - aimed at maximizing sources of income, investment advice for adapting investment portfolios to the new needs of this population, deposits and loans under unique terms, and more.

At the same time, the bank takes a two-pronged approach in order to make financial services accessible to this audience: First, the bank makes it easier for customers to use the digital channels and technological services, through dedicated training and guidance, as well as deployment of service representatives at the branches and call center. Second, it makes it easier for them to use the retail channels, such as branches and telephone service (Beinleumi Call Center). Senior citizens are given priority in obtaining service through retail channels, out of the bank's understanding that they require these service channels more than other customers.

First International Bank is a leading factor in the Financial Education Forum at the Bank of Israel. In this context, among other things, the bank's representatives hold conferences for senior citizens related to financial education and digital orientation. These conferences empower senior citizens in this field, boosting their ability to manage the financial aspects of their lives independently. During 2019, the bank will hold 12 such conferences, with the participation of more than 450 senior citizens.

Investing in Education and Teaching Staff

Bank Massad's target audience is teaching staff. The bank offers financial products and services tailored to this population, including a range of special plans and benefits. The bank continues to learn about the needs of this population and adapts its services accordingly. The bank's service and marketing functions are also adapted to the characteristics of the teachers population.

As part of Bank Massad's commitment to the teacher population, the community outreach activities of the bank and its employees are also related to this area. Bank Massad works to strengthen teachers' status through various initiatives such as Teachers' Day, sponsorship of the Israel's Teacher competition, as well as cooperation with the Teachers' Federation and the Athena Foundation.

Status of Objectives for 2019:

Objectives	Status
Intensify activity among teachers at schools and kindergartens. Provide banking benefits to families of teachers.	Done
Provide sponsorships and participate in teachers' conferences and events in cooperation with the Israel's Teachers Union.	Done
Recruit students as teachers and providing banking benefits to students at educational colleges across Israel.	Done
Continue the partnership with the Athena Fund - distribute computers to teachers as part of the "A Computer for Every Teacher" program and distribute tablet devices to approximately 3,000 special education teachers.	Done
Sponsor the Teacher of the Year venture;	Done
Provide sponsorships and cooperate with the Israeli Organization for ADHD - an NGO promoting the needs of students with attention deficiency disorders.	Done

” As part of Bank Massad’s commitment to the teacher population, the community outreach activities of the bank and its employees are also related to this area. Bank Massad works to strengthen teachers’ status through various initiatives such as Teachers’ Day, sponsorship of the Israel’s Teacher competition, as well as cooperation with the Teachers’ Federation and the Athena Foundation.



Objectives for Employees of the Educational System in 2020:

- Intensify activity among teachers at schools and kindergartens. Provide banking benefits to families of teachers.
- Enhance collaboration with educational colleges across Israel and provide banking benefits to students studying education.
- Continue to enhance its business activity in the Arab sector and its appeal to teachers and healthcare workers.
- Continue community outreach activities to strengthen teachers' status in Israel, including through the Athena Foundation, Teacher of the Year competition, Teachers' Day, Kavim and Machshavot NGO, and more.
- Continue cooperation between the members of the Teachers' Union and the bank.



Activity Dedicated to Members of the Defense Forces

The Otsar HaHayal brand - under First International Bank - specializes in providing services to members of the security forces and their families. Otsar HaHayal offers unique and diverse financial services, which suit the various needs of this population, and takes care to provide a holistic response to their needs, both during service and after retirement. Otsar HaHayal branches are familiar with the unique challenges facing security forces personnel and retirees, and address them at both the product and service levels. Furthermore, since 2006, Otsar HaHayal has adopted the Keren Battalion of the Artillery Corps as part of the Adopt a Fighter program.

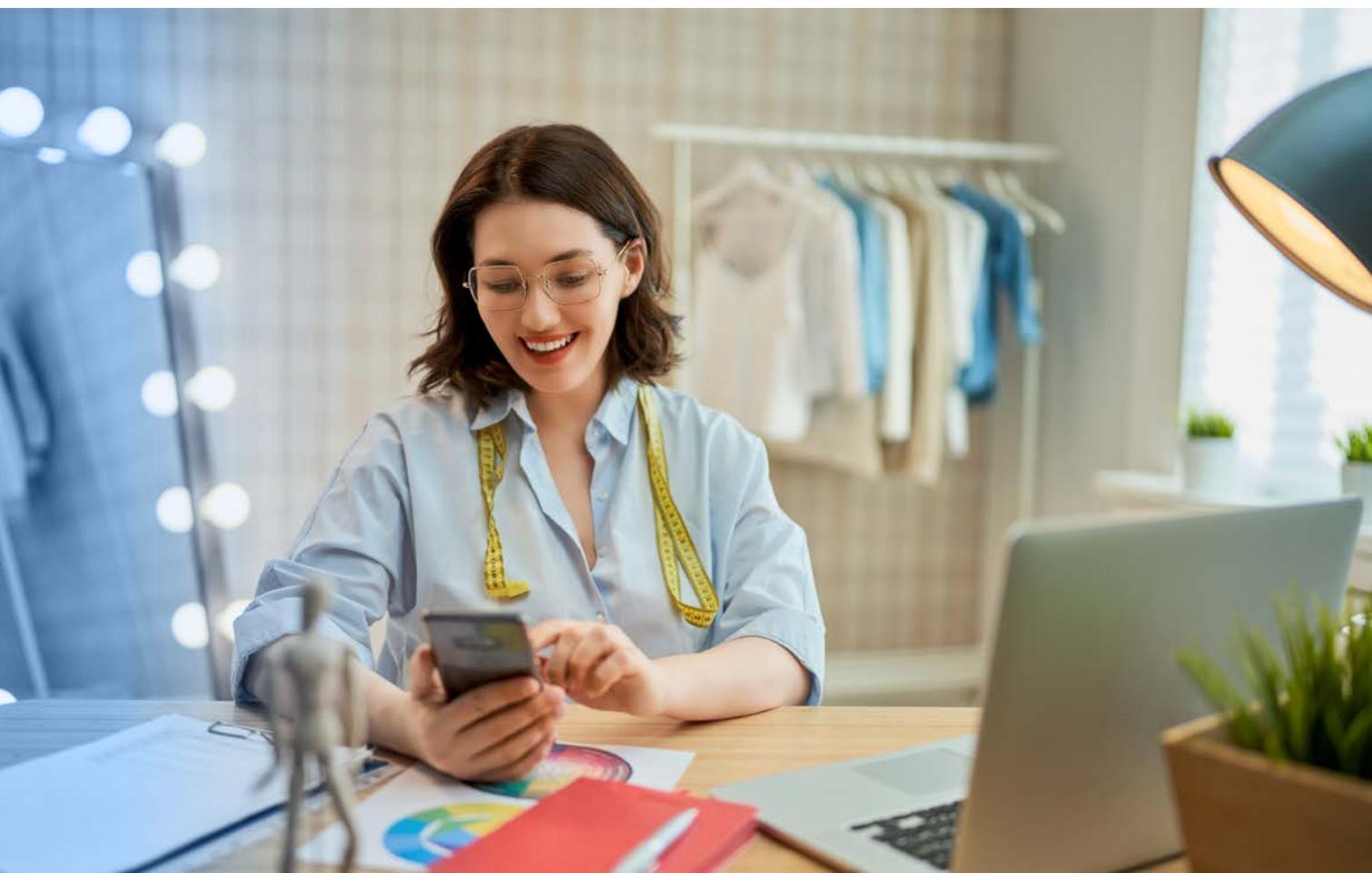
Status of Objectives for 2019:

Objectives	Status
Renewal of the agreement between Hever and First International Bank, an agreement in which Hever members enjoy special terms and benefits at any branch of First International Bank, including Otsar HaHayal, for an additional period (similar to the agreement between Hever and Otsar HaHayal in 2017).	Done

Objectives for Promoting Activities among the Defense Forces in 2020:

Enhance activities with members of the security forces and their families.





Promoting the Small and Mid-Sized Business Segment

FIBI regards the small and medium-sized businesses sector as one of the economy's key growth engines. In this framework, and in order to assist these customers who form the backbone of the Israeli economy, the Bank offers business customers dedicated services and products, by segmenting this audience according to business turnover and scope of credit. To this end, three main operating segments have been defined:

- Small businesses.
- Mid-sized businesses.
- Large businesses.

Each sector has a line manager responsible for continuously adapting the products and services to the relevant target population so as to ensure their suitability to their customers' dynamic needs.

In recent years, FIBI has been investing resources in developing dedicated banking products and services tailored to the segment's needs:

- **Customized service** - The Bank offers the segment's customers with a broad range of banking products and professional services for small businesses, provided by dedicated bankers in the branches and through a variety of digital tools on the Bank's website and app.
- **Credit** - Credit to small businesses is granted through all of the First International Bank's branches and is professionally managed by a dedicated team at headquarters specializing in small businesses. First International Bank offers small businesses a

“in order to assist these customers who form the backbone of the Israeli economy, the Bank offers business customers dedicated services and products, by segmenting this audience according to business turnover and scope of credit”

range of credit products under convenient terms and conditions, as well as professional and comprehensive advice in order to adapt the credit solutions to each customer's unique needs. In addition, the Bank is working to develop tools for granting credit by digital means and is also examining collaborations with other entities in order to expand the basket of credit products offered to customers.

- **Foreign currency and investment services** - The Bank offers small businesses a range of products and professional advice on foreign trade, foreign currency and investments, which are based on the Bank's specialization in these fields.
- **Unique benefits** - The Bank grants unique benefits to small businesses opening an account with FIBI. This includes discounts on current account management fees, credit rates and foreign trade tariffs. The benefits are granted individually, according to each business's characteristics and needs.

Assistance to Israeli Exporters and Importers

The FIBI Group, which promotes economic activity in Israel, views exports and imports as a central anchor in Israel's economy and industry. For many years, the Group has been instrumental in promoting Israeli industry and in recent years, has developed and initiated various financing and recruitment programs:

- **Exporter financing program in cooperation with a credit firm** – The Bank sponsor a program to finance exporters' operations in cooperation with credit provider Ashra. This program serves as a means to assist small and medium-sized exporters on the one hand, and to provide them with opportunities to expand their overseas business on the other hand.
- **Recruitment of industrial companies and entrepreneurs as customers** – The Business Development and Marketing Unit of the Corporate Division focuses on the recruitment of industrial plants and entrepreneurs with turnovers of at least NIS 25 million, as customers. Applications are reviewed by the relevant functions at high priority and responses are fast-tracked in order to promote new business activities as quickly as possible.
- **Financing agreements for the purchase of industrial equipment in cooperation with the Manufacturers Association** – An agreement was signed with the mutual fund of the Manufacturers Association to provide up to 90% financing for the purchase of industrial equipment for an unusual maximum period of 12 years.

Financing for Businesses - Factoring:

First International Bank also operates a specialized financing service (factoring), which provides a comprehensive solution for the risks involved in granting credit to customers. The service is based on the purchase of some or all of the customers' receivables in respect of credit sales made locally or with overseas customers. Factoring thus turns a credit transaction into a cash transaction. The factoring services include:

- **Neutralizing the risk of customer credit** – upon the sale of the invoices to the bank, the supplier is no longer under credit risk for that invoice (except in case of a commercial dispute).
- **Advances** – cash payment of 70%-85% of the invoice amount.
- **Collection services** – the Bank carries out the collection process both in Israel and worldwide.

The factoring services provide numerous benefits to the customer, including: early payments and improved cash flow; neutralizing credit risks; increasing the company's financing resources beyond traditional bank credit; improving the financial ratios in the financial statements; marketing means to expand the company's turnover; ongoing assessment of customers' robustness and freeing up customer credit management resources.

The Small and Medium Business Fund

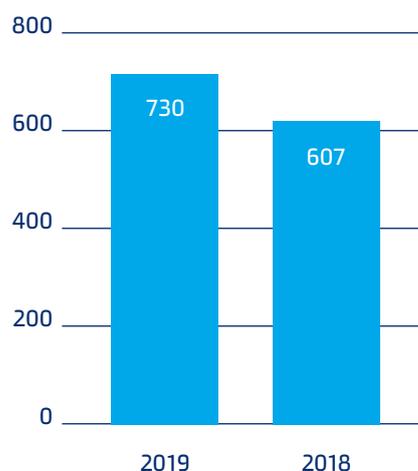
The First International Bank provides state-guaranteed loans to small and mid-sized businesses. The funds provide credit for the establishment and strengthening of small and medium-sized businesses and are funded in cooperation with government ministries, donor and employer funds, and other entities. Of the funds with which the bank cooperates, the largest is the state-guaranteed Small and Medium-Sized Business fund.

In 2016, Otsar HaHayal Bank (in a joint bid with investment house Meitav Dash) won the Accountant General's tender to provide loans to small and medium-sized businesses guaranteed by the state. Once Otsar HaHayal was merged into First International Bank, such loans are offered in all branches of the Bank. The Bank is thus a significant financial partner of the State of Israel in strengthening the small and medium-sized business sector.

The funds' activities have several characteristics that make them instrumental in the development of small and medium-sized businesses. Obtaining credit from the funds does not require significant collateral (due to the guarantees provided by the entities that are party to the funds), making it significantly easier for customers to do so. Furthermore, financing decisions are based on the applicants' plan and business potential, thus encouraging businesses to develop quality business models. In addition, it is possible to generate a financing package that combines several funds as well as run-of-the-mill bank credit, depending on the needs of each business.

In 2019, the volume of credit provided by the Bank through the state-guaranteed Small and Medium-Sized Business Fund was approximately NIS 730 million.

Credit Provided through the Small and Medium-sized Business Fund (in NIS million)



Service Accessibility for People with Disabilities

The FIBI Group furthers access for people with disabilities, so that everyone can exercise their basic right to receive the services offered by the Group. The FIBI Group is committed to making its banks' services accessible to all its customers - both physically at the branches and through call centers, online services and service devices at the branches. An accessibility coordinator has been appointed at the Group's Construction Department, who is responsible for implementing the accessibility plan at the Group level. The program complies with the requirements of the law and accessibility regulations, and is carried out under the auspices of the Access Israel NGO. In 2019, the FIBI Group completed the implementation of its accessibility plan.

Rendering the Group's Branches Accessible:

Rendering the Group's branches accessible began as early as 2007. By the time regulatory accessibility guidelines came into effect in 2012, about 20% of the Group's branches were already accessible to the handicapped. Pursuant to the new regulations, an accessibility survey was conducted at all the Group's branches, and an orderly access plan was prepared, which included setting targets and implementation oversight of accessibility at the various branches. Means of accessibility implemented at all of the FIBI Group's branches under the new standard include:



Adapted waiting corner



Adapted teller counters



Reception desks adapted to the visually impaired and mobility impaired



Accessible entrance to the branch



Nearby disabled parking



ATMs adapted to the visually impaired and mobility impaired



Accessible elevator



Services



Aids for the hearing impaired



Below is a summary of handicapped accessibility data at branches of the FIBI Group in 2019:

	No. of branches	Total branches accessible as of 2019	% of accessible branches as of 2019
First International Bank (Including Pagi, U-Bank and Otsar HaHayal)	128	128	100%
Massad	23	23	100%
Total	151	151	100%

Accessibility to Services for People with Disabilities through Other Channels

As part of the Group's efforts to render banking services accessible to customers with disabilities, and in addition to providing physical accessibility at the branches of the Group's banks, the following efforts to facilitate accessibility to service channels and service activity are underway via the following channels:

- ATMs and service kiosks - As of the end of 2018, all ATMs have been made accessible, pursuant to the regulations (these measures are in addition to accessibility for the mobility impaired, which has been completed for most machines).
- The websites - The Group's websites have been made accessible for people with disabilities (using technology for rendering websites accessible).
- Telephone access - the call center was rendered accessible to disabled persons and a special telephone line for inquiries about accessibility was activated.
- Training - The Group developed an accessibility tutorial which was approved by Access Israel and is available to employees on the Group's training website.
- Oral and written information - As of July 2015, the Group provides information accessibility services via various means, pursuant to the regulations and in coordination with customers: reading out loud, audio files, PDF files (adapted for reading by software), and Braille. The information accessibility services are provided by Access Israel's Information Accessibility Center.

The various disabled accessibility services provided by the Group are available online for the benefit of all users.

Status of Objectives for 2019:

Objectives	Status
Finalize accessibility adjustments in the various branches, and continue to maintain accessibility in the FIBI Group's branches, with the support of the Access Israel NGO.	Done

Objectives for Making Services Accessible to People with Disabilities by 2020:

Continue to maintain accessibility in the FIBI Group's branches, with the support of the Access Israel NGO.



Privacy and Information Security

The FIBI Group attaches great importance to safeguarding its customers' information, and implements a clear information security and cybersecurity policy that is approved by management and the boards of directors of the various banks in the FIBI Group. The Group's information security and IT policy reflect management's commitment to information security, and to the availability, secrecy, integrity and reliability of the information assets and system of the Bank and its customers, while safeguarding customer privacy, banking secrecy and robustness, as well as functional continuity. In this field, the Group follows strict information security regulatory requirements issued by the Bank of Israel (Directives 357, 361, 362, 363, and 367) and other government and international bodies (the Protection of Privacy Regulations, the Information Security Regulations of the Commissioner of the Capital Market, etc.). As a result, the Group's IT Department is ISO 27001- and ISO 27032-certified in information security and cybersecurity, requirements which are mostly included in mandatory regulations.

Accelerated technological development both poses challenges to the Group and provides it with opportunities. Cyber attacks, which are increasing worldwide, especially in the financial sector, are posing more sophisticated threats of increasing magnitude and frequency. This fact requires the Group to take action to ensure banking stability and protect its customers. At the same time, digitalization enables the FIBI Group to become more efficient and deploy stronger defenses against cyber attacks. In order to make sure that the most up-to-date security methods are applied, the Group cooperates with the stakeholders relevant to this sphere. In addition, in order to be at the forefront of technological developments in this field, First International Bank operates

“ In order to make sure that the most up-to-date security methods are applied, the Group cooperates with the stakeholders relevant to this sphere. In addition, in order to be at the forefront of technological developments in this field, First International Bank operates a cybersecurity incubator for start-ups engaged in boosting cybersecurity capabilities. The incubator is located at MATAF, the FIBI Group's IT arm, in an effort to identify cybersecurity technologies and integrate them quickly into the Bank's systems. ”

a cybersecurity incubator for start-ups engaged in boosting cybersecurity capabilities. The incubator is located at MATAF, the FIBI Group's IT arm, in an effort to identify cybersecurity technologies and integrate them quickly into the Bank's systems.

Policy implementation combines a proactive strategy to safeguard information, defend IT infrastructures, and protect the Bank's online presence. The Bank's Information Security and Cybersecurity Manager is responsible for implementing the policy, issuing

instructions, requirements and procedures to the various units, including the Development Unit and the Computer Infrastructure Operations Unit, with control over the periodic performance and reporting to the managements and Boards of Directors of the Group's banks.

The strategy is applied through a supportive organizational structure that includes the Information Security and Cybersecurity Defense Unit and the IT Department. The Information Security and Cybersecurity Unit's duties include coordination, instruction, enforcement, supervision, and reporting on these matters in cooperation with the relevant business and operations units. The IT Department installs and operates defensive lines and technological tools for preventing and monitoring information security incidents in real time and providing a response to information security incidents through the cyber defense center.

In this framework, the overall risks are mapped, reviewed, analyzed, managed and evaluated, including processing of intelligence and implementation of processes and technologies to hedge and mitigate risk and detect unusual access attempts. The Group also attaches great importance to training people through a Group-wide effort to increase the employees' and suppliers' awareness, involvement, and commitment by way of tutorials, training seminars, and exercises. The employees' training is adapted to their various roles and is especially targeted at populations characterized by higher exposure to cyber security risk.

To validate its level of information security and cybersecurity defense mechanisms, the Group conducts regular drills and tests designed to test the level of defense for the existing systems and thorough tests before activating new services. These drills test the technological and human aspects of defense. Realistic drills are conducted, as well as simulation drills based on actual incidents that occurred in various organizations in Israel and elsewhere.

According to the Bank's lawful disclosure requirements, the Bank and its employees are bound by secrecy and the duty to safeguard the customers' privacy, whether they be individuals or corporations. The details and data about the customers and others related to the account (whether given by them or obtained through other sources), including account information and balances, are stored in whole or in part in the Bank's databases or of anyone acting on its behalf, or by other entities engaged in information processing for the Bank or providing other services to the Bank, in relation to the existence or management of the account. The stored information serves the Bank for decision making purposes on relations with the account holders and/or others related to the account and for providing various banking services.

The Bank does not provide the information in its possession to others unless providing the information is mandatory under law and/or required in order to uphold a vital public interest or if the customer has agreed to have his information provided to another entity.

Activity in 2019:

- The bank completed its review and preparations for protection of computerized environments to be hosted on a public cloud. In addition, a secure connection to cloud services, through a secure cloud access provider, was prepared.
- Information security control of the Bank's material suppliers was boosted in accordance with the Supply Chain policy and Proper Conduct of Banking Business Directive No. 363.
- An innovative protective technological layer was implemented by taking part in the fourth course of the Cyber Accelerator.
- Increasing awareness of employees, suppliers and customers through training, drills, conferences and communication, while emphasizing dedicated training for populations that are more exposed to cyber attacks.
- The connection of the central monitoring system to other information sources and systems was boosted, and continuous control processes were automated.

Status of Objectives for 2019:

Objectives	Status
Build a secure work environment as part of the preparations for connecting to cloud services.	Done
Increase and deepen awareness of employees, suppliers and customers through training, drills, conferences and communication.	Done
Expand innovative protective technological layer by companies in the fourth course of the Cyber Accelerator.	Done
Boost process automation at all levels of the defense systems.	Done
Implement continuous control over the defense systems.	Done

Information Security Objectives for 2020:

- Implement continuous control over the defense systems. Prepare for characterizing and implementing a secure open banking environment in accordance with the definitions of Proper Conduct of Banking Business Directive No. 368, Open Banking.
- Increase and deepen awareness of employees, suppliers and customers through training, drills, conferences and communication.
- Expand innovative protective technological layer by companies in the fifth course of the Cyber Accelerator.
- Implement continuous control over the defense systems by incorporating controls using automated technological means.
- Adopt a security approach in the development environment - DevSecOps.
- Strengthen protection of digital services by boosting identification capabilities and information security for customers by making information related to account transactions more accessible.



Enhancing Customers' Financial Understanding

As the banking domain and financial markets change and become more and more complex over time, the importance of making financial knowledge available to the public grows. The ability to make informed financial decisions has an immense impact on an individual's financial independence. Every financial decision made by the FIBI Group's customers today has a long-term impact. The FIBI Group believes in its ability to help its customers plan for their financial future and works to assist them in making informed financial decisions that will have a positive impact on their future, while balancing the customers' short- and long-term needs. The FIBI Group takes a two-pronged approach to promoting its customers' financial understanding - enhancing their financial knowledge, and assisting and accompanying them as they make financial decisions.

Promoting Financial Knowledge:

The Group attaches great importance to promoting financial knowledge both among its customers and the general public, out of its sense of obligation to the public and customers, and as part of the Group's risk management approach. The Group understands that the more financially knowledgeable customers are, the smarter they are in managing their money and the better balanced they are in their financial conduct and financial situation. As a result of this approach, dozens of lectures are held each year on a variety of financial topics in the fields of capital markets, retirement consulting, financial planning and family finances. The presentations are delivered by external content specialists

and the Bank's experts. The lectures are given at branches, at professional conferences, and in other settings, according to customers' needs. The lectures are provided as a public service, and the bank's customers are invited to attend.

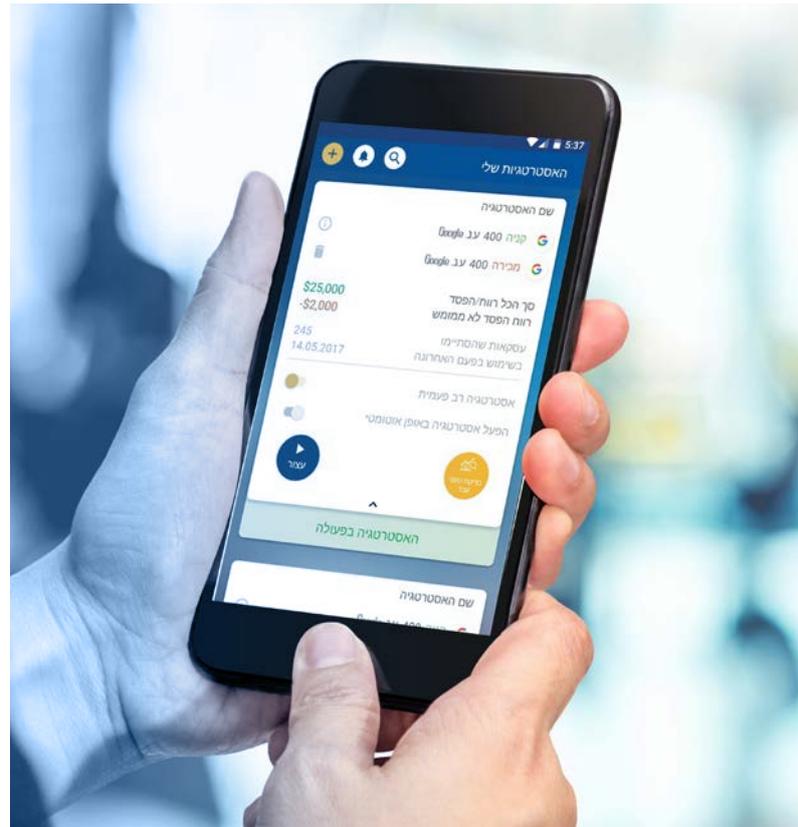
Efforts in this domain are made by the various brands of the FIBI Group for their respective target audiences, out of in-depth familiarity with the different financial needs and challenges these audiences face. FIBI Group banks maintain direct contact with their customers, who require different content.

In addition, as part of the banks' community outreach, the banks' employees contribute their substantial financial knowledge as part of the volunteer programs in which they are involved. The employees share their knowledge and cooperate with various NGOs to promote the general public's financial knowledge.

Assistance and Support in Making Financial Decisions:

The FIBI Group considers it highly important to help its customers take care of their financial future, and to assist them in reaching complex decisions in this field. The FIBI Group provides advanced consulting services that assist customers in building investment portfolios according to their needs, covering the entire range of investment instruments available to them. The consulting services are tailored to the customers' preferences, characteristics, risk appetite and needs. The consulting services provided by the Group are of the highest professional standard and are characterized by caution, objectivity and responsibility. The Group has developed

” To make the services more accessible and easier to use, the bank is developing advanced financial tools - such as the Smart Trade system that enables customers to make their own investments, or Advise.me, a system that makes investment consulting services accessible to our customers via mobile devices. These services are provided in addition to advanced personal consulting services. In addition, the Bank provides Second Opinion services, free of charge, to the general public, allowing anyone who wishes to do so to obtain a second opinion about investment portfolios managed elsewhere.



and implemented methodologies that include investment advice milestones with the objective of providing each customer a solution tailored to his/her personal needs and wishes. The Bank offers its customers a wide range of advanced investment products, in order to meet the different and dynamic needs of all its customers.

One of the most significant financial aspects of customers' lives is retirement savings, and the FIBI Group dedicates significant attention to this issue. This is the single most significant and basic form of savings, and the FIBI Group helps its customers manage these savings efficiently and effectively, in accordance with the savers' needs and preferences. The Group therefore provides its customers with retirement consulting, which gives them a clear and full view of their pension savings and examines whether the savings are in line with their personal needs and characteristics. The Group's retirement consulting services are characterized by objectivity and transparency, long-term planning, professionalism, adaptation to customers' needs, proactivity on the part of the bank, and the use of advanced information systems. The great importance that the FIBI Group attributes to this issue is part and parcel of the FIBI Group's approach to the importance of thinking about long term financial management. The Bank regards the task of expanding financial consulting as a mission, which will allow the public to enjoy their retirement savings long after going on retirement.

The consulting process leads to improving customers' retirement savings plans by: reducing management fees; adjusting the savings risk level to the customers' characteristics and age; selection of recommended investments by the rating system; improving insurance coverage and adapting it to the customer's marital status; adjusting the contribution amounts to salaries and tax benefits to maximize retirement savings.

In addition to its advisory services, the Group seeks to implement an educational approach regarding the capital market, investing

resources in making knowledge accessible and developing tools intended to support sustainable capital market conduct by its customers. A central part of the Group's capital market activity is the understanding that customers with financial knowhow will be able to make the right decisions and higher quality transactions in the capital market. Opportunities for increasing financial knowledge exist in several channels - the direct banking channels, through the website, the application, and at the bank branches by banking experts specializing in all financial spheres.

To make the services more accessible and easier to use, the bank is developing advanced financial tools - such as the Smart Trade system that enables customers to make their own investments, or Advise.me, a system that makes investment consulting services accessible to our customers via mobile devices. These services are provided in addition to advanced personal consulting services. In addition, the Bank provides Second Opinion services, free of charge, to the general public, allowing anyone who wishes to do so to obtain a second opinion about investment portfolios managed elsewhere.

This active approach positions the capital market as one of the Group's business growth engines and is an important social activity which contributes to the education and financial development of the public, so that this growth engine creates added value for the Group, its customers and the public. The share of the investments segment at the Group is greater than the share of other banking segments compared with the banking sector in Israel.

In addition to providing investment consulting services, the bank also assists its customers in making ongoing financial management decisions. Thus, for example, the bank provides retirement consultation services, which allow retiring customers to manage their pension funds efficiently, taking into accounts various taxation tracks. In addition, in some of the business tracks, several of the bank's brand names help their customers manage cash flows and with their businesses' financial planning.

Activity in 2019:

- This year as well, the FIBI Group has held dozens of conferences for diverse customers and the general public, on various topics in order to advance financial knowledge in various fields.
- The Bank held 47 dedicated conferences on retirement savings, with the aim of making these services accessible to the general public. The conferences were attended by more than 2,100 participants.
- Retirement consulting services were expanded, and thousands of new customers have been recruited to the consulting programs.

Status of Objectives for 2019:

Objectives	Status
The FIBI Group will continue developing investment products, supportive systems, and technological tools to help customers in planning their financial future.	Done
Increase the number of customers enjoying retirement consulting services.	Done
Increase awareness of the importance of retirement consulting in preparation for retirement, and expanding access to the service.	Done
Continue to give lectures at additional forums to expand pension education.	Done
Continue to expand the use of digital means in providing pension advisory services.	Not yet done; waiting for regulatory approval
Continue to hold conferences on professional investment and financial conduct topics for the benefit of our customers and the general public.	Done

Objectives for Enhancing Customers' Financial Understanding in 2020:

- The FIBI Group will continue developing investment products, supportive systems, and technological tools to help customers in planning their financial future.
- Hold conferences for our customers that include professional investment and retirement savings topics
- Make professional content and financial knowledge accessible to customers through digital means
- Increase the number of customers enjoying retirement consulting services.
- Increase awareness of the importance of retirement consulting in preparation for retirement, and expanding access to the service.
- Continue to give lectures at additional forums to expand pension education.
- Continue to expand the use of digital means in providing pension advisory services.



Product and Service Innovation

The past decade brought extensive technological changes to the banking sector - from the development of new channels of communication with stakeholders, automation of processes, information management technologies, etc. The FIBI Group plays a significant part in this trend, and under the Group's strategic plan, it was decided to develop innovation across the entire Group and implement innovative technological services and capabilities in accordance with the specific needs of the Group's customers. The FIBI Group invests substantial resources in leveraging the possibilities inherent in developing technologies. We believe that the technological developments in the financial sector offer us an opportunity to adapt services and empower customers.

Innovation at the Group is focused on creating value for the Group's customers. To achieve this, the Group conducted a comprehensive process of mapping available technological options to empower customers and provide a high-quality response to their needs; in addition, it defined focal points for investing in technological developments. Among other things, these focal points include improving the customer experience and dialogue with customers, capital market products and consulting services, tailoring services to the unique needs of customers, and world-class information security.

To meet its strategic objectives in innovation, the Bank takes a two-pronged approach. On the one hand, the FIBI Group develops in-house advanced technologies and IT infrastructures for high-quality digital banking services. On the other hand, the Group works to identify innovative and relevant technologies outside the organization - in technology companies - and facilitates strategic collaborations with various fintech companies. Through these collaborations, the Group also contributes to the development of the local high-tech industry, the main driver of the Israeli economy. Among the fintech companies with which the Group cooperates are Finnovest, Levent, Transmit Security and Personetics. One of the focal points in the Group's innovation endeavors is to boost the availability of digital banking services, in order to enable customers to carry out transactions and manage their financial activities without needing to physically reach branches. The FIBI Group strives to enable its customers to perform most of their ongoing banking activity through the digital channels and ATMs. The following are the direct channels available to our customers:



Websites



Mobile apps



Beinleumi Call - a call center available on flexible hours



ATMs/check deposit kiosks/cash deposit kiosks/self-service information terminals



Text services, personal messages by push technology and web-based email



Correspondence with the banks - a digital correspondence service with a banker through the banks' websites and apps, in which customers can receive information and send instructions for carrying out transactions anytime, anywhere and without the need to visit their branch or wait for a call center representative



Receive an automated response via chat services





Each of the FIBI Group banks has its own application, in which a wide range of banking transactions can be performed, in addition to viewing the customer's personal financial information. Transactions that can be performed through the apps include: depositing a check, ordering checkbooks, paying bills, viewing comparative information and advanced information analyses, locating branches, making deposits, credit card transactions, standing orders, withdrawal from daily deposit accounts, bank transfers, deposits, loans, mortgage applications, forex and securities trading, and more. The transactions that can be performed in the apps can also be performed on the FIBI Group's banking websites.

While continuing to develop digital services, the Group maintains a high level of service and human response. The Group's branches have service representatives in place who explain to customers how to use self-service machines and train customers on using the tools on the banks' websites and applications. The representatives are allocated to various branches according to the needs, as communicated by the branches and customers, especially in cases where there are changes in the services provided by the branches. Customers who fail to execute an online transaction (a transfer, loan, checkbook order, etc.) are invited to chat with, or write to, a banker, who will then get back to them.

Activity in 2019:

First International Bank

- In 2019, the bank also continued to expand the digital services offered to its range of customers - individuals, businesses and capital market clients. In this context, additional innovative capabilities were implemented in existing services, interfaces in existing services were improved, and new, additional digital services were launched:
- Additional banking services were introduced in the website and app, including making periodic transfers, setting beneficiaries, and setting a credit facility. Furthermore, existing services - such as the chat service with customer representatives - were improved.
- For the first time in Israel, the bank launched an API (Application Programming Interface) linking it to ERP (Enterprise Resource Planning) system providers. The API allows customers using ERP systems to submit to the bank draft payment orders directly from their ERP systems.
- An option was added allowing customers to join investment consulting services online.
- The user experience in the capital market domain on the website and application was improved, and significant features were added.

- A new version of the SmarTrade service was launched through the bank's website (in addition to the previously launched app version). SmarTrade is an innovative platform for creating investment strategies. The FIBI Group continued to develop its group-wide big data project, in which it is developing an infrastructure for smart data collection and analysis that allows it to tailor the dedicated service and value propositions provided to customers, in real time, according to their unique and changing needs.

Bank Massad

- In 2019, the bank continued to consistently and methodically expand customers' use of the various digital channels. The bank sees paramount importance in promoting the use of digital and direct channels as part of improving its service and adapting it to the needs of customers in the new digital age.
- This is manifested in various ways, such as:
 - Development of a variety of highly advanced services on the bank's website and application through the parent company.
 - Wide deployment of automated devices in the branch system.
 - Embedding digital services in the branches through dedicated training for employees, controls and managerial emphases.
 - Branch-specific activities.
 - Placing service representatives in the branches to assist customers.
- Participation in nation-wide activities led by the Bank of Israel - training for the elderly population through workshops across Israel as well as personal assistance in the branches.

During the year, there was significant growth in the number of Bank Massad customers using the digital channels. For example, the number of customers who use the bank's applications was up by 17%, and the number of customers using the Advise.me system (an automated investment consulting service) increased by 19%.

Status of Objectives for 2019:

Bank	Objectives	Status
First International Bank	Implementation and integration of advanced digital innovation was boosted, and significant collaborations with fintech and technology companies were expanded for the benefit of all FIBI Group customers.	Done
Massad	Promote measures to improve employees' knowledge and access to information on digital tools.	Done
	Conduct service and sales workshops in branches, with an emphasis on making digital services accessible to customers, both through the website and the mobile app and through the use of automated devices in the branches.	Done
	Increase the amount and types of transactions that can be performed using the bank's mobile app.	Done
	Deploy service representatives in some of the branches, to guide customers on using the digital devices in the branches.	Done

Objectives for innovation activity in products and services by 2020:

Implementation and integration of advanced digital innovation was boosted, and significant collaborations with fintech and technology companies were expanded for the benefit of all FIBI Group customers.



Fairness of Products and Services

Out of the belief in the importance of establishing long-term relationships with its customers and regarding the customers' best interests as an integral part of its business considerations, the FIBI Group regards treating its customers fairly as a paramount organizational value. The Group takes care to act fairly and transparently in all the banking products and services it offers.

The FIBI Group is subject to a series of laws and regulations related to the provision of banking services and products (such as: misleading or taking advantage of distress, doing harm, making service conditional on another service, the duty of care, fiduciary duty, duty of secrecy, duty to act in good faith and not negligently, duty of trust etc.) and various obligations (proper disclosure, calculation methods, revocation of pledges). The products and services offered by the FIBI Group are planned, developed and offered to customers out of a constant awareness of the duty of compliance and all laws and regulations applicable to the Group. The FIBI Group uses dedicated control mechanisms, which are also subject to control and auditing. The primary mechanism among them is the compliance function, whose role is to ensure that the FIBI Group banks implement the legal provisions which govern them, to conduct an ongoing assessment of the effectiveness of control mechanisms against compliance by the various units in the banks and to prepare for new laws and regulations relevant to the banking sector.

In this context, before launching a new financial product, an orderly process takes place in which the product is thoroughly tested by parties in the business units, the legal department and compliance officer, to ensure that the new product meets, first and foremost, legal and regulatory requirements, and that it contains no aspects that diverge from the ethical and fairness principles that the FIBI Group abides by:

- The FIBI Group ensures proper disclosure and provides its customers with any information that may be relevant to their case, with the aim of helping them make more informed and better-balanced financial decisions. In addition, the FIBI Group makes sure that the banks' websites feature the Group's Code of Ethics, the price list for products and services, and more.
- The Group works with its customers to ensure compliance with the legal provisions applicable to the FIBI Group. Alongside the obligation to comply with the provisions of the law, the FIBI Group regards compliance with the law as a means to promote the welfare and satisfaction of its customers.
- The Group notifies its customers about everything related to their assets and liabilities toward the FIBI Group in each of the accounts managed by the Group (each of the Group's banks may provide customers with information on their liabilities and assets in that bank only, rather than in the Group).

- When FIBI Group representatives introduce customers to the range of solutions and products relevant to them, the value proposition includes clear information about the various options available to customers and the pros and cons of the products and services according to the customers' profile and preferences.
- In its relations with its customers, the Group takes care to provide full information and comprehensive explanations, and to correct and improve whenever necessary. (from the First International Bank's Code of Ethics).

To assimilate the values of fairness and transparency by all employees of the FIBI Group, dedicated training content on the FIBI Group's Code of Ethics is implemented, and tools are provided for coping with ethical dilemmas.

Instilling Proper and Fair Business Principles and Values Across All of the Group's Banking Endeavors

In recent decades, the global banking industry has undergone several significant crises. An analysis of these crises shows that one of the main factors in the occurrence and intensity of these crises was conduct risk. Conduct risk arises from non-transparent and unfair conduct or lack of proper disclosure by bankers towards the customers, investors, suppliers and employees (hereinafter – the "Stakeholders") of these corporations.

Conduct risk is a cross-organizational risk that derives its normative framework from the entire set of regulations applicable to the FIBI Group and which is based on fundamental values of fairness and transparency, that are reflected in the FIBI Group's ongoing conduct and Code of Ethics.

Conduct risk is one component of the overall risk management approach. This approach guides the FIBI Group, under the leadership of its managing bodies, to instill and assimilate proper and fair business principles and values across all its banking activities. Risk management in the FIBI Group, and conduct risk management in particular, affect the way the FIBI Group develops and offers products while ensuring proper disclosure to customers as well as to other stakeholders. Its high awareness to conduct risk leads the FIBI Group to transparently present the risk components inherent in its financial products and to develop solutions tailored to customers' needs and changing market needs. As a leading banking group with a diverse customer base, the FIBI Group makes sure to provide a solution to each and every customer in a professional, caring and responsible manner. For every complaint, the Group conducts an in-depth inquiry, according to well-defined procedures, with an emphasis on fairness and objectivity.

Fairness in Investment Consulting

The FIBI Group's approach to investment consulting regards the financial future of its customers as a primary goal. The FIBI Group's investment consulting is tailored to the characteristics and needs of its customers. Investment consulting in the FIBI Group, which has a wide range of customers, is based on an orderly methodology developed by the Group. The methodology includes defined milestones in investment consulting. The methodology involves adapting the risk level to the needs and personal characteristics of each customer. Alongside the value that the FIBI Group sees in meeting the needs and personal preferences of each customer, the Group regards as no less important instilling financial understanding in its customers that will allow them to make smart investment decisions, with



a sense of confidence. The consultation process is conducted in full transparency vis a vis customers, in compliance with the rules for avoiding conflicts of interest.

Fairness in Marketing, Advertising and Sales

As a direct derivative of the Group's professional liability and its obligation to comply with the law, the FIBI Group adheres to proper disclosure practices, responsible marketing and compliance with accepted ethical principles. The FIBI Group believes that the key to forging long-term relationships with customers is to provide professional, fair, courteous, and efficient service, while exercising constant control, such that customers of the different banks in the FIBI Group receives added value from the products and services offered by the Group.

To ensure that all marketing and advertising messages issued on behalf of the FIBI Group meet the requirements of the law and are free of any semblance of unfairness, and out of a desire to manage and maintain the positive brand image and reputation of the FIBI Group, the Group takes extra precautions when launching a marketing campaign, applying several layers of screening and control. The advertising policy is set by the bank's management, in line with its business strategy, paying close and constant attention to the characteristics of the bank and target audience. In addition, if the need arises, the Group consults external specialists and consultants.

All content published by the Group (the Bank's website, marketing brochures, banners, ads, etc.) undergo an orderly approval process



“ The Bank strives to reach agreements with customers who fail to meet their repayment schedules. In addition, the FIBI Group cooperates with various organizations that regulate the status of customers in financial difficulty due to financial and health reasons, and contact the banks on their behalf or along with them. ”

by the legal department and compliance officer in each bank in the Group. The banks in the Group ensure that their publications are clear and understandable and include all the fine print of which the customers should be aware. As befits a banking FIBI Group well known for its compliance with the law and fairness towards its customers, in 2019 too, no fines or other sanctions were imposed on the Group for non-compliance with marketing and marketing communications laws and regulations.

Fairness towards Customers in Financial Difficulty

When our customers encounter financial difficulties, the bank's policy is to do its utmost to reach debt arrangements with them prior to initiating legal procedures, which may be very costly for

both the customer and the Bank. The FIBI Group has developed and uses processes which combine sensitivity, professionalism and will to help these customers regain financial stability. Thus, the FIBI Group's procedures stipulate that customers must be contacted before initiating legal procedures. In addition, attorneys handling collection cases are instructed to attempt to reach settlements with customers before taking the case to the courts.

In this context, the FIBI Group takes proactive measures, from time to time, to collect old debts (such as "Debt Collection Drives", days in which customers are scheduled to meet with attorneys and bank representatives in an attempt to reach settlements), in an effort to assist the customers. In 2019, such an effort took place in January. During 2019, about 1,900 debt settlement agreements were signed with customers in difficulties at the FIBI Group.

The Bank strives to reach agreements with customers who fail to meet their repayment schedules. In addition, the FIBI Group cooperates with various organizations that regulate the status of customers in financial difficulty due to financial and health reasons, and contact the banks on their behalf or along with them. Thus, the Bank cooperates with non-profit organizations in this area, as well as with companies that guide and mentor individuals and families financially. Through these collaborations, the FIBI Group helps customers handle their financial difficulties, rehabilitate their long-term financial status, and repay their debts. In addition, the FIBI Group has signed a voluntary convention that requires it to give special consideration to women who are victims of violence staying in shelters or hiding places.



Quality of Service¹¹

Providing the best possible service is part and parcel of the Group's way of doing business and is reflected in providing professional, fair, efficient, and courteous service to all customers and constantly striving to improve the level of service, with an emphasis on proactive and customized service, and on improving the service and response provided through the direct channels on a regular basis.

The Group's customer service policy is derived from the provisions of the law and regulations and directives of the Banking Supervision Department, but also from the values of the Group banks' ethical codes, which include the principles and rules of proper conduct. The response provided to customers reflect the values of professionalism, care, and responsibility, and emphasis is placed on the values of fairness in customer relations and service efficiency, as well as compliance with the laws, regulations, Bank of Israel positions, and other regulatory provisions.

Decisions taken regarding customer inquiries reflect the values of integrity, fairness, and reliability. The Group's public inquiries units - led by the public inquiries officers - handle each inquiry in a thorough and unbiased manner, emphasizing fairness and objectivity. The findings resulting from the inquiries are examined in depth, and any deficiencies are handled systemically, with strict adherence to realizing the Group's purpose and vision, which stresses fairness, reliability and commitment to customers and the environment. After a complaint has been fully handled, findings are drawn, including remedies, as relevant, with detailed reasoning and addressing the claims raised in the complaint, which is then sent to the inquiring party within a reasonable time. The FIBI Group constantly strives to shorten response times to complaints and to handle complaints promptly and sometimes immediately - in the case of urgent complaints, while

“The response provided to customers reflect the values of professionalism, care, and responsibility, and emphasis is placed on the values of fairness in customer relations and service efficiency, as well as compliance with the laws, regulations, Bank of Israel positions, and other regulatory provisions”

complying with Proper Conduct of Banking Business Directive 308A, which regulates the activities of the Public Inquiries Unit and of its Ombudsman.

The Group continues to develop innovative and advanced products for its customers. The Group deems it important to conduct a dialogue with its customers, in order to understand and address their needs at the highest level. The Group's service approach is common to all its employees it takes care to equip its employees with up-to-date professional tools and knowledge in order to maximize and streamline its service to customers. In 2019, approximately 180 customer-facing employees of First International Bank from 55 branches across Israel underwent advanced training on customer service. Following an internal process which involved drawing conclusions from previous experience, in 2019, the training was conducted at the Training Department rather than in the branches, in order to maximize the value that the participants derive therefrom. In addition, special

11. 102-43, 102-44

emphasis is placed on a variety of service trainings provided to the Bank's employees; a total of approximately 730 employees from more than 151 business units participated in service-related workshops and training sessions in 2019.

The FIBI Group is proactively improving its service, implementing several major measures to this end, including: Adapting the service to customers so that each customer is assigned to the appropriate team at his/her branch; development of products and services that meet the customers' needs; providing employees of all ranks with service quality training; as well as monitoring and measuring customer satisfaction.

Customer Satisfaction at the FIBI Group

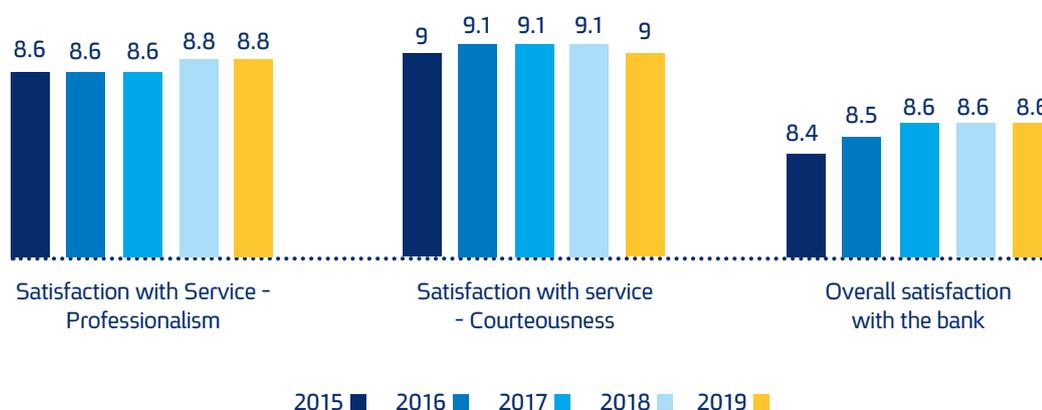
The FIBI Group conducts surveys among its customers in order to learn about their satisfaction with the service and draw lessons and insights to boost efficiency and constantly improve scores in satisfaction measures. At the same time, as part of the annual work plan, discussion groups are held to implement solutions and define work processes in an effort to boost excellence in this field.

Activity in 2019:

First International Bank

- The First International Bank invests heavily in providing professional service and regularly monitors satisfaction indices both proactively and internally by participating in external customer satisfaction surveys of the Bank of Israel and Marketest Institute. The bank emphasizes service excellence in professional conferences held for branch managers and heads of the personal and retail departments. At conferences and meetings, emphasis was made on the importance of providing professional service, clarification of customers' needs, adapting solutions to customers' needs, deepening the relationship with customers, and more.
- The First International Bank won second place among the five largest banks in a Bank of Israel survey held to gauge customers' satisfaction with the banks' service (both in branches and on the app). In addition, the bank is ranked second among the largest banks whose customers will recommend them to other people.
- According to a survey conducted by the Bank of Israel on satisfaction by small businesses, First International Bank leads in customer satisfaction with regard to digital services: is ranked first place in satisfaction from its website and first in satisfaction with its application.
- First International Bank was ranked first - tied in with several other banks - in terms of overall customer satisfaction and loyalty, according to a survey by the Marketest Institute. In addition, First International Bank won first place in the personal treatment, price to value, and personally-tailored offerings categories.
- In a telephone customer satisfaction survey conducted in July, various aspects of customer satisfaction were surveyed, such as employee professionalism, level of attention to customers' needs, speed of response, courtesy of service, and overall satisfaction. In 2019 too, First International Bank managed to maintain a high level of service and customer satisfaction. It should be noted that the survey data for 2019 for First International Bank also include Bank Otsar HaHayal, which was not included in the survey results in previous years.

First International Bank 2015 -2019

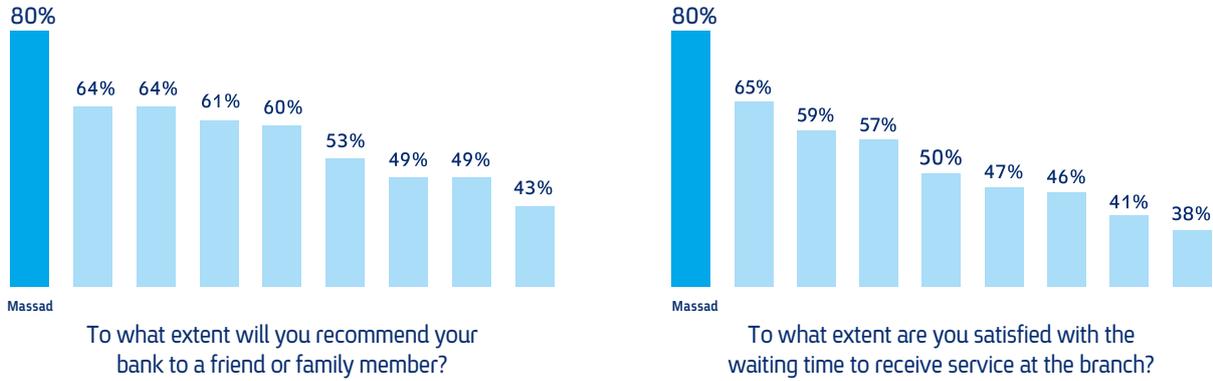


The bank created a new service model, based on a wide range of service components and on collecting information through a variety of communication channels with customers, such as an external telephone survey, a digital survey on the bank's website, tracking the telephone response in branches, and a callback system - which allows customers to leave their information and receive a call back from their banker.

Bank Massad

Bank Massad considers customer satisfaction as a substantial basis for its business with customers, and accordingly invests considerable efforts in this field. These efforts are bearing fruit. In January 2019, a satisfaction survey conducted by the Bank of Israel on the quality of service in the entire banking system was published. Bank Massad was ranked first in customer satisfaction with quality of service, by a considerable margin (approximately 15%) more than the bank ranked second in this category.

Bank Massad in First place

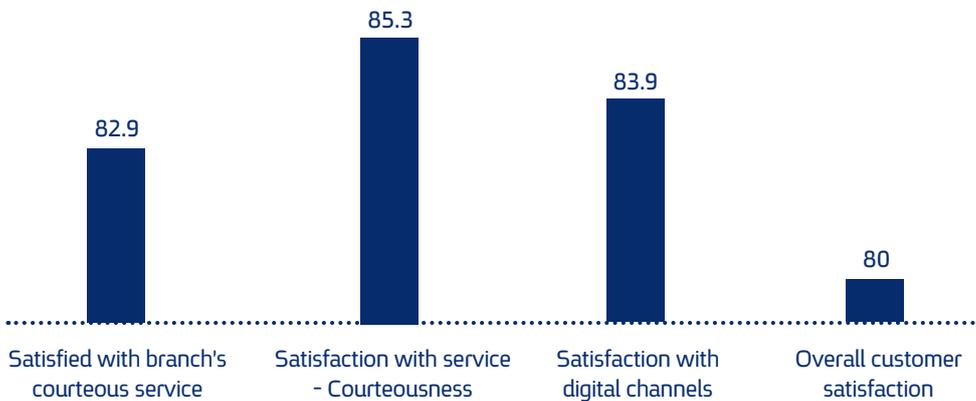


During 2019, dedicated conferences were held, in addition to regular meetings, with branch managers, heads of retail department managers in the branches, as well as with the customer service managers. At conferences and meetings, the importance of service issues was emphasized, as was deepening relationships with the customers, identifying the customer's full needs, and providing a quick and accessible response to the customers. In addition, a dedicated service solution was launched for retail banking customers. The bank conducts comprehensive customer satisfaction surveys every year. During 2019, a measure was taken to make digital services in the branches more accessible by deploying numerous digital representatives who personally instructed customers on how to use the digital service platforms.

In addition, during 2019, the Bank carried out a comprehensive, professional process to change the model for measuring customer satisfaction. During the third quarter of 2019, the survey was conducted in its new format. Similarly to previous surveys, the survey addressed private households, segmented into personal and private banking. The survey focused on the service domains, proactiveness and use of digital services. Due to differences in the indices and method of calculating the data, it is impossible to compare the current year's data to previous years.

The survey shows that the overall level of satisfaction with the bank is good - at 80, and the NPS (Net Promoter Score) stands at 27, which is considered the highest in the financial domain.

Satisfaction Survey 2019 - Bank Massad





Public Inquiries

Handling of Customer Inquiries:

The FIBI Group seeks to respond to every customer professionally, responsibly, and with great care. Decisions taken regarding customer inquiries reflect the values of integrity, fairness, and reliability. The Group's public inquiries units - led by the public inquiries officers - handle each inquiry in a thorough and unbiased manner, emphasizing fairness and objectivity. The findings resulting from the inquiries are examined in depth, and any deficiencies are handled systemically, with strict adherence to realizing the Group's purpose and vision, which stresses fairness, reliability and commitment to customers and the environment.

Customer inquiries are handled on the basis of legal and regulatory provisions, and Banking Supervision Department guidelines, as well as on the principles and rules of proper conduct included in the Code of Ethics of the banks in the Group. Responses to customers reflect the values of professionalism, care, and responsibility, and emphasis is placed on the values of fairness in customer relations and efficiency, as well as compliance with the laws, regulations, Bank of Israel positions, and other regulatory provisions. Each complaint is examined fairly and objectively according to the bank's procedures and the relevant agreements between the Bank and the customer. The dialogue with the customer is characterized by sensitivity, and is held while exercising discretion and a high sense of service. After a complaint has been fully handled, findings are drawn, including remedies, as relevant, with detailed reasoning and addressing the claims raised in the complaint, which is then sent to the inquiring party within a reasonable time. In inquiries that do not involve the bank's business discretion (inquiries that do not pertain to

” Responses to customers reflect the values of professionalism, care, and responsibility, and emphasis is placed on the values of fairness in customer relations and efficiency, as well as compliance with the laws, regulations, Bank of Israel positions, and other regulatory provisions ”

the Bank of Israel's directives and to laws), the customer is informed that he/she reserves the right to appeal the decision to the Supervisor of Banks or to a court of law.

In addition, the Public Inquiries Unit draws lessons from the inquiries received. Public inquiries make a great contribution to the bank's ability to map the issues that are material to its stakeholders, for the purpose of drawing lessons and setting objectives. In this context, bank executives receive periodic updates on the emerging trends based on the complaints, and the FIBI Group encourages them to work on improving these issues.

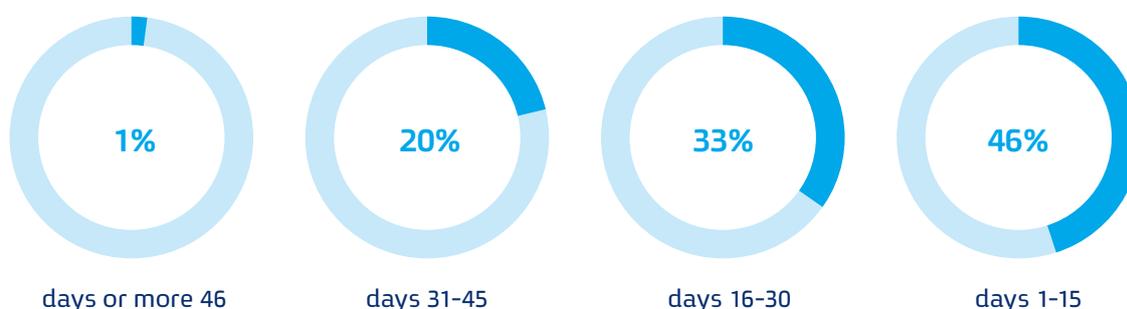
Type of inquiry	Hired	Handled	Percentage of inquiries / complaints handled	Justified complaints
Inquiry	¹² 1,611	1,611	100%	
Complaint	2,573	2,540	98.7%	372
Total	4,184	4,151	99%	

The Group is committed to responding to every complaint within reasonable time and to provide a clear, courteous and thorough response, supporting its responses with documentation when necessary, on the basis of the following principles:

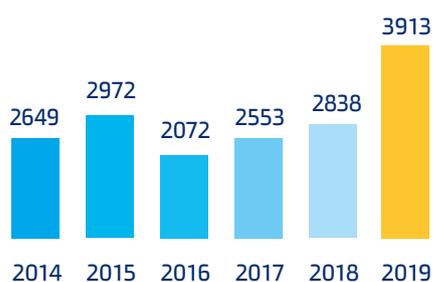
- Rapid and efficient response to customer inquiries in compliance with the criteria set by the Bank of Israel.
- Raising awareness of adhering to consumer-related directives and fairness towards customers among the Group's employees.
- Turning a dissatisfied customer into a satisfied one.
- Placing emphasis on service and courteousness.
- Drawing lessons from complaints in order to improve service and professionalism.

In terms of response times to complaints, the FIBI Group seeks to provide a quick and efficient response, with the vast majority of inquiries finalized in less than 30 days. This is despite the 45 days permitted under Proper Conduct of Banking Business Directive No. 308A.

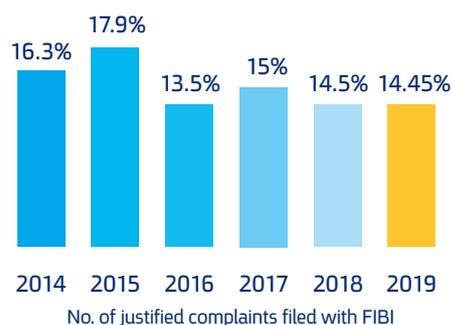
Complaint response time



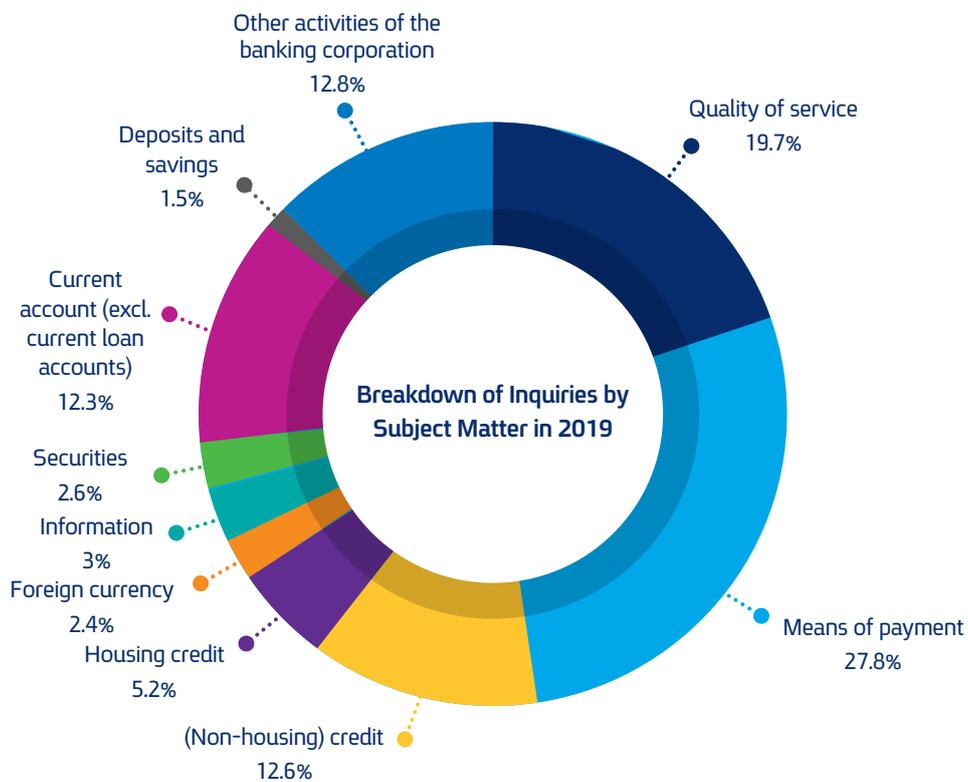
Total No. of Inquiries Processed During the Reported Period to the Bank of Israel Bank of Israel



Percentage of Justified Complaints filed with the FIBI Group in 2014-2019



¹² This year, the data in the table include data on public inquiries in Otsar HaHayal, i.e., data on all FIBI Group banks.



It should be noted that no inquiries were filed during the reporting period regarding breach of customer privacy, loss of customer information, or other inquiries concerning information security and privacy.

Status of Objectives for 2019:

Objectives	Status
Increase the number of surveys conducted among the bank's customers.	Done
Add criteria to customer satisfaction surveys and channels through which to collect information (for example, provide an option to respond to surveys through the banks' digital channels).	Partially executed - collection methods were expanded
Perform quality control over the banks' call center service.	Done
Continue to provide service training for branch employees.	Done
Introduce the service index as a criteria for measuring the branches' performance.	Done

Service Objectives for 2020:

- Adjust of the measurement of customer satisfaction in Otsar HaHayal branches to the measurement model used for First International Bank's branches.
- Improve the service model.



Incorporating Sustainability and Social Considerations in Financing Decisions

As a leading financial institution, the FIBI Group recognizes its significant role in encouraging market activity through credit provision. In doing so, it has a certain degree of responsibility for examining the activities of the entities to which the FIBI Group grants credit. As part of the activities of some of the entities that receive credit from the banks in the FIBI Group, there may be an impact on the environment and society, therefore, the group works to find the right balance between all the various considerations - economic, business, environmental and social. In light of this, and due to business considerations, the FIBI Group expresses environmental and social aspects as part of its credit risk management process.

The environmental risk, which is part of the credit risks, is one of the risks to which the Bank is exposed as part of its business activities. Materialization of the environmental risk may be manifested, among other things, in impairment of a collateral or a deterioration in a borrower's financial position as a result of its impact on the environment. This effect can cause, among other things, damage to the borrower's reputation, to incurring costs and regulatory limitations that will harm its business results, and to difficulties in tapping international markets. All of these can make it difficult for the borrower to repay the loan; the bank therefore examines this risk as part of its overall credit risk. In addition, the very cooperation between the bank and the entity that has a direct impact on the environment and its funding by the bank, pose a reputational risk to the Bank.

“ At the same time, the FIBI Group sees great value in funding and enabling business projects that contribute to sustainable environmental development. In this context, the Group provides, as part of its credit portfolio, credit for the development of products that contribute to mitigating adverse environmental impact, promoting various projects in the field of renewable energy, developing technologies and innovative processes that contribute to preventing and reducing waste contamination, and more

”

Pursuant to the Banking Supervision Department guidelines from 2009 regarding exposure to, and management of, environmental risks by banks, the Group formulated, approved and has been implementing an environmental risk policy. Implementation of the policy is based on the classification of operational segments, industry-wide, as well as specific environmental risk assessment with regard to each customer's profile (based on financial, business, and other relevant publicly available information).

The Bank's risk management policy, as well as its credit policy, defines a methodology and regular work processes for monitoring environmental risks in credit provision, and which include identification of high-risk borrowers and material risks, assessment of the borrowers' risk level and quality of risk management, and supervising transactions identified as embodying high environmental risk. The policy sets guidelines for enlisting external environmental consultation, and defines the risk assessment and decision-making processes. The environmental risk policy is the responsibility of the Corporate Division, and is approved annually by the Bank's Board of Directors as part of the credit policy papers.

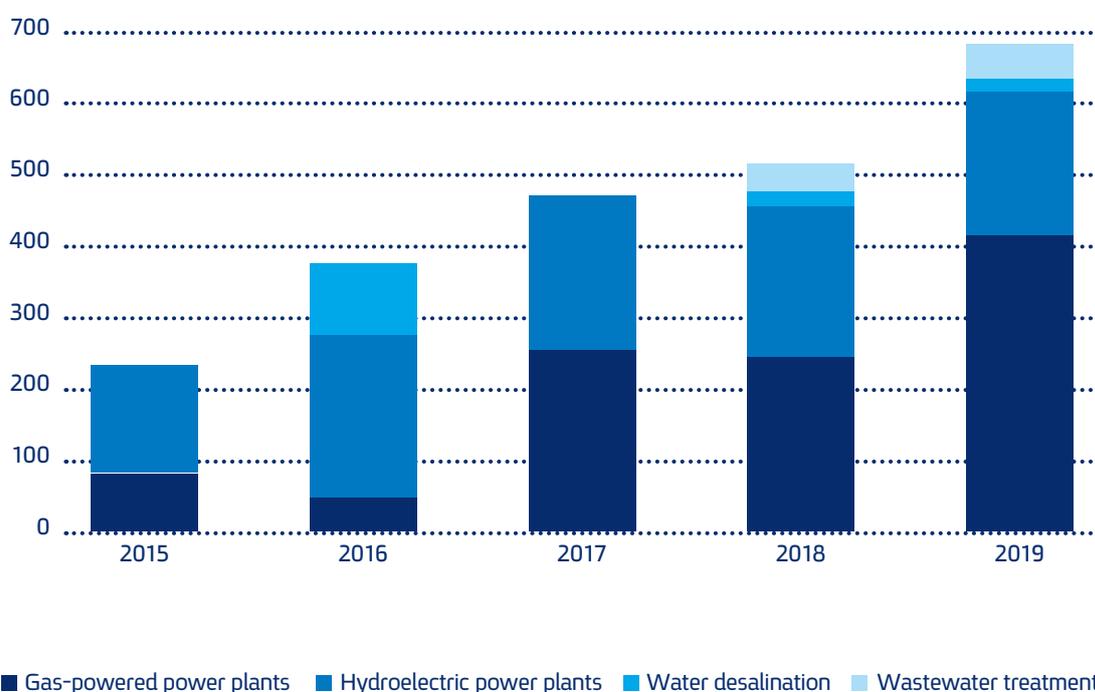
At the same time, the FIBI Group sees great value in funding and enabling business projects that contribute to sustainable environmental development. In this context, the Group provides, as part of its credit portfolio, credit for the development of products that contribute to mitigating adverse environmental impact, promoting various projects in the field of renewable energy, developing technologies and innovative processes that contribute to preventing and reducing waste contamination, and more.

Activity in 2019:

Environmental Credit:

- In 2019, the FIBI Group granted loans to projects promoting sustainability for a total of NIS 206 million (vs. NIS 68 million in 2018). This includes a total of NIS 22 million in loans granted to wastewater treatment projects and a total of NIS 184 million - to industrial gas-powered power plants.
- In 2019, the FIBI Group granted a total of NIS 687 million in loans to projects promoting sustainability, compared to NIS 515 million in the previous year, as follows:
 1. Gas-powered power plants - NIS 413 million.
 2. Thermo-solar power plants - NIS 196 million.
 3. Water desalination - NIS 25 million.
 4. Wastewater treatment (including industrial wastewater) - NIS 53 million.

Credit to environmental products (in NIS million) 2015-2019





Social Credit:

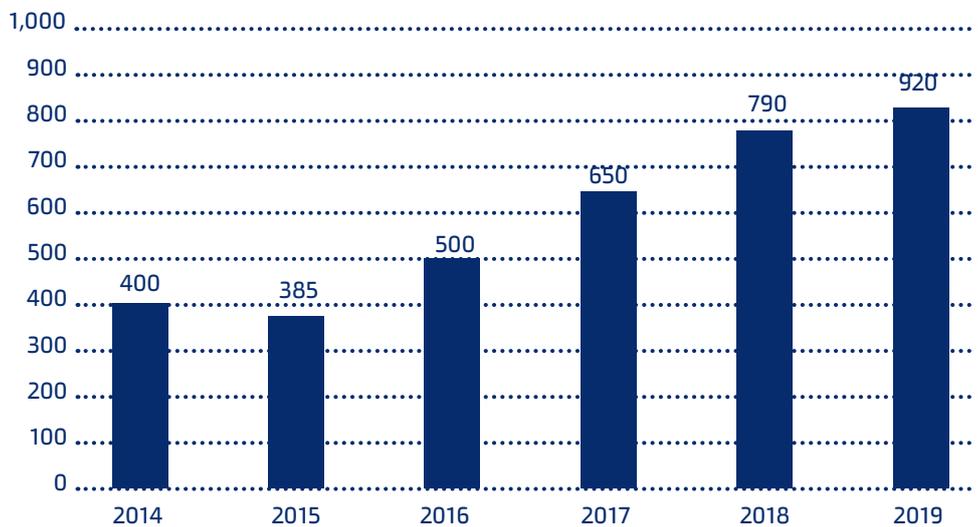
The FIBI Group is constantly developing products and services tailored to special groups, in the realization that Israeli society has diverse social and cultural features. These groups have unique financial needs requiring tailored solutions in order to encourage their integration into Israeli society.

The FIBI Group's strategy for promoting social credit works in the following ways:

- Credit services are tailored to the target group's way of life: loans are granted on easy terms, credit solutions for crises are provided, and personalized tools are offered to customers according to their financial capabilities.
- A range of social entities and organizations are supported, and credit programs for social organizations that support disadvantaged groups and social and public objectives are promoted.

In 2019, PAGI sponsored several organizations and activities in the ultra-Orthodox sector: charity associations, small business seminars, educational activities, seminars for NGO managers, etc. At the end of 2019, the balance of credit granted by the Bank to social organizations in the ultra-Orthodox community (in the areas of education, welfare and assistance services, social community organizations, religious services, etc.) was NIS 920 million.

Credit Granted to Social Organizations in the Ultra-Orthodox Sector (in NIS millions)



In addition, Bank Massad provides credit to institutions of higher education, thus enabling and supporting their efforts to improve access to higher education in Israel. As at the end of 2019, Bank Massad provided approximately NIS 70 million in credit to colleges.



Investing in Our Employees





Employment Environment

The Group's human capital is one of its most important growth engines. The employees are full partners in the Group's business success, and represent one of the most significant factors in its ability to achieve its goals. To enable employees to realize their full potential, for the sake of their personal and professional development and for the sake of the Group's business activities, the Group's banks maintain a fair and responsible employment environment, and abide by current legal requirements, best practice in the Israeli employment market (and in the financial sector in particular) and universal norms designed to protect human rights.

The Group attributes great importance to creating an adequate supportive environment and providing ancillary conditions to help employees realize their skills and maximize their abilities. The Group believes that promoting employees' welfare, development of their leisure time, and responding to needs related to their private lives help create a good working environment. The Group realizes this approach from the employee's first day on the job through every stage of his/her career until retirement, including beyond working hours.

The FIBI Group's human resource departments are responsible for managing human capital in the various banks and in MATAF, serving as supporting partners in realizing the banks' goals. The human resource strategy focuses on combining the objectives of the various banks with providing solutions to the employees' needs, development, and welfare, and ensuring a proper work environment. This approach allows the banks to have highly professional employees, who operate in a work environment that is oriented towards achieving the organization's objectives

“ To enable employees to realize their full potential, for the sake of their personal and professional development and for the sake of the Group's business activities, the Group's banks maintain a fair and responsible employment environment, and abide by current legal requirements, best practice in the Israeli employment market (and in the financial sector in particular) and universal norms designed to protect human rights. ”

while enabling employees to serve as partners in an organizational culture that promotes dialogue, transparency, and welfare as its cornerstones.

Human resource management includes several key principles with the aim of striving towards constant improvement in all areas of activity:

- **Development of human capital and long-term human resource management** - strengthening and developing human capital in accordance with FIBI's needs and business targets, with a long-term view: identifying and fulfilling employees' potential,

mapping knowledge gaps and imparting core capabilities, adjusting career paths, recruiting and training leadership succession candidates and professional reserves according to the Group's needs, professional and managerial training, and executive development.

- **Organizational development** - developing advanced tools in every area of human capital in the organization, including: improving hiring, onboarding, and retention of employees; acknowledging employees; streamlining organizational processes and building control and performance assessment tools; and supporting the Bank's units, etc.
- **Employee hiring and onboarding** - The FIBI Group places special emphasis on the onboarding period, under the assumption that the nature of the onboarding process affects the performance, integration in the Group, and motivation of the new employees. The onboarding processes at the Group banks' and MATAF

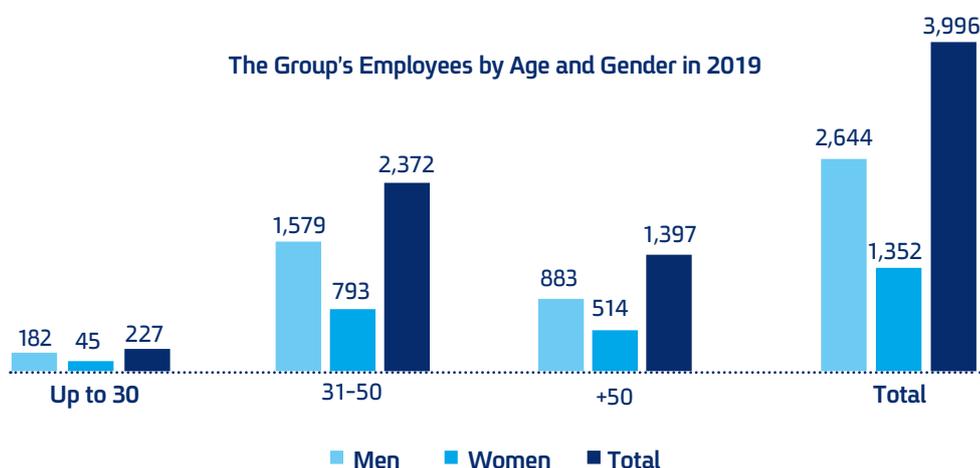
emphasize several aspects: professional onboarding, including imparting the knowledge needed by the employee; employee orientation, which helps employees learn the Group's rules, norms, and values; and social absorption, which facilitates teamwork and connection to the unit where the employee is placed.

- **Internal communications** - Managing internal communications to create organization-wide dialogue and cooperation through the empowerment of human capital, with an emphasis on openness and information transparency, and encouraging ongoing internal dialogue by various means and communication channels.
- **Organizational culture** - supporting a culture that strengthens the Bank's values and goals with an emphasis on excellence in every area, ethics, social responsibility, and community outreach.

The FIBI Group Employees in 2019



The Group's Employees by Age and Gender in 2019



Hiring of New Employees and Departure of Old Employees:

Employee Turnover in 2019

Age	Hired				Exited			
	Men	Women	Total	%	Men	Women	Total	%
Up to 30	90	26	116	42%	48	16	64	12%
31-50	85	69	154	56%	103	52	155	31%
50+	3	2	5	2%	207	80	287	57%
Total	178	97	275	100%	358	148	506	100%

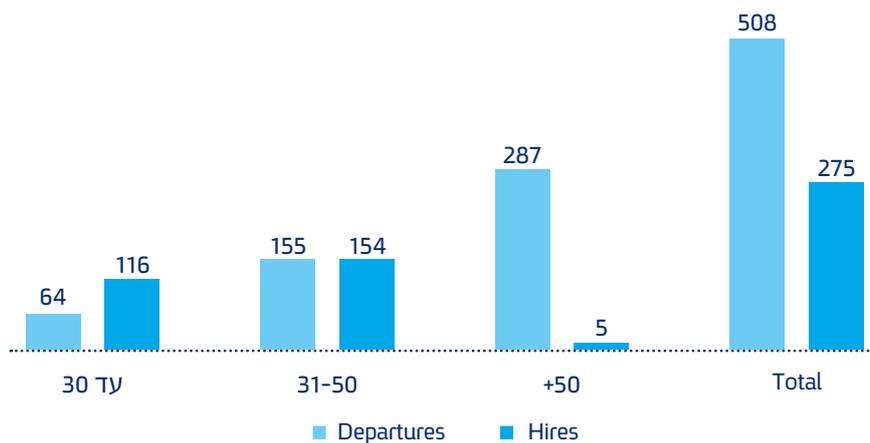
Employee Turnover in 2018

Age	Hired				Exited			
	Men	Women	Total	%	Men	Women	Total	%
Up to 30	80	61	141	46%	57	49	106	25%
31-50	72	76	148	48%	72	82	154	36%
50+	9	10	19	6%	83	87	170	39%
Total	161	147	308	100%	212	218	430	100%

Group Group -Level Employee Turnover in 2018 -2019

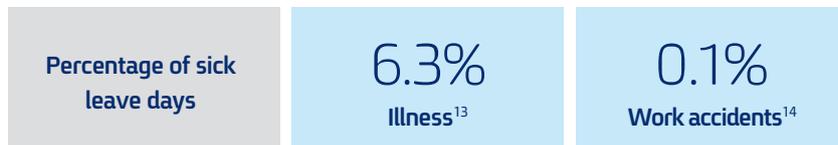


Employee Turnover by Age in the Reporting Year (2019)





Employee Absences in 2019 (in days)



The FIBI Group's Employees by Gender and Rank:

First International Bank

	2019			2018		
	Women	Men	Total	Women	Men	Total
Management/senior executives	50	69	119	55	80	135
Middle management	359	298	657	392	315	707
First line managers	243	161	404	236	144	380
Employees	1,992	824	2,816	2,149	863	3,012
Total	2,644	1,352	3,996	2,832	1,402	4,234

13. Including reported illnesses and illness of a family member

14. Including car accidents. During 2019 there were no work accidents that led to serious injury or death

“As stated, the FIBI Group considers its employees to be full partners in its activities, its development, and its success, and therefore encourages continuous and honest dialogue between the various units in the Group and between employees and management. Our aspiration is to improve the communication of professional knowledge between employees, improve cooperation and teamwork between employees from different units and different banks in the group, and strengthen employees’ team spirit and boost their sense of belonging to the organization”



Dialogue Channels with the FIBI Group's Employees

	First International Bank	Massad	MATAF
Open line to Human Resources	✓	✓	✓
Feedback sessions	✓	✓	✓
Management-employee meetings, including visits by the CEO, members of management and top executives at branches and various HQ units	✓	✓	✓
Employee inquiries supervisor	✓	✓	✓
Internal communication channels: enterprise portal, newspaper	✓	✓	✓
Management conferences	✓	✓	✓
Streamlining forum - streamlining proposals by employees on various topics	✓	✓	✓
Round tables - management and employees	✓	✓	✓
Customer satisfaction surveys	✓	-	✓



Dialogue with the Group's Employees

As stated, the FIBI Group considers its employees to be full partners in its activities, its development, and its success, and therefore encourages continuous and honest dialogue between the various units in the Group and between employees and management. Our aspiration is to improve the communication of professional knowledge between employees, improve cooperation and teamwork between employees from different units and different banks in the group, and strengthen employees' team spirit and boost their sense of belonging to the organization.

The FIBI Group places great importance on communicating with the employees on an ongoing basis, and maintains a dialogue with them using various means through a range of channels. The Group places significant focus on the development and effective management of internal communications, in order to promote transparency, create dialogue, connect the employees to the organization, and strengthen communication among all Group employees.

In addition, employees may contact relevant officials in the Group through various channels, including anonymously, about auditing, compliance, and ethics.

Round Tables:

All the companies in the Group take care to ensure that there is an unmediated line of communication and an ongoing dialogue between the management and the employees. One of the main practices for these purposes is "round table" meetings in which management representatives participate with the employees. These meetings also enable the employees of the organization's

various units to get to know each other and strengthen the connections between them, as well as deepening their familiarity with the Bank's goals and its work plan. These meetings deal with topics on the agenda of the Group and employees; a survey of the Bank's business environment and the work plan's targets in the Bank's core business is conducted, and an open discussion on professional and other matters is held. Topics for discussion and proposals for improvement and streamlining are sent to the relevant parties for handling.

Also in 2019, the management of the First International Bank held meetings with employees from all areas of the Bank's business. In addition, the CEO of Bank Massad held meetings with the employees as part of a "round table", and monthly meetings were held by the Bank's management with the branch managers.

Internal Surveys:

As part of an extensive project of improving intra-organizational service within the Bank and MATAF, a comprehensive survey was conducted in 2018 which examined the quality of service and internal interfaces between the headquarters units, and between the headquarters units and the branch network. The survey was inspired by the fundamental concept that the quality of internal service has a major impact on the quality of customer service. The results of the survey were analyzed and their findings were delivered to all the Bank's units in order to create a service improvement plan where needed. During 2019, the various divisions carried out internal improvement processes in accordance with the survey findings.

Internal Communications at MATAF:

- In the course of 2019, improvements were implemented in accordance with the findings of the organizational survey conducted in 2018.
- In September 2019, a meeting of the Section Managers Forum took place - the purpose of the meeting was to enrich managers' knowledge of issues on the corporate agenda, as well as to convey corporate messages on behalf of the CEO.

Direct Dialogue - Employee Performance Reviews and Feedback:

The Group's performance review process for its regular employees takes place once a year. The evaluation process for employees who have not yet received permanent employee status takes place more frequently, in order to allow the employee an ongoing dialogue with his or her managers, and to provide the employee with ongoing guidance and full coordination of expectations. At the heart of the process is an assessment meeting between an employee and his/her direct manager. For the employee, the process is an opportunity for dialogue with his/her direct manager and creates a legitimate platform for discussing various topics, an opportunity to obtain feedback about job performance and functioning, as well as to coordinate expectations and set targets for career development. The employee assessment process is an opportunity for conducting an open dialogue between a manager and an employee, empowering the employee, and obtaining an overview of the functioning of the unit and organization. The process also allows to create an open dialogue between a manager and an employee and serves as a tool that supports the fostering of employees and the setting of standards and a uniform language for managing performance.

The annual assessment process is re-evaluated each year and updated in accordance with changes occurring at the Bank and in the business environment and the challenges facing the Bank.

Employee Performance Reviews at MATAF:

In 2019, the process was refreshed in order to produce coordination of expectations and a proactive and constructive dialogue between the employee and the manager. The process included formulating a revised employee evaluation form and an interface evaluation form as part of a corporate vision of partnership. A system has also been implemented that facilitates managerial reports that present the employee's development over the years in order to increase motivation and maintain confidence in the process. The corporate themes in the light of which the evaluation form was designed emphasize the pursuit of excellence, and support in a culture of performance, as well as the need for listening and dialogue with employees, development, support, and realization of the personal potential of each and every employee.

In preparation for the start of the process, a set of training courses was constructed for all employees, which includes a presentation through which employees can learn for themselves about the system and the annual feedback process. In addition, about 100 managers at various levels were trained in dedicated workshops, and new tools were provided for conducting an effective feedback conversation.

Feedback at the FIBI Group - Percentage of the Bank's Employees Who Received Face-to-Face Feedback

At the First International Bank, the annual employee appraisal process begins at the end of the year and culminates towards the end of the first quarter of the following year (in advance of the round of selective promotions, and of the annual bonus that is usually paid in April of the following year). Because of the outbreak of the coronavirus crisis in March 2020, the employee evaluation process for 2019 has not been completed. Due to the continuing crisis, it was decided to combine the 2019 employee evaluation process with that of 2020. It should be noted that at the beginning of 2019, as part of the employee evaluation process for 2018, 87% of the Bank's employees received in-person feedback. In 2019, 99% of Bank Massad employees and 87% of MATAF employees received in-person feedback.

Management-Employee Relations:¹⁵

The FIBI Group has 5 workers' committees - 3 at First International Bank (one of which is the workers' committee of the Otsar HaHayal collective agreement), one at Bank Massad and one at MATAF. The workers' unions are responsible for the rights and duties of all employees, their welfare and entertainment, and assist employees where necessary. In 2019, 95% of the FIBI Group's employees were employed under collective agreements, while 5% were employed under personal agreements.

First International Bank has two workers' committees - the Managers and Authorized Signatories Committee and the National Committee of Bank Employees (hereinafter - the "National Committee"). The Bank's management maintains an ongoing, open dialogue with the workers' unions and labor relations are good. The Bank has collective agreements with its employees that require a certain linkage of the terms and conditions of the clerks, managers and authorized signatories to the agreements signed between the management of Bank Leumi (hereinafter: "Bank Leumi") and Bank Leumi's workers' union. In addition, the

“ First International Bank, the largest employer in the FIBI Group, is regularly ranked among the 100 Best Companies to Work For list published by BDICoface and The Marker magazine. The rankings are based on an annual survey conducted among thousands of employees at hundreds of companies, and among the Bank's employees (a representative sample). In the past few years, the Bank has been among the top 40 companies in the rankings. In 2019, First International Bank was ranked 39th on the 100 Best Companies to Work For list. ”

employees of the Otsar HaHayal collective agreement continue to be represented by the Otsar HaHayal committee until a new collective agreement is signed that regulates their integration into the Bank's employment agreements. In December 2019, the bank signed a special collective agreement for the years 2022-2019 with the National Committee and the Managers and Authorized Signatories Committee, based on the agreement signed at Bank Leumi in July 2019. This is a forward-looking agreement that allows the Bank to prepare for the challenges of the future in the world of work in general and in the banking industry in particular.

The employees' organization at Bank Massad unites all the bank's employees. The Bank's management maintains an ongoing and open dialogue with the worker's union and the labor relations are good. In 2012, the Bank's management and the union signed a salary and employment terms and conditions agreement, which was extended and valid through 2018. A new agreement was signed in 2020, which applies retroactively from 2018. The collective agreement at Bank Massad stipulates a certain linkage of the employees' terms to the agreement between the management of Bank Hapoalim and the organization of Bank Hapoalim employees.

The MATAF workers' organization was established in 2017. In February 2019, a collective agreement was signed for the first time between the representatives of the Workers' Union and the Histadrut and the management of MATAF. From the date of signing the agreement and on an ongoing basis, MATAF's management has maintained a supportive working routine with representatives of the workers' union in order to create an effective work environment.

Investing in Human Capital

The FIBI Group - A Good Place to Work At

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All Group employees, permanent and temporary alike, are eligible for the social conditions set in law and various benefits offered by the banks. The FIBI Group also attaches great importance to employees' health and recreational development, to their maintaining a work-life balance, and to offering them a variety of benefits as well as enrichment and leisure activity.

The banks offer employees the following benefits (not all benefits exist in all Group employment agreements): benefits in running bank accounts, employee loans, health insurance, sports activities, workshops and classes, periodic medical check-ups, holiday gifts, team-building events, and participation in tuition fees for workers' children.

Recognizing Outstanding Employees

The banks in the Group believe that recognizing outstanding employees contributes both to the employees, personally, and to the organizational climate in general, as part of promoting a culture of excellence in all fields, with an emphasis on branding and communicating excellence as part of the organizational culture.

Employee Transfers and Organizational Changes:

Transferring employees to other roles in the FIBI Group is another

way the Group nurtures and develops its human capital by enabling employees to diversify and gain experience in different work environments. The Group's nature and variety enable employees to experience diverse banking roles, areas of activity and work environments. The character and diversity of the Group's activity enables employees to gain experience in a variety of positions, fields of business, and work environments. This contributes to realizing the potential of each employee and keeping him/her highly motivated throughout his/her career at the bank.

In the Group's business environment requires that, or it sees fit to, make structural changes and business adaptations from time to time, which also involve the transfer of employees and are carried out pursuant to the law and agreements at the FIBI Group. The Group is aware of the impact of organizational changes on employees' working conditions and welfare and takes into account reasonable geographical limitations and provide at least two weeks' advance notice.

Welfare, Health, and Recreation Development:

The banks' human resources departments are responsible for handling employee welfare and their recreational development. These departments accompany the employees throughout their working life: At the work place, celebrations, leisure time, times of distress and on retirement. As part of this approach, the various banks and MATAF offer cultural activity year-round, including special recreational days for the entire family at various sites,



trips, workshops, and representative teams in sports and other recreational fields).

The FIBI Group makes every effort to maintain comfortable physical work conditions and preserve all of its employees' health and safety. Whenever necessary, the Group performs radiation and air testing in the Group's various headquarter units and branches. The Group meets all fire safety standards. In addition, the Group ensures that its systems are planned in accordance with air quality standards and does its best to place electrical panels as far as possible from the employees' work stations in order to prevent radiation. If necessary, protective systems against radiation are installed. There is also a supply of fresh air in the various offices, as part of the air conditioning systems.

Supporting Reservists

Employees are entitled to paid reserve duty, including all wage benefits that are usually provided only for actual work. In addition, to express support and recognition for the reservists' contribution to the nation, the Bank grants each employee who serves at least 14 days per year a luxurious recreational gift for two. The Bank also implements the law dictating a shorter workday for spouses of employees on military reserve duty.

Work-Life Balance

The FIBI Group recognizes the great importance of a home-life balance and enables its employees to combine personal and professional development with family life, thanks to favorable work agreements and ongoing leisure activities:

- **A shorter work week** - FIBI employees enjoy an average of 39 hours of work per week, three hours less than the customary average in Israel.
- **Overtime** - FIBI strives to organize the work schedule so as to avoid overtime, except in special cases, where necessary, and only subject to the approval of unit managers. In such cases, employees are entitled to overtime pay of 125% of their regular wages for the first 15 hours and 150% for every additional hour. The Bank also allows to convert overtime into vacation leave.
- **Vacation leave** - the number of vacation leave days provided by FIBI is significantly higher than that required by law. In addition, in addition to their annual vacation leave, FIBI employees are entitled to special leave for family and personal occasions:
- **Sick leave** - Procedures governing the accumulation and utilization of sick leave are better than those prevalent in the economy, covering both sickness of employees themselves and sickness of members of their families.
- **Breastfeeding time** - to help women returning from maternity leave, FIBI's employees are entitled to one hour of breastfeeding for an entire year from the date of birth, far beyond the statutory requirement.
- **Gifts on personal occasions** - to maintain and strengthen the personal relations with its employees and their families, FIBI grants gifts on various family occasions.
- **Ongoing activities for the employees' families** - throughout the year, the Bank offers exclusive activities to employees and their children, for a nominal fee.

Retirement:

The FIBI Group supports employees into retirement, offering a preparatory program on a variety of topics for employees approaching retirement. In addition, the FIBI Group attaches great importance on keeping contact with retirees on an ongoing basis. In this context, the Group's banks meet all their pension and retirement commitments to employees in respect of pension or provident fund contributions.

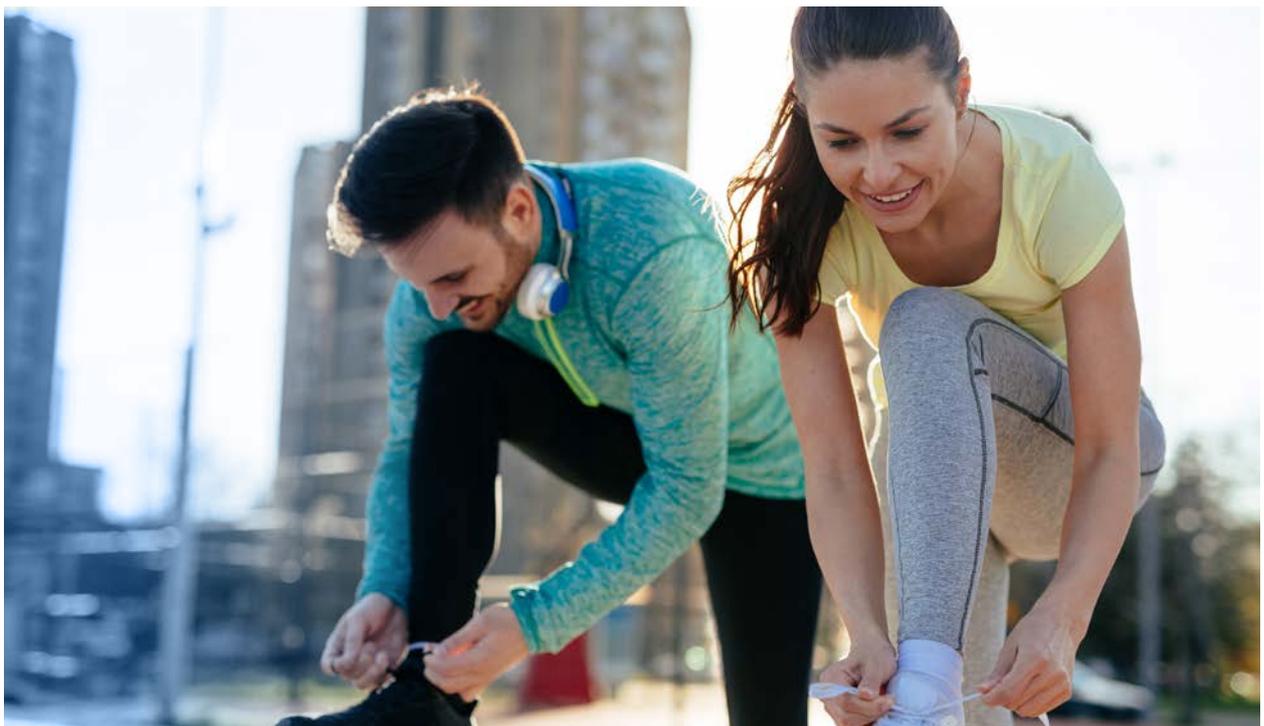
The FIBI Group offers retiring employees a variety of benefits and activities:

- Participation in a preparatory retirement course to acquire basic tools for exhausting the various possibilities. The four-day program includes the following topics: processing the retirement process and transition to a "second adolescence" (the core of the program); retirement financials: annuities, rights, taxation, family budget, inheritances and wills; lifestyle: exercise, nutrition and lifestyle in old age; and pension from the Bank. In view of the importance of the topic, the Group also offers employees' spouses the opportunity to participate in the workshops, free of charge. During the year, five retirement preparation courses were held, in which 262 employees and their spouses participated.
- The Group's retirees' club: The Bank continues to support and maintain contact with its retirees through the Retirees' Club, which is supported by the Bank and is active on an ongoing basis. Activities offered at the club include social activities, lectures, parties, gatherings to raise a toast before holidays, as well as trips and vacations.

Welfare Activities in 2019:

First International Bank:

- Work anniversary and retirement event - The FIBI Group held its annual recognition ceremony for the retiring employees of First International Bank and MATAF, or those celebrating their employment jubilees (20, 30 or 40 years of work), as a token of appreciation for their long-standing work at FIBI.
- Women's Day - Each year, the Group holds an event for its female employees to mark International Women's Day. The event includes a festive breakfast, a guest artist performance and a gift for each employee. FIBI also offers the employees a subsidized vacation in Eilat on the occasion of Women's Day, at a nominal price.
- Events for Employees' Children - Special events designed for employees and their children during holidays and vacations, which include attending cultural events for children, such as a play or movie, around the country.
- Event for employees and their families - Two large events were held for employees and their families, one at the Memadion Water Park and the other in Superland.
- Team building days for employees' families - Throughout the year, and particularly in the summer months, the Group's employees are offered various family activities, including trips around the country (such as to Mount Hermon, tours of selichot (penitentiary prayers) services, Rosh Hanikra, Jerusalem), fun days at the Safari Park (morning and night) and other sites, participation in local marches (the Anemone March, the Pardes Hanna-Karkur March, the Jerusalem March) and a variety of vacation offers around the country.
- Enrichment activities - Lectures and enrichment activities in various fields for the benefit of employees.
- Departmental team building events - Each unit at FIBI is entitled to hold an annual team building budget, to be spent on an event of its choice, taste and according to its objectives.



Bank Massad:

- Team building events - Employee team building events were held abroad and in Eilat sponsored by the workers' union. The team building events were partially subsidized by the Bank's management.
- Award ceremonies - A ceremony was held to award certificates to outstanding employees and veteran employees (to mark 25 and 40 years of service at the bank).
- Departmental team building events - Day-long workshops for managers of the Private Banking, Personal Banking and Corporate Banking departments. The managers of the various departments participated in a team-building day.

MATAF:

- Holiday events - Receptions were held in honor of Rosh Hashanah and Passover in the main plaza of the company building. In honor of Hanukkah, a festive event was held for employees and their children in Ness Ziona that included a festive gathering, refreshments and a theatrical performance in the spirit of the holiday.
- Other holidays were marked by the company at additional events, which included light refreshments and the distribution of token gifts to employees and their families.
- Healthy lifestyle classes - Yoga and Pilates - This is the fourth year of sports activities at Mataf. The activity is paid for by the Workers' Union, takes place after work hours, onsite, enabling MATAF employees to maintain a healthy way of life and to benefit from the service and convenience. About 25 employees participate in the classes.
- Team building event - In May, an annual vacation event was held for the whole workforce in three groups at the Carmel Forest Spa Resort. The event was attended by 556 employees. The resort included team building activities and hotel accommodation.
- In addition, unit team building events were held during the year to strengthen the connection between the employees in the teams.

Activities to promote a healthy lifestyle among employees:

The FIBI Group works to promote a healthy lifestyle among employees, by raising awareness of the importance of this area and by encouraging employees to take part in sports activities as part of their employment. For example, First International Bank encourages its employees to participate in the Bank's representative sports teams, in various branches of sport, in accordance with the interests of the employees. The First International Bank has representative teams in kickball, throwball, table tennis, basketball, tennis, running, swimming, and SUP. Some of the teams, in addition to their sports activities, engage in volunteer activities in the community. In addition, employees of First International Bank and Bank Massad participated in the Workplace Sporting Tournament in a variety of sports, and won trophies and medals. In addition, the bank has made a Pilates workshop available to its employees .

Meeting Objectives for 2019:

Objectives	Status
First International Bank	
<ul style="list-style-type: none">• Upgrading the Human Resources website - Upgrading the website and the automated enquiry system for the Bank's employees to the Human Resources Department in order to strengthen the ongoing dialogue with the employees.• Holding regular meetings between management and employees at round tables.• Conducting a BDI survey to assess employee satisfaction.• Implementation of processes to improve internal services within the organization.• Continued expansion of the scope of welfare and team building activities in the FIBI Group.• Holding ceremonies and gatherings: Women's Day - a morning event for all the women of the group, Jubilee and Retirement Conference 2019, a ceremony to honor outstanding employees.• Holding events for the families of the group's employees - a family happening at an amusement park and a family happening at a water park.• FIBI athletes participated in the 2019 Sportiyada.• Initiating workshops and leisure and sports activities for employees: Pilates/gymnastics, creative workshops, weight loss healthy lifestyle workshops, walks and hikes, movie evenings and plays.	Done
Bank Massad	
<ul style="list-style-type: none">• Conduct an award ceremony for outstanding and veteran employees.• Conduct a work plan conference for all of the Bank's employees.• Holding team-building trips for employees abroad and in Israel.	Done

Objectives for promoting welfare activities in 2020:

First International Bank	
<ul style="list-style-type: none">• Continued upgrade of the Human Resources website - Upgrading the website and the automated inquiry system for the Bank's employees to the Human Resources Department. In order to strengthen the ongoing dialogue with employees.• Holding regular meetings between management and employees at round tables.• Conducting a BDI survey to assess employee satisfaction.• Conducting a survey of job satisfaction for First International Bank employees.• Implementation of processes to improve internal services within the organization.	
Bank Massad	
<ul style="list-style-type: none">• Conduct an award ceremony for outstanding and veteran employees.• Conduct a work plan conference for all of the Bank's employees.	



Equal Opportunity and Employment Diversification

One of the key elements of the FIBI Group's business is to appeal to a wide range of sectors and populations in Israeli society. It therefore believes in the importance of broad diversity in the composition of the Group's workforce. Promoting diverse employment has significant business value (since it improves the group's ability to reach diverse customers), as well as value for society and the economy in Israel in general. The FIBI Group opposes discrimination of any kind. Full representation of the population at the FIBI Group is important to us. We want to create a diverse work environment that provides equal opportunity to employees, regardless of gender, religion, race, origin, nationality, disability, age, and sexual orientation.

The Group scrupulously maintain equal opportunity in all organizational processes at the Group, including hiring and onboarding, salary and job conditions, promotion, and professional training, and in any other organizational process. These values are based on the FIBI Group's ethical code principle of "Providing equal opportunity to every one of us to prove his/her abilities and skills." The Group does everything in its power to implement this policy.

As part of its hiring policy, the Group supports diversity at work by hiring employees from sectors constituting minorities in Israeli the population. Empowerment of these groups has added value for all those involved - on the one hand, it provides

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employment opportunities for members of these minorities and on the other - allows the Group to offer specialized service to customers from these groups. The Group's Human Resources Department cooperates with placement agencies specializing in specific sectors to make the necessary adjustments in the hiring and onboarding processes. It also devotes resources to creating a work environment suitable to all employees. Furthermore, the Group cooperates with NGOs specializing in empowering and integrating diverse population groups in the labor market.

Equal Pay:

The base salary of each manager and employee at the Bank is according to his/her role and rank, regardless of the employee's gender. There are differences in wages paid to different employees, in line with the employees' personal characteristics, such as seniority, education, and professional experience, etc.

In 2019, the highest salary paid to a First International Bank employee was 13.97 times the median salary at the Bank (excluding the highest salary, in order to calculate the median salary). In 2018, this ratio stood at 12.16. As of 2019, the minimum wage paid to an employee at the FIBI Group was 23.3% higher than the minimum wage in Israel.

Salary Ratio by Gender and Rank at First International Bank:

The chart below shows the ratio between women's and men's wages by rank (men's wages divided by women's wages minus 1). It should be noted that the ratio was calculated according to the monthly wages for each rank.

Rank	Ratio of men's and women's average wages per rank
Top management	17%
Middle management	8%
First line management	9%
Tellers	11%

On average, women's salaries are 17% higher than men's in the group's senior management. At primary management levels, men's salaries are 9% higher than women's salaries. In middle management, men's salaries are 8% higher than women's salaries. Male clerks' salaries are 11% higher than salaries of female clerks.

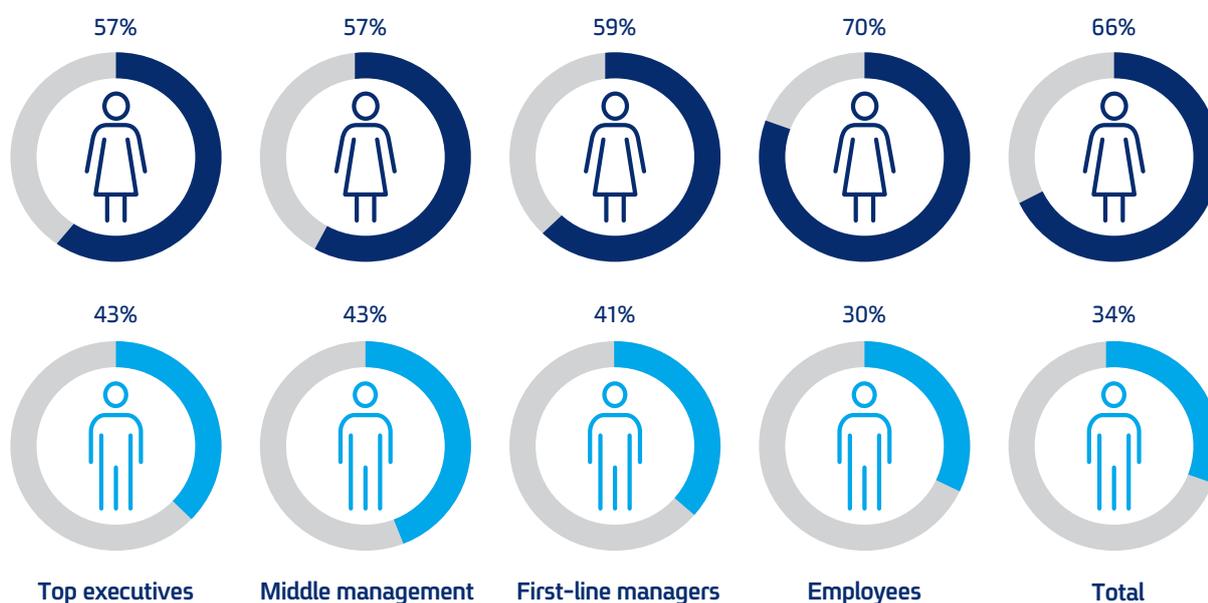
Equal Rights:

All employees in the FIBI Group, irrespective of gender, are eligible for maternal or paternal leave by law. Parents returning to work enjoy a considerate attitude in the period following their return to work and understanding of their need to balance their personal and professional lives. The Group takes into consideration the needs of employees with newborn babies by allowing them to work flexible hours and giving them more sick leave and vacation days as well as higher convalescence pay than in the market. In addition, the banks in the Group provide new parents with work conditions that exceed those prescribed by law, such as eligibility for "parenting time" for up to one year from the date of birth, compared with the four months prescribed by law.

Gender Equal Opportunity:

The FIBI Group makes an effort to realize women's potential in the workplace. The Group is aware of the special contribution of women to the Group and the economy. The Group maintained a high proportion of women at every level, appointing them to key positions. Women constitute 66% of all employees in the Group - 59% of first line managers, 57% of mid-managers, and 43% of senior managers.

Breakdown of Management Levels by Gender in 2019



Prevention of Sexual Harassment:

Each of the banks (and MATAF) has appointed a sexual harassment prevention officer and each bank's unit has detailed rules and regulations outlining how to file a complaint with the officer. Group employees receive relevant information with the aim of avoiding sexual harassment incidents. In this context, every three years employees are required to refresh their familiarity with the regulations and the desired workplace culture, and are required to undergo training in the subject through a mandatory tutorial. In 2019, 1008 of the Group's employees completed the tutorial. In 2019, a few complaints of sexual harassment were filed in the Group. These were investigated in accordance with the law. In accordance with the results of the investigations, appropriate actions were taken to prevent recurrence of the incidents in question.

Promoting Employment in the Ultra-Orthodox Sector:

PAGI specializes in serving the Ultra-Orthodox and religious communities. The bank uses media targeting this population segment to place job ads in ultra-Orthodox newspapers and make proactive efforts to hire suitable employees in cooperation with ultra-Orthodox education institutions and job placement companies specializing in this segment. Even after hiring ultra-Orthodox employees, the FIBI Group continuously works to adapt the work environment to the employees' needs, both professionally and through various welfare activities. The bank makes adjustments to accommodate the needs of the ultra-Orthodox sector by providing food with strict kosher certification, customized vacations, and tailoring its dialogue with ultra-Orthodox employees.

Promoting Employment in the Arab Sector:

About one third of the bank's branches and extensions are located in areas that mostly serve the Arab population. Hiring is made through ads in media outlets which cater to this sector (newspapers and the internet), through partnerships with various parties in the education system and Teachers' Union, and through cooperation with job placement companies specializing in this sector.

Hiring People with Disabilities:

The FIBI Group attaches great importance to hiring people with disabilities and adheres to the Expansion Order for the Encouragement and Increased Employment of People with Disabilities, adapting the work environment to their needs in the following ways:

- The FIBI Group has appointed officers responsible for hiring persons with disabilities. These officers were trained and took part in events and activities related to the employment of people with disabilities, in cooperation with organizations specializing in this field, such as Access Israel, Esek Shave, the JDC, and the Ministry of Economy.
- The FIBI Group is careful to provide a suitable work environment for employees with physical disabilities or employees who undergo a change in their medical condition.
- If needed, the FIBI Group strives to identify a role suited to employees with disabilities, in terms of distance from their place of residence, work hours and type of position.
- If necessary, screening processes are adapted to the needs of job candidates or employees in managerial or professional career tracks. The Group's human resource departments fully

cooperate with placement and screening companies to provide maximum adaptations in screening and placement tests.

- Some of the banks in the Group are in contact with hiring entities who specialize in employees with disabilities.

Activities in 2019:

- No complaints regarding discrimination were filed in the FIBI Group in 2019.
- All the managers in the group are Israelis.

Meeting Objectives for 2019:

Objectives	Status
Conducting a comprehensive survey among employees to determine the degree to which the Bank complies with the regulatory guidelines on the employment of people with disabilities.	Done
Carrying out activities to inculcate the importance of diversity in employment and equal opportunities among employees.	Postponed for execution until the end of the first quarter of 2021



“ The FIBI Group’s training programs nurture and develop individual and organizational capabilities, provide tools and skills to managers of all levels, and maintain ongoing processes for imparting knowledge and skills aimed at improving the enterprise’s overall performance ”

Employee Training and Development

In the competitive environment in which it operates, the strength of the FIBI Group is reflected in its human capital, which is the its face, both vis-à-vis its customers and internally. As a high-level financial service provider, the Group regards itself as committed to giving its customers and other stakeholders the most professional service possible. To this end, the Group continuously strives to empower and nurture its employees through training, personal development and encouragement to excellence. The Group fosters a culture of learning and development of professional tools for empowering its employees and improving their capabilities. These training programs encourage personal development, organizational growth, and maintaining of professional excellence.

The FIBI Group's training programs nurture and develop individual and organizational capabilities, provide tools and skills to managers of all levels, and maintain ongoing processes for imparting knowledge and skills aimed at improving the enterprise's overall performance. To maximize our professionalism while encouraging ongoing excellence among managers and employees of the Group, the Group uses structured and gradual processes to help them acquire the level of professional knowhow and the additional skills they require.

The Group has two training units:

1. A group-wide training department, run from the FIBI Group headquarters, which serves all the banks.
2. The Control and Quality Assurance Department at MATAF, which is responsible for specialized training in the organization, with emphasis on technology.

The departments provide solutions to the banks' needs and objectives, while advancing and developing the professional and personal skills of the managers and employees and building long-term promotion horizons.

The training activity promotes the knowledge of the group employees in the following content worlds:

- Basic banking skills.
- Expert training in credit, the capital market, mortgages, foreign currency, and foreign trade.
- Customer service and sales training
- Acquiring soft skills (personal, social, and communication skills that help job performance).
- Training in the areas of professional and personal ethics and prevention of corruption.
- Executive training
- Professional assistance for implementing operational systems
- Advancing specialized professional skills
- Tech training
- Training according to regulatory requirements

In addition, all the departments routinely assess training needs by examining objective and subjective knowledge gaps and using various mapping processes. The departments continuously review their professionalism through feedback from participants in the various courses and other tests which reflect the quality of the training. The FIBI Group also adapts the annual training program to market developments and regulatory requirements.

In 2019, there were 17,003 training days for all Group employees, representing approximately 67 different jobs. This amounts to approximately 4.25 annual training days per employee in the FIBI Group (an increase of approximately 18% in comparison with 2018). In addition, there were approximately 12,572 electronic training hours, which represents an average of approximately 3.15 training hours per employee (an increase of approximately 26% in comparison with 2018).

Professional Training:

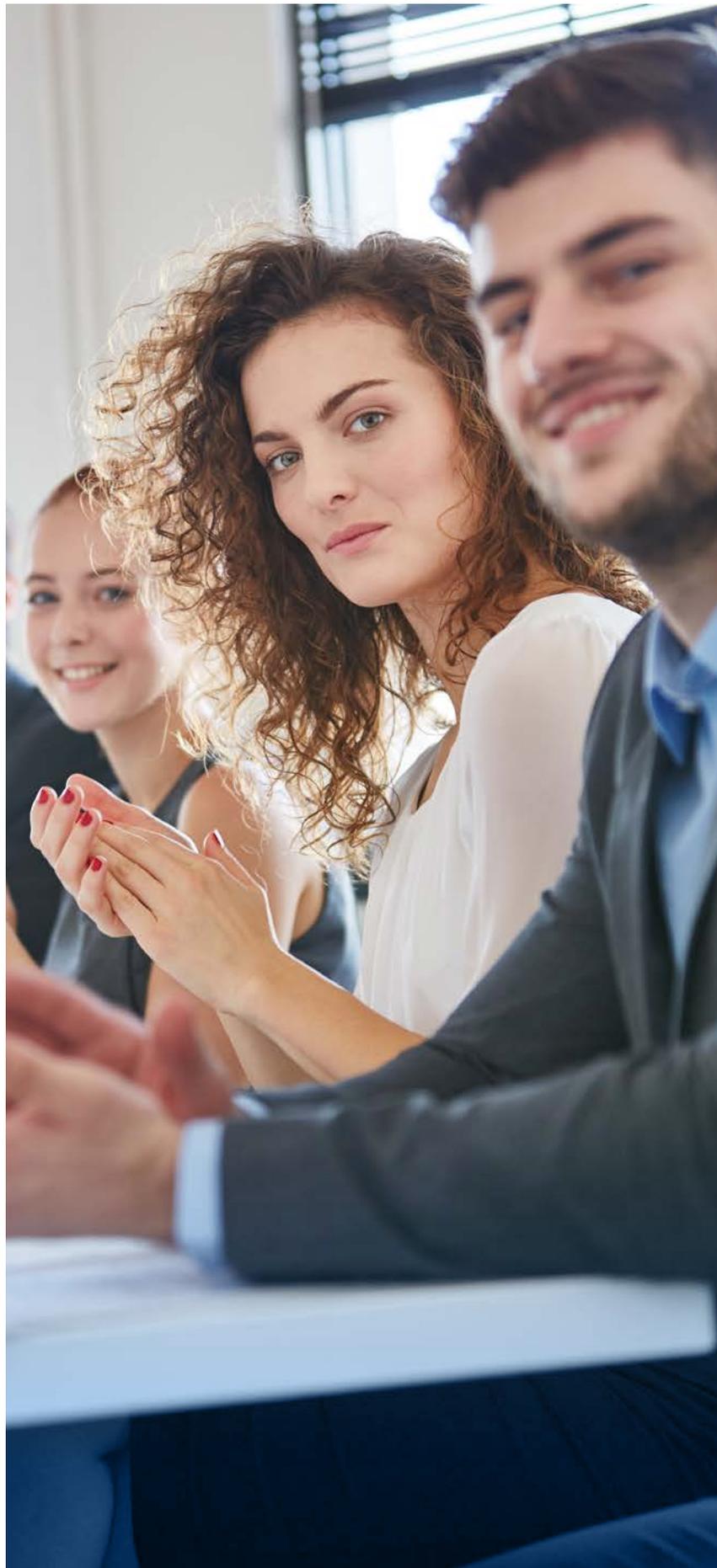
The Group's employees' professional training includes basic 101 courses in various fields of knowledge, which serve as the basis for more specialized training.

To qualify as banker, each newly hired employee in any position is undergoes several basic courses. In recent years, the departments

have worked to reduce knowledge gaps among veteran employees as well, through extensive knowledge mapping processes and building special courses for veteran employees. Employees subsequently receive in-depth training on professional topics according to their field of work. In addition to professional knowledge, workshops are held on soft skills, enrichment and personal and managerial development as a platform for implementing professional knowledge and maximizing professionalism and excellence.

Activity in 2019:

- In 2019, 18 types of professional courses were held spanning 3 days of study or more (a total of 54 courses). In addition, 72 types of professional workshops and professional seminars were held spanning up to two days each (a total of 361 courses).
- The professional courses were attended by over 1,100 employees and covered various topics: mortgages (3 courses); banking for new employees (18 courses); Excel at different levels (4 courses); financial instruments (2 courses); call center representative (2 courses); real estate credit (one course); an advanced credit course (one course); interviewing (one course).
- In the professional workshops, thousands of employees participated in training related to their professional spheres (and in total, the workshops had more than 5,600 participants, as many of the Group's employees participated in more than one workshop). Among the workshop topics were: account management (9 courses); loans (9 courses); credit and collateral (8 courses); corporate account opening (8 courses); forex (7 courses); understanding financial statements (5 courses); foreign trade and imports (3 courses); service workshop for department managers (1 course).
- Professional training at MATAF included special technological courses for development, infrastructure, and information security personnel on software versions, tools, products, etc.





Executive Training:

The FIBI Group holds structured managerial training for all levels of management that deal with the provision of managerial and leadership tools, maximizing the managers' skills in their respective positions and towards their next ones, along with a regular leadership succession training program and imparting knowledge, tools, and skills in professional areas and supporting current managers. The training for managers is delivered in conjunction with the Human Resources Department. The training includes long-term courses, dozens of management enrichment courses and workshops adapted to the various management levels.

In 2019, about 762 managers underwent training in a variety of fields, including: basic management; advanced management; operational excellence; innovation and creative thinking; and more. In addition, individual training and personal coaching are provided to managers at various levels.

Regulatory Training:

To complete the all-around training, emphasis is placed on regulation as an additional pillar of professionalism and excellence, in addition to the ongoing integration of regulatory content in training courses and activities, an issue that has been one of the most complex challenges added over the year: to provide a professional and readily available solution to regulatory requirements combined with a focus on business targets.

In 2019, the Training Department held training sessions on a variety of topics to do with regulation, such as the Fair Credit

Law, the Cash Reduction Law, and the Prohibition of Money Laundering Law. In addition, lectures on regulatory compliance are integrated into a variety of Training Department courses.

Employee Development at MATAF:

Professional training: Special technology training sessions were held for development, infrastructure and information security personnel on a variety of advanced technological subjects in accordance with organizational needs. In addition, workshops were conducted on various banking topics such as loans, credit, collateral and mortgages, in order to connect employees to the core of the group's activities. **Executive development:** During 2019, an executive development course was held to rank team leaders. In addition, as part of the programs for continuing executive development, a peer study group for all levels of management was held once a quarter. The meetings were moderated by an experienced external consultant, on topics such as: role perception, employee motivation, feedback and mentoring, interface work and building a management plan. The format included meetings in small organic groups (about 15 participants in each group of the same managerial rank) in which, in addition to the provision of tools, there was dialogue and mutual learning.



Evaluation of Satisfaction with the Training:

The Training Department evaluates the effectiveness of training and the level of employees' satisfaction with it in the following ways:

- Examining the effectiveness of the training through an assessment test and a final exam. The extent of knowledge acquired during the training is evaluated through tests taken before and after the training. In 2019, the process was carried out in relation to 21 main types of professional training.
- Feedback - At the end of every course, all students fill out an anonymous automated feedback questionnaire that measures their satisfaction with the classes and level of training. In addition, a wrap-up talk is held at the end of every course, attended by the Training Department Manager or his deputy. Every student is given the opportunity to express his/her opinion.

Objectives for Employee Training and Development in 2020:

- To carry out a digital transformation of the training system by converting courses to active hybrid study.
- To interweave skills into existing study content.

“The Training Department evaluates the effectiveness of training and the level of employees' satisfaction with it in the following ways”



Investing in Our Responsible Management





Corporate Governance

Since the FIBI Group is part of the banking system in Israel, it is subject to an extensive legal and regulatory system that regulates the banking industry. This system forms the main legal basis for the Group's activity. The main laws governing the Group's activity are the Banking Ordinance, the Bank of Israel Law, banking laws on licensing and customer service, and more. Pursuant to these laws, the Group's banks are subject to the supervision of the Bank of Israel, specifically that of the Governor of the Bank of Israel and the Banking Supervision Department and to all the provisions, rules, guidelines, and directives under their authority. In addition to the banking legislation, our activity is subject to additional legislative systems that regulate the Group's activity in various fields, such as: By virtue of being a publicly traded company, our capital market activity, and mortgages, etc. In these fields as well, the Group is subject not only to legislation, but also to provisions, rules, and guidelines of the authorized government regulators, including the Israel Securities Authority, the Capital Markets, Insurance and Savings Supervisor at the Ministry of Finance, the Tel Aviv Stock Exchange, the FATCA and CRS directives, and the Israel Competition Authority's directives.

Additional laws on special matters impose specific obligations and provisions on the entire banking system, for example, prohibition of money laundering and the financing of terrorism laws, the Credit Information Service Law, privacy protection legislation

department, and more. The FIBI secretariat assists the activity of the Board of Directors and coordinates its activity, in areas such as: holding meetings of the plenum and the various committees, general meetings, recording of the minutes, monitoring decisions of the Board of Directors, monitoring the holding of periodic discussions on regulatory matters, sending various reports to the regulators, managing the shareholders registry, paying compensation to directors, handling transactions with "affiliated persons" and "parties at interest", and payment of dividends.

The Board of Directors' Activity and Composition

The managements of the banks in the Group are directed and guided by the Board of Directors and the committees of each bank with regard to the business strategy and policy of the bank, with the banking subsidiary in line with the policy of the Group as set by FIBI. In this context, three members of the First International Bank's management serve as directors of the banking subsidiary, one of whom serves as chairman of the board. The Board of Directors approves the objectives, qualitative and quantitative targets, the bank's areas of activity, and the allocation of resources among them.

The Board of Directors of each bank in the Group acts in accordance with the corporate governance guidelines set in law, and serves

as the guiding hand for the bank's management, including setting policies in all areas of the Bank's activity, risk management, compliance, credit, prohibition on money laundering, internal enforcement plan, debt collection, antitrust law, etc. The Board of Directors of the bank has a critical role in outlining the business strategy and risk appetite of the Group. On the basis of the Group's multiyear strategic plan, management submits to the Board of Directors annual work plans and the bank's budgets, including qualitative and quantitative details of the mix of income, expenses, and investments that management has set as long-term targets and specific targets for the current working year. As part of this function, once a year, the Board of Directors approves the annual work plan and risk management policy of the bank in the material risk areas, and sets out standards for the management, measurement, control, and reporting of exposure to the various risks. Corporate social responsibility issues are discussed by the Board of Directors and its various committees. In this context, the Head of the Resources Division presents the Bank's Corporate Social Responsibility Report to the Board of Directors' plenum. The Board of Directors of the banking subsidiary also operates in accordance with the corporate governance guidelines set forth in the law. Corporate social responsibility issues are managed and supervised by the Board of Directors and discussed in several forums, both by the Board of Directors' plenum and by the various committees. The topics discussed by the Board of Directors include responsible hiring, providing credit for environmental projects, and reducing environmental impact.

The Board of Directors also has an important role in supervising the Bank's senior executives, so as to ensure that they comply with the organization's policies. It is important to note that the Board of Directors is the body that appoints the CEO and determines the nature of his/her work and duties toward the Board of Directors, and approves the appointment of senior officers and other officers, and their compensation. The Board also discusses the performance of these factors.

The Board of Directors of each bank in the Group is responsible for: setting the vision, values, strategy, and objectives in the bank's areas of business; outlining the organizational culture and standards of professional conduct and a plan for instilling them at all levels at the bank; ensuring the presence of clear areas of accountability and reporting with regard to compliance with laws and regulation; and reporting any exceptional incident and any matter of material importance to the activity of the bank or supervision and control of its management. The members of the Board approve the capital planning, periodically discuss the bank's financial position, and are also responsible for approving the financial statements. Once a year, the Board of Directors reviews the internal control system and procedures for capital assessment. Furthermore, the Board's areas of responsibility also cover the appointment and functioning of the internal and external auditing and control parties; contracts and activities requiring approval by law or by decision of the Board of Directors; making changes in the structure of the Group; raising capital and investments, including the disposal of permanent investments, issuing securities, and periodic review of the capital adequacy of the bank, and more. In order to advance the Board members' knowledge and understanding of the FIBI Group, a dedicated training program is created each year for the directors, who participate in professional courses on business- and other issues, throughout the year. In 2019, the directors underwent a number of advanced training courses in various fields, such as: artificial intelligence, competition in the financial system, derivatives,

“ Corporate social responsibility issues are managed and supervised by the Board of Directors and discussed in several forums, both by the Board of Directors' plenum and by the various committees. The topics discussed by the Board of Directors include responsible hiring, providing credit for environmental projects, and reducing environmental impact ”

corporate governance, cyber, and training in regulatory fields.

The Board of Directors is responsible for approving the public grievance policy and the Service Charter of the Public Grievance Officer. The Board of Directors discusses the periodic reports of the Public Grievance Officer at least once each year, shortly after they have been filed. In this context, the Board of Directors ensures that the Public Grievance Function is properly staffed and has the resources and powers necessary to carry out its duties.

Additional functions of the board include supervision over the effective implementation of the bank's risk management policy; once a year, the Board of Directors of each bank in the Group approves the annual work plan and risk management policy in the various material risk areas, such as credit risks, market risks, liquidity risks, and operational risks. The work plan and policy set standards for the management, measurement, control, and reporting of exposure to the various risks, which includes, inter alia, the risk appetite, risk frameworks, and permitted exposure limits in the different areas of business and sectors. In this context, the Board of Directors adjusts the exposure policy for the various risks to changes in the bank's financial markets and business environment. In addition, the Board of Directors approves the work plans of the Compliance Department and ensures that the plans are soundly based and risk-oriented and will provide an effective response appropriate to the level of risk appetite. Every year, the Board of Directors examines the definition of appetite and tolerance for compliance risk, and supervises the effective handling of compliance findings by the Bank's management.

In accordance with the Board of Directors' procedures at each of the banks in the Group, if and when it is necessary to raise an urgent matter before the Board of Directors' plenum, an urgent meeting may be convened, including a conference by way of communication means or decision in writing, in order to make the decision as needed, all pursuant to the terms set in the Board of Directors' procedures and according to law. The Board of Directors' procedures at each of the banks in the Group establish the provisions that regulate a director's right to receive the information he/she needs in order to fulfill his/her duties as director and, if necessary, to consult with various parties as part of fulfilling his/her duties, pursuant to the provisions of the law (including the Companies Law, 5759-1999) and pursuant to Proper Conduct of Banking Business Directive 301 regarding the board of directors.

The Board conducts a comprehensive evaluation of management performance once a year. In addition, the performance of the Board of Directors is evaluated every two years. From these evaluations, goals for improvement and work plans for implementation are derived, in order to strengthen the operation of these bodies and the corporate governance of the Group in general.

Composition of the Boards of Directors of the FIBI Group at the End of 2019:

	First International Bank	Massad
Total no. of directors	12	10
No. of external directors	8	5
Directors with accounting and financial skills	12	8
Directors with accounting and financial skills in the Audit Committee	5	5
No. of women on the Board	1	3
Directors under 30 years of age	0	0
Directors aged 31-50	1	0
Directors aged 51+	11	10
No. of the Board plenum meetings	29	13
No. of the Board's committees' meetings	53	21
Is the Chairman of the Board independent (yes/no)	No	No
What is the age of the youngest director	45	53
What is the age of the oldest director	79	83
Average age on the Board of Directors	65.75	61.25
Chairman of the Board	The oldest director was appointed in 2003, and the newest director was appointed in 2019. The average length of service on the Board is 7 years.	The longest-serving director was appointed in 1985 and the newest director was appointed in 2018. The average seniority of the members of the Board of Directors is 8.5 years.

Board of Directors' Committees

Both the First International Bank Board of Directors and the Board of Directors of Bank Massad have a number of permanent committees. In addition, every Board of Directors in the Group appoints additional committees as necessary, such as a problem debt committee. Bank Massad has a strategy committee (which is active every five years). The roles and responsibilities of the various committees are determined by the Board of Directors' procedures and are subject to law. The areas of activity of the committees relate to most aspects of the activity of the Board of Directors, and in many cases a preliminary discussion is held in the committees in advance of discussions by the Board of Directors.

The Audit Committee is responsible for the activities of the Bank's internal and external auditors, for ensuring the quality of their work, and for appointments. The Committee discusses the Bank's internal and external audit reports, and submits the reports it deems appropriate for discussion in the Board of Directors plenum. The Committee is responsible for identifying deficiencies in the Bank's operations, and proposing to the Board of Directors ways of dealing with them. The Committee discusses employee complaints about deficiencies in the management of the Bank's business, and regulates the manner in which the complaints are forwarded and handled, as well as the protection of employees who have complained. The Committee establishes procedures for disclosure of conflicts of interest in the Bank, and acts to prevent activity involving a conflict of interest. The Committee discusses the financial statements and the information disclosure reports to the public. One of the most material risks faced by the Bank is compliance risk. To maximize its ability to assess the effectiveness of compliance risk management and to address the challenges, failures and quality of risk management at the bank and the Group, the Board of Directors conducts - via

the Audit Committee - at least once a year, a meeting with the Compliance Officer only.

The Compensation Committee oversees the activities of the Board of Directors in the area of human capital. The Committee makes recommendations to the Board of Directors on salary policy, retirement conditions, and the compensation system for employees and managers. The discussion in the Committee takes into account the Bank's business situation, the impact of the compensation policy on the corporation's risk profile, Proper Conduct of Banking Business Directive A 301, the Bank's corporate culture, its long-term strategy, and its control environment. The Compensation Committee is responsible for ensuring, inter alia, that the compensation incentives do not encourage risk taking beyond the established risk appetite. The committee also recommends to the Board of Directors which principles to adopt for the compensation agreements of the Bank's employees, and discusses negotiation processes with the bank's workers' unions.

The Information Technology, Technological Innovation and Administration Committee is responsible, among other things, for discussions on the Bank's innovation and technology strategy, taking into account the risks involved. The Committee defines the bank's technological risk appetite. The Committee approves the work plan in the areas of innovation and digital operations, and sees to the appropriate allocation of resources for the realization of these goals. In addition, the Committee deals with other areas related to administration, including the annual work plan of the Resources Division, the Bank's managerial resource plans, the organizational development plan and the annual training program of the training system. In addition, the Committee discusses and approves general and exceptional issues concerning human resources, such as headcount, employee mobility, exceptional vacations and so forth. The Committee receives annual reports

on community outreach, and occasionally receives requests for exceptional donations. Every three years, the committee reviews the bank's code of ethics, its means of distribution, as well as the control and enforcement mechanisms.

The Risk Management Committee coordinates the activities of the Board of Directors in the areas of risk management, and creates a basis for discussion of this area for the Board of Directors. The committee discusses the Bank's overall risk strategy, looking at both the present and the future. The committee oversees the manner in which the Bank manages risk, and the activity of the risk management division. On the basis of the committee's recommendations, the Board periodically reviews and approves the policy document for managing each material risk. Reviewing and approving the risk management framework based on the policy paper for each of the banks' material risks (including money laundering and terrorism financing risks); and ensuring - by discussing the quarterly risk document presented by the Risk Management Division, as well as through additional reports brought before the committee - that the bank is implementing the risk management policy effectively, including overseeing management's work. The Board is also responsible for establishing a corporate culture of risk management as well as professional conduct and integrity standards, and to ensure that they are instilled at all levels of the bank.

The Loans Committee discusses the Bank's credit management strategy and credit risk management policy and recommends its approval to the Board of Directors. The committee monitors the Bank's compliance with the credit policy approved by the Board of Directors, and discusses as necessary the need for changes in credit strategy and policy. The committee monitors the credit situation and developments in it, according to reports and parameters set by the committee from time to time. The committee receives industry surveys and discusses them. The committee is empowered to approve credit applications, and to approve cancellation or waiver of debts, debt collection arrangements, and any arrangement in connection with claims, all in accordance with the terms of the credit policy document.

In addition, for several years, the FIBI Group has had a steering committee, with two members that are responsible for community outreach, in an effort to closely monitor, direct, initiate and formulate a group-wide community outreach policy on a regular basis.

Membership in Board of Directors' Committees

First International Bank:

	Compensation Committee	Audit Committee	Information Technology, Technological Innovation and Administration	Risk Management Committee	Loans Committee
No. of directors who are members of the committee	4	5	6	6	5
No. of independent directors	4	5	5	3	3
Percentage of independent directors relative to total number of directors	100%	100%	67%	50%	60%
Is the committee chairman independent	Yes	Yes	No	No	No
No. of the board's committees' meetings	4	23	5	12	9

Bank Massad:

	Credit Committee, Business and Risk Management Committee	Audit, Balance Sheet and Compensation Committee
No. of directors who are members of the committee	6	6
No. of independent directors	3	6
Percentage of independent directors relative to total number of directors	50%	66%
Is the committee chairman independent	No	Yes
No. of committee meetings	12	10

The Directors' Skills and Experience

According to the Bank of Israel's directives (Proper Conduct of Banking Business Regulation No. 301 - hereafter - "Regulation No. 301"), the Board of Directors must collectively have proper knowledge, qualifications, expertise, and experience corresponding to the bank's strategy and the character of its activity. Regulation No. 301 also states that at least one third of the directors must have "banking experience," at least one fifth must have "accounting and financial expertise," at least half must have "professional qualifications," at least one director must have proven knowledge and experience in information technology, and at least one director must have expertise and experience in risk management and oversight (as these terms are defined in Regulation No. 301).

Directors at First International Bank are appointed in accordance with the provisions of the law, the Bank of Israel's Proper Conduct of Banking Business Regulations, and with approval from the Bank of Israel. These requirements include:

- The Companies Law (Section 57) provides that the appointment of external directors shall be approved by the general meeting;
- In Chapter D of the Bank's Articles of Association ("the Bank's Articles of Association"), provisions were set out regarding the process of appointing directors. Article 86 of the Articles of Association accordingly states that the general shareholders' meeting has the authority to appoint directors. The Articles of Association nevertheless also allow the Board of Directors to appoint directors, subject to the provisions of the legislative arrangement and conditions set forth in Article 87 of the Articles of Association. In such cases, the appointment is valid until the end of the first general shareholders' meeting following the appointment. Under the provisions of the Banking Ordinance, a vote on the appointment of directors is held at the general meeting, separately for each candidate. In addition, an advance notice should be issued at least 21 days prior to the publication of a notice on convening a general meeting on whose agenda is the appointment of directors (in the form of an immediate report filed with the MAGNA System). The right to request the convening of a general shareholders' meeting and to propose topics for discussion at it, including submitting a candidate for appointment as director, is granted in accordance with the Companies Law (Sections 63, 64, and 66 of the law). For example, the Board of Directors is entitled to propose a candidate for the Board of Directors, and any shareholder with at least 1% of the voting rights is entitled to propose a candidate. The composition of the Board of Directors is subject to the provisions of the Companies Law, the Proper Conduct of Banking Business Directive No. 301, and the Bank's Articles of Association.

Each of the banks in the Group implements all the provisions in accordance with the law and the directives of the Bank of Israel regarding the prevention of conflicts of interest in the Board of Directors. Accordingly, each of the banks has dedicated procedures for the matter, the objective of which is to set guidelines for situations in which a candidate for the position of director may regularly find himself facing a conflict of interest between his business or ongoing occupations and the position that he is due to fulfill at the bank, in a way that will result in his disqualification to serve as a board member, as well as guidelines in case a director has a vested interest. In addition, there are special procedures for approving transactions in which officers have a personal interest. None of the directors, including the chairman of the board at each of the banks in the Group, serves in another management position at the bank where he/she serves as director or chairman of the Board of Directors.



Assessing the Performance of the Board of Directors:

Every two years, the Board of Directors of each of the banks in the Group conducts an internal self-assessment process intended to improve the Board of Directors' work. The assessment process is included in a procedure drafted by the bank pursuant to the requirements of Proper Conduct of Banking Business Directive 301. The process is intended to evaluate the efficiency of the work by the Board of Directors, identify weaknesses, and make changes as needed. The assessment process focuses on aspects of corporate governance, risk management, and the control and supervision undertaken by the Board of Directors.

Mechanisms for Contacting the Board of Directors:

The Board of Directors operates under a normal administrative hierarchy: at each bank, issues, questions, and grievances by employees are submitted to management, and, if necessary, forwarded to the board of directors. Inquiries to the Board of Directors are made through each bank's secretariat. Issues forwarded to the board by the shareholders are presented through the general shareholders meeting mechanism. In addition, some members of the First International Bank's management serve as directors in the banking subsidiaries. In 2019, an annual general meeting was held in each of the banks in the Group.

Employee Compensation Policy

In accordance with Proper Conduct of Banking Business Directive No. 301A regarding compensation policy in a banking corporation (hereafter - The "Directive"), the Bank approved in April 2017, three years after the earlier approval, a revised compensation policy for all of the Bank's employees, including key employees, and principles for a collective compensation policy. The compensation policy for officeholders, as approved by the Bank's general shareholders'



meeting on February 23, 2017, constitutes part of this revised policy. As part of the compensation policy for employees, the provisions concerning compensation for employees and key employees were revised according to the amendments to the Directive passed after the date on which the Directive was first published. Provisions concerning the division of responsibility between the relevant parties at the Bank dealing with the compensation mechanism were also revised. In addition, as part of the Group's compensation policy, the principles for fixed and variable compensation of officeholders in controlled corporations were revised to comply with the principles stated in the compensation policy for officeholders at the Bank. In 2020, the compensation policy was updated, in accordance with the provisions of the Proper Conduct of Banking Business Directive.

Compliance with the Law

The compliance units at the Group banks, which are headed by the Chief Compliance Officer, are charged with: ensuring implementation of the customer-related provisions; ensuring implementation of legislation regarding to the prohibition of money laundering and financing of terrorism; internal enforcement of securities, the Code of Ethics, adequate banking business conduct with customers, the FATCA and CSR provisions (taxation of American customers), and the declared money policy (the objective of which is to address risks derived from the possibility that money deposited in the bank originates from tax evasion in the source country). The compliance officer at each bank in the Group participates in drawing up work procedures by approving procedures and circulars, developing new products, systems and processes, and advising on aspects of proper disclosure, proper business conduct, money laundering prohibition and the financing of terrorism, etc.

In addition, the Group assumes a conservative policy of low risk with regard to entering into agreements and legal commitments, and conducts its business with customers by proper banking business conduct, using adequate legal advice, while scrupulously complying with any legal provision and regulation and the restrictions and duties derived thereof. Furthermore, the Group has a strict policy toward bank managers and employees in all matters pertaining to administrative or criminal violation of the provisions of the law that apply to the Group's activities.

All employees of the FIBI Group, both clerks and managers, at the branches and at headquarters, have free and direct access to the Chief Compliance Officer and/or a representative thereof at the various units of the Compliance Department, in order to obtain expert advice and/or report flaws discovered in aspects of compliance. Inquiries are made directly by telephone, email, through designated systems, or at various forums concerned with banking issues.

Activity in 2019:

In 2019, no significant fines or sanctions were imposed on the FIBI Group for non-compliance with laws / regulations.

First International Bank:

- A dedicated information system has been implemented to manage compliance risk at the Bank.
- Action was taken to create closer work interfaces with second-line risk managers, who are not part of the compliance function.
- Bank Otsar HaHayal's compliance activity was merged into the First International Bank's compliance unit.
- The compliance unit conducted proactive audits to identify and prevent alleged violations of various laws. In addition, the compliance warning indicators in the business units were reviewed, and the checks carried out by branch compliance officers were examined on a sample basis.
- Consultation was routinely provided on processes and products, and circulars and procedures underwent approval.
- A new work procedure has been written for the compliance unit.
- A variety of training exercises were conducted on compliance, raising awareness of its importance. The training was carried out as part of 11 courses held by the Group training department in which a wide range of Bank employees from various business units participated, and as part of seminars held for compliance officers.
- Internal Enforcement Policy for Competition Law Approved

Bank Massad:

- The Bank's compliance policy was approved, in various areas (money laundering, terrorism financing, internal enforcement) on the basis of the Group's compliance policy.
- The Bank's employees have been routinely provided with numerous information updates on internal and external regulation. In addition, Bank employees participated in courses and training days on compliance issues at the Group training center. The compliance officers and their deputies were given enhanced training during a Group seminar and through the Bank's compliance unit.
- The Bank's various systems have been adapted to support implementation of the Bank's procedures and regulatory requirements.
- New compliance risks were identified and dealt with, arising from new products, regulatory changes, and customer inquiries.
- Employees were given seven mandatory study kits for self-study on regulatory issues. The kits include a self-test, which employees must pass with a high score.
- During the year, 20 training days were held at the branches. The training days included group lectures for branch employees, and individual training according to the needs of the employees. The training dealt with regulatory changes, the importance of procedures, transparency and risks. In addition, training sessions were held for various roles at the Bank's headquarters, in which updates were provided on compliance issues and money-laundering risk.

Status of Objectives for 2019:

Bank	Objectives	Status
First International Bank	Conducting training in the areas of compliance and awareness of its importance as part of 11 courses held by the Group training department.	Done
	Conducting training in the areas of compliance and awareness of its importance through visits and training in about 25 branches.	Partially done
	Conducting 3 seminars for compliance officers at branches.	Done
Massad	Continue to deepen the knowledge of employees in the fields of compliance, by conducting training and supplementary courses, study programs, and knowledge tests.	Done
	Policy on proper banking business conduct will be implemented and principles of fairness and integrity will be instilled among the bank's employees and managers.	Done
	An automated system will be installed for management of compliance risks. A detailed multi-year work plan will be drawn up, based on a mapping of the risk assessment for directives applicable to the bank.	Completed in early 2020
	Conduct inspections to identify risk focal points.	Done
	Promoting innovation and technology while managing the risks involved in integrating new technologies in the bank, in new products and for the purpose of risk management.	Done
	Tightening cooperation within the Group for the purposes of sharing knowledge and lessons learned, as part of the implementation of group policy.	Done

Objectives for compliance with legal provisions in 2020:**First International Bank**

- Revision of the policy paper.
- Absorption of the compliance function of Bank Massad (except for the internal enforcement function in securities law that will continue to operate independently in Massad).
- Streamlining work processes with tangential units (the unit for public inquiries, risk managers, etc.).
- Merotz system - adding a fourth control form and changing the control specifications.

Bank Massad

- Continue to deepen the knowledge of employees in the fields of compliance, by conducting training and supplementary courses, study programs, and knowledge tests.
- Policy on proper banking business conduct will be implemented and principles of fairness and integrity will be instilled among the bank's employees and managers.
- An automated system will be installed for management of compliance risks. A detailed multi-year work plan will be drawn up, based on a mapping of the risk assessment for directives applicable to the bank.
- Conduct inspections to identify risk focal points.
- Promoting innovation and technology while managing the risks involved in integrating new technologies in the bank, in new products and for the purpose of risk management.
- Tightening cooperation within the Group for the purposes of sharing knowledge and lessons learned, as part of the implementation of group policy.



Ethics and Anti-Corruption

The FIBI Group banks and non-bank subsidiaries have an Code of Ethics. The values that guide the Code of Ethics are: integrity, fairness, reliability, excellence, responsibility and commitment, initiative and innovation, transparency and openness, human dignity. The values of the Code of Ethics to which we have chosen to commit constitute a moral basis for our business activities. The Code of Ethics, which imbues these values, is a moral identity card for each and every bank in the Group and functions as the moral compass of each employee in their day-to-day work.

The ethical codes constitute an additional pillar in the FIBI Group's organizational culture, which combines business and moral excellence. The Code of Ethics sets a high threshold of that which is proper and fitting to strive for, and is a clear and explicit statement of what the Group believes in and seeks to uphold. The Code of Ethics applies to all employees of the Group, at any rank and in any position, including members of management and the Board of Directors, both of which have approved it. The Group attaches great importance to the implementation of the Code in its activities with the various stakeholders and expects all employees, members of management and the Board of Directors to work in the spirit of the values included in the Code. The Code of Ethics functions as a binding declarative document. To view the Code of Ethics, please visit the websites of the Group's banks.

Main Objectives of the Code of Ethics

1. To create a value-driven, moral environment at the Group and offer a solution where the law or procedures are ambiguous.

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2. To present the values that guide our activity vis-à-vis customers, employees, and external stakeholders.
3. To clarify how the values should be implemented in day-to-day life through rules of conduct that represent each value.
4. To serve as a moral guide in instances of possible conflict or dilemma at work.
5. To help employees choose the right path and to direct decision-making processes at both the business and interpersonal levels.

The Fibi Group seeks to develop and consolidate tools for instilling the Code of Ethics and foster an ethical culture. For this purpose, ethics institutions have been established at each bank in the Group where an ethics committee (chaired by a member of management) is responsible for instilling the code, and provide advice and training in accordance with its values. The committee

holds regular quarterly meetings, as well as additional meetings upon request. The Chairman of the Committee is the Head of the Resources Division at First International Bank, the Head of the Banking Division at Bank Massad, and the Head of the M&P Department at MATAF. In addition, ethics officers on behalf of the banks' managements have been appointed at each bank. They are responsible for the day-to-day implementation of the Code of Ethics and for updating it, as well as for accompanying procedures. The means available for requesting advice or reporting ethical issues are regularly advertised and available to all of the Group's employees. The Group allows managers and employees to submit an inquiry anonymously. In addition, to enable employees to present to an objective and independent party cases in which there is suspicion of significant deviation from the bank's procedures concerning business conduct, integrity, and financial reporting controls, the Board of Directors of First International Bank and the Board of Directors of Bank Massad have appointed the Head of the Finance and Capital Markets Department in the Internal Audit Division to serve as the Group Employee Complaints Ombudsman. The Head of the Resources Division and the Employee Complaints Ombudsman are responsible for providing protection to the employees who have complained in order to ensure that their rights are not violated as a result of the filing of the complaint.

The Group's content on ethics is available to managers and employees via each bank's enterprise portal on a regular basis. Every three years, the Group's employees undergo digital training on the Code of Ethics, as one of the means of refreshing their familiarity with the subject (approximately 66% of the Group's employees completed the tutorial in 2019). Each bank chooses various additional channels for the promotion and assimilation of the Code of Ethics among its employees (in the employment agreement, employee conferences, emails, etc.). Each new employee hired by the Group reads the Code of Ethics when he/she begins working, and each employee is required to read the code periodically (the period varies from one bank to another - and ranges between one and three years).

Activity in 2019:

- In 2019, the construction of an extensive interactive program for implementation of the Code of Ethics began. In this framework, meetings, focus groups and interviews were conducted with the Bank's employees to identify gaps and required emphases for the implementation process.
- In 2019, a special book of dilemmas was written in collaboration with the employees covering trading room activity. The book describes situations that may constitute ethical dilemmas and the recommended solutions, in accordance with the Code of Ethics.
- In 2019, one inquiry was received concerning ethics at First International Bank, relating to human dignity and interpersonal conduct. The complaint was handled by the competent authorities at the Bank to resolve the issue.
- A new course has been developed to for training in embezzlement prevention and to introduce employees to the role of the Employee Complaints Ombudsman.
- In 2019, a single incident of bribery and corruption was identified in the group. The matter was reported to the appropriate authorities, and the employee involved left the bank.

First International Bank

- As part of the implementation of the Code of Ethics, every year before the Jewish holiday season, a desk calendar is distributed to all employees in the spirit of the Code of Ethics that illustrates the values of First International Bank and their significance.
- In order to make the Code of Ethics a practical and everyday tool for guiding Bank employees, there is a book of dilemmas on the enterprise portal that describes ways of dealing with and solving possible dilemmas in a banker's work. The book, written with the help and collaboration of a variety of employees and managers from various business units who have participated in focus groups and round tables on the subject, is available at all times on the Code of Ethics portal.
- A special book of ethical dilemmas concerning the capital market and the trading room has been developed.

Bank Massad

- In order to ensure that employees are familiar with the Code of Ethics, an internal circular is issued every year. Once every few years, employees are required to undergo an additional computerized course on the subject.
- During the year, the Employee Complaints Ombudsman procedure was updated.

MATAF

- MATAF's Code of Ethics is the company's values identity card. Professionalism, mutual respect, transparency and openness are the values that guide its activities and are reflected in relationships at MATAF. The Bank believes that ethics represent a business advantage and help in choosing the right path in decision-making both at the business level and at the interpersonal level. All new employees at MATAF are trained in the Code of Ethics upon taking up their posts.

Upholding Integrity

The FIBI Group recognizes the importance of upholding integrity and preventing corruption in its various banking activities. Accordingly, the Group acts to prevent such incidents through a number of complementary mechanisms to estimate, prevent and control the risks, and to handle them when necessary, so that these areas are fully covered.

The risk management and auditing are conducted by the Group through an adequate infrastructure of control, supervision, and auditing, which are implemented by means of three lines of defense:

1. **The first line of defense** is held by the people responsible for creating and managing the risk.
2. **The second line of defense** is held by the independent units of the Risk Management Division and auditing.
3. **The third line of defense** is held by the internal and external audit array.

The employees of the FIBI Group undergo computerized training on ethics, compliance and risk management through courses. There are diverse computerized courses in different fields, designed for different employees, and most areas need to be refreshed periodically (every year to three years), as required in each field. Areas in which employees undergo training through computerized

Employees also have various ways to make inquiries about ethical matters - they can contact one of the ethics entities (members of the Ethics Committee, an Ethics Officer, or an Ethics Supervisor) for the purpose of consulting them or reporting unethical conduct, either verbally or in writing, in one of the following ways: Through the ethics portal on the Human Resources website; to a special-purpose telephone number; by internal mail or email; by faxing the Ethics Officer. The ethics entities can also be contacted anonymously. Names and contact information for Ethics Committee members are published through various channels in the internal communications system, as well as through various implementation devices for employees.

Inquiries on the subject of compliance can also be addressed to the compliance trustees at any branch, to the compliance system through the website, or by personally contacting officeholders.

Status of Objectives for 2019:

Bank	Objectives	Status
First International Bank	Writing a special book of ethical dilemmas for trading rooms	Done
Massad	Issuing a refresher memorandum to all employees and managers of the Bank on ethics.	Done

Objectives in the area of maintaining ethical behavior for 2020:

First International Bank

- Updating and ratifying the Code of Ethics of First International Bank - in accordance with the Bank's decision, once every 3 years the relevance and currency of the Code of Ethics are examined. In 2020, the matter will be examined in collaboration with the employees and relevant bank officials.
- Construction and distribution of an implementation plan for the Code of Ethics that includes a kit for managers, a bank-wide knowledge game, and managers' conferences.
- The successful completion by all employees and managers of a computerized course on the prevention of embezzlement and the role of the Employee Complaints Ombudsman.

Massad

Issuing a refresher memorandum to all employees and managers of the Bank on ethics.

Business Continuity

Preparation for business continuity is a critical factor in maintaining the bank's financial stability and its ability to survive and function, even in an emergency and under various disasters or failures. This assessment is a result of the Bank's commitment to provide service to its customers and to safeguard customers' assets and depositors and holders of the Bank's securities, to provide a safe work environment for its employees even in emergencies, and to comply with Proper Conduct of Banking Business Directives and Basel Committee recommendations.

Pursuant to the provisions of Proper Conduct of Banking Business Directive 355 on the matter, the Group prepared for disaster recovery and business continuity during various types of emergencies.

A member of the Group's management and head of the Risk Management Division are responsible for coordinating the matter at the Group level. The Operational Risk and Business Continuity Management Unit at the bank handles preparedness, which comprises several layers:

- Formulation of a policy document on business continuity, discussed and approved by the Bank's management once a year and by the Bank's Board of Directors at least once every two years.
- Preparation of a working framework document for managing business continuity, which includes details on adequate technological infrastructure, formulation and implementation of comprehensive action plans and a supportive procedures infrastructure. The document is discussed by management and approved by it at least once a year.
- Conducting a Business Process Impact Analysis (BIA) in terms of business continuity, at a three-year frequency or at times material changes.

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- Maintenance of a process for improving preparedness for business continuity on an ongoing basis, in which the mapping of all the essential activities and resources required in an emergency, emergency scenarios, and the policy document, are all suitably updated.
- In addition, ongoing maintenance activities are carried out on the action plans and emergency files of the Group units.
- Running a Group-wide emergency assessment forum, headed by the Head of the Risk Management Division, which coordinates the business continuity activities of the entire Group. The forum is responsible for implementing the policy and procedures, and monitoring the Group's preparedness for various types of emergencies. The forum convenes at least once per quarter.
- Management and the Board of Directors receive a quarterly report on business continuity and emergency preparedness.
- Formulation of a multi-year practice drill plan, and execution of drills that simulate various emergencies, as well as conducting training.
- In an emergency, the Bank maintains a Group situation room, headed by the Head of the Risk Management Division, which coordinates the switch to an emergency footing, the emergency routine, the return to regular routine, reporting and so forth, throughout the Group.

In November 2019, the FIBI Group approved a policy document on business continuity. This document included: The targets and goals and how they are to be applied; areas of responsibility and authority; actions the bank should take to maintain its readiness; a list of emergency scenarios and possible failures; the framework for managing business continuity; the framework for reporting and developing business continuity management.

Status of Objectives for 2019:

Objectives	Status
A quarterly meeting will be held on preparation for business continuity.	Done
A report will be delivered as part of the quarterly risk report to management and the Board of Directors about the business continuity activity of the bank and its subsidiaries.	Done
Conducting business continuity drills in accordance with an established multi-year drill plan.	Done
Conducting a Business Impact Analysis (BIA) survey on aspects of business continuity following the merger of Otsar HaHayal Bank.	Done

Goals for business continuity activities for 2020:

- A quarterly meeting will be held on preparation for business continuity.
- A report will be delivered as part of the quarterly risk report to management and the Board of Directors about the business continuity activity of the bank and its subsidiaries.
- Conducting business continuity drills in accordance with an established multi-year drill plan.



Investing in Our Environment and Our Community



Responsible Supply Chain

The FIBI Group manages its supply chain responsibly, both through fair and proper treatment of suppliers, and through responsible selection of suppliers, services and products. The FIBI Group maintains long-term, fair and responsible relationships with suppliers and service providers with which the Group works, and expects the highest administrative and social standards to be met on the part of suppliers.

The Group takes care to work with suppliers and service providers that act responsibly, and with which it can cooperate in such a way as to create added value for the Israeli economy. When contracting suppliers, we take into account service quality considerations and compliance with quality and reliability standards, experience, meeting the requirements, and quality of the service or product, in addition to cost considerations. In addition, the Group takes into account environmental and social considerations in assessing the conduct of suppliers. These considerations help to guide the selection of the most appropriate suppliers for the Group. The procurement process at the FIBI Group is transparent, and includes notifying the suppliers and bidders about the Group's practices vis-a-vis suppliers. Procurement is based on principles of fairness, integrity, upholding employees' rights, and reciprocity. The Group strives to create reliable, long-term relationships

with suppliers, based on our belief that true partnerships provide business value to both parties in the long term. Such relationships are achieved by behaving responsibly and considerately and practicing true give and take with our suppliers, as well as maintaining an ongoing dialogue between the Group and the suppliers through various channels.

All of the Group's procurement activities are managed by the Group's Procurements Department, which is responsible for all procurement and the Group banks' interfaces with suppliers and bidders, in accordance with the Group's procurement procedure. The Group's procurement function is divided into four main categories: technological procurement, personnel-related procurement, general procurement, and procurement in the construction and real estate domain.

Before signing any contract, the Group's Procurement Department conducts a thorough review of the market and the bidders. This review is intended to allow the Procurement Department to select the most suitable suppliers. To be entered in the Group's procurement systems, each new supplier must submit a declaration in which it undertakes not to accept any undue benefits and a CPA's approval that all its employees are paid salaries and given social benefits according to law, in addition to other certifications



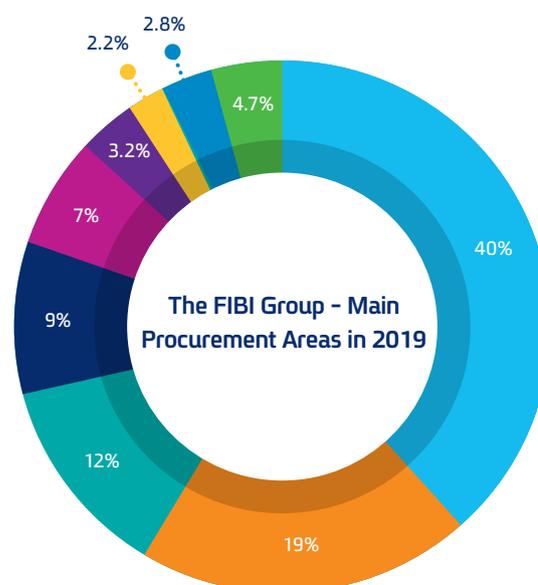
45 days later. Furthermore, the FIBI Group shows empathy and support for suppliers in times of crisis, while exercising judgment.

Activity in 2019:

- In 2019, the Group worked with 2,685 suppliers.
- 276 (approximately 10%) of the suppliers with which the Bank worked in 2019 were new suppliers with which the Bank had not worked before.
- The Group's portfolio of suppliers allows it to contribute to the development and activity of the Israeli economy. The Bank is careful to make local ("blue-and-white") purchases. About 98% of the suppliers were Israeli. In addition, about 46% of suppliers were small businesses. Of the new suppliers that the Group began working with in 2019, 180 (65%) were small businesses.
- In 2019, a responsible procurement policy was formulated for the Group. The policy sets out the principles for carrying out responsible procurement, managing procurement processes, and maintaining mutually beneficial and long-term relationships between the Bank and its suppliers. In addition, the policy stipulates that corporate social responsibility considerations must be part of procurement processes and the selection of suppliers, in line with the Group's material issues.
- In some areas, such as gifts for employees and customers, there is a preference in the Group for socially aware providers, such as non-profit organizations, and enterprises that employ diverse populations and people with special needs.
- In 2019, as in previous years, the main procurement categories (80% of all Group procurement) were:
 - Construction, real estate, building maintenance (40%).
 - IT, technology and communications infrastructures (19%).
 - Printing, mailing, telephony, office supplies, archiving, and transport (12%).
 - Personnel, training, professional and consultancy services (9%).

concerning prevention of sexual harassment, maintenance of security and safety, promotion of equal opportunity, preservation of the environment and the use of environmentally friendly materials. First International Bank takes pride in maintaining and encouraging competition in the economy. As a result, as part of the Group's policy, the maximum contract period with a supplier is capped at seven consecutive years or seven non-consecutive years over a ten-year period, except for extraordinary cases defined in the Group's contract procedure. This procedure encourages new suppliers to enter the market, accumulate unique experience in working with the banking sectors, thus supporting their ability to grow. In addition, the Group takes care to continually add new suppliers and service providers to its roster, which we consider to be a mutual opportunity that allows the Group to learn about new products, services, and ideas, and, of course, to be exposed to new work methods.

As part of its activity, the FIBI Group arranges the payment schedules with suppliers upon first contracting them. This agreement is based on the FIBI Group's awareness of the financial capabilities of small suppliers with limited credit. Thus, the Group tries to transfer payments to suppliers as soon as possible from the time that a payment demand is received, and in any case no more than



- Construction, real estate, building and property maintenance
- IT, technology and communications infrastructures
- Printing, mailing, telephony, office supplies, archiving, and transport
- Personnel, training, professional and consultancy services
- Advertising and marketing
- Refreshments, travel and board
- Cleaning, guarding and security
- Legal counsel and banking insurance
- Other

Protecting the Rights of Contract Workers

In 2019, the Group contracted with 19 manpower providers in the areas of cleaning, guarding and security (15 cleaning providers and four guarding and security providers) who provided a total of 226 workers (this excludes workers employed by the management companies of the properties in which the Group's offices are located). The Bank does not contract with manpower providers in other areas. Manpower providers constitute approximately 0.7% of all active suppliers in the Bank Group.

Pursuant to the Law Enhancing Enforcement of Labor Laws, 2011, which applies to engagements with contractors for cleaning, security, and catering services, and in view of the Group's principle of fairness and the preservation of workers' rights, the Group has drawn up an enhanced enforcement procedure to regulate the handling of relations with contractors and contract workers. Under this procedure, the Group Procurement Department verifies that relevant contractors employ their employees pursuant to the provisions of the law. The Group Procurement Manager is the person responsible for complying with and instilling the provisions of the procedure, and also serves as the direct contact for contract workers to file complaints and other inquiries on any matter. In 2019, as in previous years, the Group conducted a periodic inspection of all the cleaning and security companies through a certified payroll inspector. Such inspections include examination of a sample of pay slips, in order to ensure that contractors are observing workers' rights.

When a supplier begins working with the Bank, it is required to notify all its employees who work at the Bank about the direct contact details for filing an inquiry or complaint about the terms of their employment. The Procurement Department may be contacted in writing or by telephone. In addition, under the procedure, when

a complaint is received by the Group Procurement Department, the relevant supplier is notified, and the subsequent review and handling of any complaint is carried out according to the timetable set out in the procedure. The Group is legally obligated to document the complaint, examine it thoroughly, contact the contractor in writing, and, of course, respond to the complainant. In addition, as part of its work procedures, the Bank carries out a periodic inspection of all cleaning and maintenance companies through a certified payroll inspector. As part of this inspection, the Bank verifies that the contractors observe the rights of all employees, and comply with labor laws and extension orders in the field. A sample of pay slips is examined.

No. of Inquiries by Contractors, 2015 -2019



During 2019, three complaints were received about the terms of employment of contract workers. All the complaints were examined, and two of them were found to be justified. The complaints were reviewed with the contractors, and the handling of all the complaints was concluded to the satisfaction of the complainants.

Supply chain activity objectives for 2020:

- Comprehensive implementation of the new procurement policy in Group procurement processes and procedures.
- Continuation of procurement from socially aware organizations.
- Carrying out a periodic inspection of the contract manpower companies with which the Bank works.





Managing Environmental Aspects of the Group's Activity

The FIBI Group is aware of environmental occurrences at both the global and local level. Climate change is likely to affect all spheres of life and large population groups. In addition to the growing scarcity of resources, the level of the sea is likely to rise even in Israel, damaging water resources and changing ecological systems. These environmental processes can impact the Group's business environment, its customers, and its financial stability. As a financial concern providing services at the national and global level, the Group regards helping to mitigate these adverse effects as highly important. The Group thus takes into account various environmental aspects when making decisions in its regular course of business.

Self-management by the FIBI Group: The main environmental impacts created by our activities result from office operations. The main environmentally significant impacts of the Group's activity stem from consumption of electricity to operate its properties, the use of fuel for transportation purposes, paper consumption in office and business activities, and the creation of office waste during daily activity. In addition to these direct impacts, the Group indirectly contributes to climate change, mainly through the direct and indirect emission of greenhouse gases, mostly from the consumption of fuel and electricity.

The FIBI Group owns many buildings that consume substantial amounts of power and a fleet of vehicles that consume fuel. Efficient and economical management is both environmentally

“The FIBI Group owns many buildings that consume substantial amounts of power and a fleet of vehicles that consume fuel. Efficient and economical management is both environmentally and economically significant. Furthermore, the Group believes that implementing an environmental policy will provide its employees with a better work environment and a higher quality of life, which improve satisfaction and benefit everyone

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and economically significant. Furthermore, the Group believes that implementing an environmental policy will provide its employees with a better work environment and a higher quality of life, which improve satisfaction and benefit everyone.

The Group recognizes its responsibility and therefore manages the key environmental resources of its activity, seeking opportunities to reduce their use and improve the efficiency of resource consumption, by adapting and changing operating and business processes and the responsible management of waste through an accepted hierarchy of reuse, recycling, and proper handling. The various environmental aspects are managed while monitoring key operational aspects, setting multi-year targets, and implementing initiatives for increasing energy efficiency. The Group also invests resources on increasing environmental awareness among its employees, so that they will adopt environmentally friendly behavior both within and outside the Group.

Power Consumption and Increasing Energy Efficiency

Energy is the main environmental resource used by the Group through its power consumption. Increasing energy efficiency in headquarters and branch buildings of the FIBI Group is a key priority of the Group's environmental management. The Group's logistics function is the body responsible for the Group's energy management. The function is formulating a policy and procedures for resource management and energy use.

Power Consumption from Natural Gas

In recent years, the FIBI Group has begun to use power supplied by Dorad (which produces electricity using natural gas and a cleaner mix of fuels compared with power produced by the Israel Electric Corporation) to power some of the banks' branches. In 2019, about 81.5% of the FIBI Group's power consumption came from Dorad. Consumption of electricity from Dorad saves 25% on greenhouse gas emissions for each kWh, compared with consumption of power from the Israel Electric Corporation.

	2019	2018	2017	2016	2015
Power consumption (kWh)	16,649,875	16,425,227	17,121,671.95	24,029,960	27,110,604
Area (m ²)	83,118	83,975	89,234	120,308	131,271
Power consumption (kWh per m ²) - (Energy Intensity)	200.32	195.6	191.87	199.74	206.52

Buildings of the FIBI Group

The energy management process at the FIBI Group places special emphasis on the construction of new buildings. Consumption efficiency considerations are included from the initial planning stage and implemented in the construction process and maintenance of the buildings. In this context and in view of additional environmental advantages, significant new structures are built in accordance with the Green Building Standard - Israeli Standard 5281 (2011).

In addition to the Group's new buildings, most activity and consumption takes place at the branches and other existing structures. These are mostly properties in commercial centers, malls, etc. which are not directly owned by the Group. Nonetheless, and notwithstanding the absence of operational control, the Group undertakes a range of measures to save electricity, including the following:

- Installing a main circuit breaker for the lighting and power circuits.
- Adjusting the lighting fixtures' brightness level to the nature of the activity and reducing the number of bulbs.
- Installing presence detectors for turning off lighting and air-conditioning whenever relevant.
- Building a single command and control center which turns the systems on and off.
- Using power-saving lighting fixtures - In the past five years, the Group has completed the gradual replacement of lighting fixtures with T5 units in most properties.
- Installing air conditioning system controllers to maximize the compressors' efficiency.
- During 2019, the group replaced old air conditioning (chiller) systems in some of the branches in which it has operational control. The old systems were replaced with new, more environmentally friendly and energy-efficient chillers.

Consumption of Materials

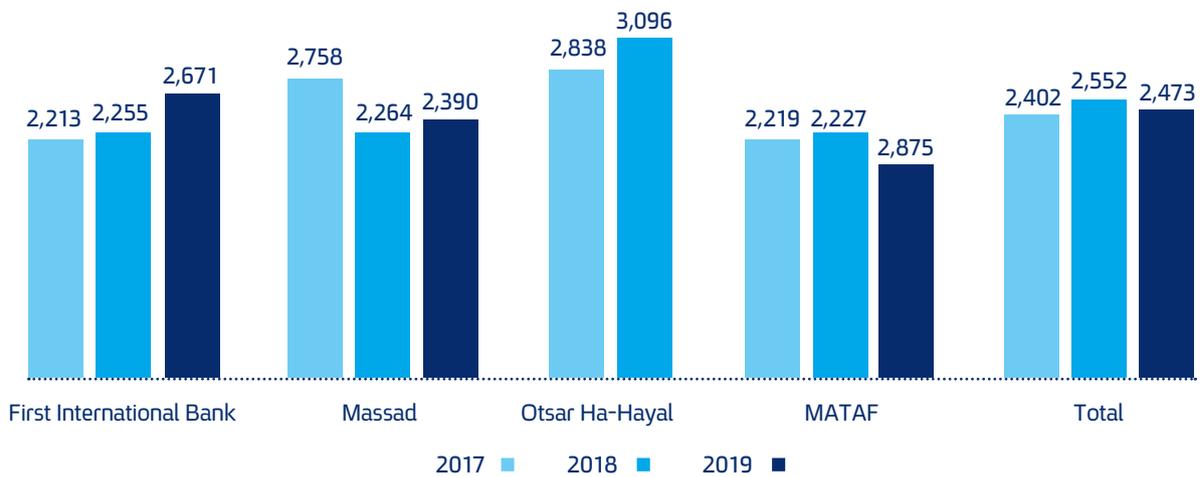
Paper is one of the main raw materials consumed by the Group's banks on an ongoing basis. The FIBI Group therefore manages this resource in accordance with its overall concept of boosting efficiency, reducing consumption, and increasing recycling. In addition, paper consumption is directly linked to toner consumption for printing. Printer toner contains ink, which has a significant environmental impact. The FIBI Group regards reducing the consumption of paper and printer toner as an opportunity to reduce its impact on the environment, thereby contributing to the organization's efficiency and to a more sustainable planet. To reduce paper consumption, the Bank Group encourages its customers to receive mail through digital media, subject to relevant regulation. As part of its resource management, the Group monitors paper and ink consumption by internal systems and is gradually expanding the measurement baseline, in order to obtain more accurate results.

Fuel Consumption:

Besides power, another component of the FIBI Group's energy consumption is fuel consumed by the Group's vehicle fleet. The Group's vehicle fleet is mainly based on gasoline-powered sedans. To reduce air pollution from car emissions and increase fuel consumption efficiency, the Group is promoting the use of fuel-efficient cars in its fleet, and is expanding the supply of these cars, publicizing their advantages for employees and providing information on safe and fuel-saving driving.

- Fuel consumption activity in 2019 was as follows:
- In 2019, the Group's fleet had 399 vehicles, 233% (58%) of which were fuel-efficient (with an engine smaller than 1500 cc and/or a turbo TSI engine).
- In 2019, the Group's vehicles consumed 987 thousand liters of fuel.
- In 2019, 66% of the Group's car replacements were to fuel-efficient vehicles.
- The FIBI Group purchased no diesel fuel during the year.

Comparison of Average Annual Fuel Consumption Per Vehicle by the Group in 2017 - 2019¹⁶



Percentage of fuel-efficient vehicles 2017-2019



- Percentage of fuel-efficient vehicles
- Percentage of vehicles replaced by fuel-efficient vehicles (out of total vehicles replaced)

16. In the 2017 report, U-Bank was reported together with MATAF. In the 2018 report, U-Bank was reported together with First International Bank. In the 2019 report, Otsar Ha-Hayal's reports were consolidated with those of First International Bank.



Waste Recycling

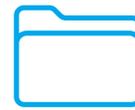
The waste created by the Group's activity can be classified into three main types:



Computer equipment waste



Paper waste (including cardboard)



General mixed office waste

In terms of scale and content, the most substantial types of waste characteristic of the Group's activity are paper waste and computer equipment waste.

All paper consumed by the Group is collected after consumption and sent for recycling. Major facilities also collect cardboard, which are sent for recycling together with the paper. Out of the total amount of paper and cardboard consumed by the Group in 2019, 318.43 tons of paper and cardboard were recycled, which constitute 93.7% of the paper consumed during the year. In addition, the Bank is in the process of implementing the use of recycled photo paper. In 2019, about 3.9 tons of recycled A4 photocopying paper were consumed.

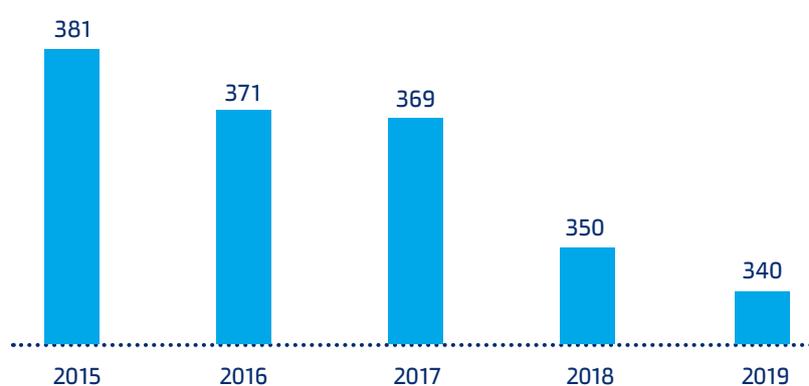
Similarly, the vast majority of the toner containers consumed in the Group, about 84% of the units, were collected and recycled. In 2019, the FIBI Group consumed 5,850 kgs of toner. This compares with over 8,000 kg in 2018 (a decrease of more than 27%). Some of the toner consumed by the Group is recycled and some is not, with preference for recycled toner. During the year, 4,875 toner units were purchased, of which only 746 were original (only about 15%). The decrease in general toner consumption is due, among other things, to the choice of using toner cartridges with a relatively high capacity, of about 30,000 prints per unit.

Computer equipment waste, electronic products waste and appliances waste, including: magnetic storage devices, batteries, computer equipment and peripherals, appliances, and communications equipment, are centrally collected by the Group Procurement Department and sent for handling by a certified party (an entity recognized under the Environmental Treatment of Electrical and Electronic Equipment Waste Law).

Below is the FIBI Group's paper consumption in 2015-2019 (in Kgs):

Type of paper	2019	2018	2017	2016	2015
A4 photo-copy paper	329,620	339,890	359,923	360,173	368,578
Stationery	1,667	1,507	1,477	1,713	2,610
Brown envelopes	5,042	6,627	5,662	5,527	5,967
White envelopes	3,415	2,238	2,692	3,610	4,160
Total (kg)	339,744	350,262	369,753	371,022	381,315

Total Paper Consumption (tons), 2015 -2019



The consistent decline over the years in the volume of paper consumption is due, among other things, to the digitization processes that the banks in the Group are undergoing, and in particular to the conversion of many forms from paper to online.

The FIBI Group's Waste Recycling Was as Follows:

	2019	2018	2017	2016	2015
Paper (tons)	318.43	482.94	509.1	580.3	528.9
Archive clearance (tons)	188.27	163.16	162.9	272	254
Toners (kg)	4,955	6,764	8,651	9,989	9,482
Electronic and magnetic storage (kg)	960	1,910	500	5,372	3,568

In addition to the main recycling activity, the Bank Group works to increase employees' awareness of recycling and its importance. In this context, there is waste recycling activity in the various offices of the Group banks. There are recycling facilities, and separate bins for material intended for recycling. Among the materials that Bank employees are encouraged to recycle are bottles, plastic packaging, glass, and batteries. It should be emphasized that the Bank also recycles materials that come to it from external sources, such as packaging and mail items.

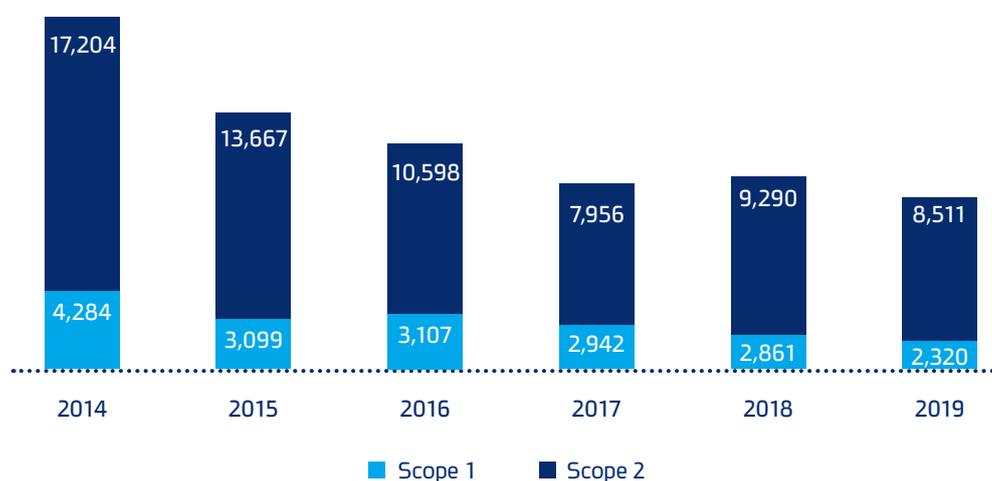
Carbon Footprint

Understanding the enormous destruction caused to the planet by global warming and climate change, the FIBI Group monitors the main factors in its activities that affect the phenomenon, and works to mitigate their impact. The Group's carbon footprint is monitored in accordance with accepted standards in Israel and other countries and is calculated using calculation tools developed by the Ministry of Environmental Protection and in accordance with the international Greenhouse Gas (GHG) Protocol. The FIBI Group's carbon footprint comprises direct emissions (Scope 1) - the burning of fuel by the vehicle fleet; and indirect emissions (Scope 2) - power consumption. Additional indirect emissions (Scope 3) are immaterial to the Group's activity and are therefore not monitored.

Dealing with climate change and reducing emissions at source is undertaken as part of the energy conservation plan, green building, use of fuel-efficient vehicles, and the purchase of electricity from private power producers which generate power by natural gas (that has lower greenhouse gas emissions compared with the fuel mix used by Israel Electric Corporation). In this context, for example, action was taken such as switching to consumption of electricity generated from gas, while the Bank's central headquarters on Rothschild Boulevard in Tel Aviv and the MATAF building were constructed as green towers (the First International Bank Building was recognized by the Ministry of Environmental Protection and the Standards Institute of Israel as the first green office building in Israel).

The FIBI Group's total carbon footprint in 2019 was 10,831 tons CO₂eq.

The FIBI Group's Carbon Footprint in 2014 -2019 (in tons CO₂eq)



In 2019, the greenhouse gas emissions intensity stood at 0.13 tons CO₂eq per square meter. This figure reflects a decrease of approx. 14% from the 2018 figure, which was 0.151 tons CO₂eq per square meter.

Meeting Objectives for 2019:

Area	Objectives	Status
Paper consumption	Reduction of paper consumption by 3% compared with 2018.	Partially done. Paper consumption was reduced by 2.85%.
	Reduce the use of checkbooks by 5%, by switching to the use of digital means of payment.	Done
Fuel Consumption	Examination of the introduction of hybrid vehicles into the vehicle fleet.	Done. It was decided to integrate hybrid vehicles into the fleet.
	Continued expansion of the use of fuel-efficient vehicles.	Done
Waste recycling	A 5% reduction in consumption of toner as the transition to digital continues.	Done. Toner consumption was reduced by about 27%.

Objectives for Environmental Impact Management for 2020:

- Replacement of old and inefficient air conditioners and mini-central units in several branches.
- Reduction of paper consumption by 3% in comparison with 2019.
- Reduction of the use of checkbooks by 5%.
- Introduction of hybrid vehicles in the vehicle fleet.
- Continued expansion of the use of fuel-efficient vehicles.
- A 5% reduction in consumption of toner as the transition to digital continues.

The Group's Employees Contribute to the Environment

In 2013, the FIBI Group established the Process Streamlining Forum, which is charged with assessing and promoting streamlining and savings by the Group. Any employee may submit to the Forum any idea whose implementation may result in future financial savings on the Group's activity, with the savings financially quantifiable in the future, but having no financial short term impact. Among the areas with which the forum deals are issues related to reducing the Bank's environmental impact.

In the past, the forum's activity has led to, among other things, a reduction in printing volume and in the bank's paper usage. This was attained through a recommendation to transmit certain forms digitally instead of in hard copy, as well as recommendations for saving various types of information on computer only, without additional hard copies.

In 2019, the Efficiency Forum received about 126 optimization proposals, relating to various banking and operational areas. Among the proposals received and being examined are proposals to digitalize various banking processes, thereby reducing the use of paper, as well as the expansion of the digitalization of certain banking processes, which has led to a reduction in the need for customers to come to branches.





Investing in the Community

“The FIBI Group sees itself as under an obligation to be actively involved in society and the community, with an emphasis on the participation and involvement of the group’s employees. in line with the vision, strategy, and values of the Group and its substantial role and leadership in the Israeli economy.”

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The Group has diverse and extensive economic activity, including regular strategic cooperation with social organizations. The activity is led by a steering committee dedicated to community investment, headed by the Chairman of the Bank’s Board of Directors. The committee’s members other directors, and those with roles in contribution to the community at the Bank. The steering committee outlines policy on investment in the

community, guides and directs the Group’s fields of activity in this area, and monitors its performance. The existing policy guidelines focus the Group’s efforts on two main social areas: at-risk youth, and women’s entrepreneurship. The activity is managed day to day by the Investing in the Community unit in the Bank’s Resources Division, and with the support of the “Matan - Investing in the Community” organization. Once a year, a discussion of the investment in the community activity is held by Board of Directors Technology, Innovation and Administration Committee. A discussion is also held by the Group’s management to approve the budget and work plan.

The Bank strives to maintain long-term relationships with the various associations it supports. Each community program is drawn up after the NGO’s needs are clarified. The character and method of the investment and its goals are developed in cooperation with the organization, and the effectiveness of the activity is examined, with the aim of maximizing the positive impact of the resources invested. Besides the Bank’s traditional activities, further needs and opportunities for additional collaborations are constantly being examined. The new opportunities come to the Bank from both employees and civil society, and are reviewed from time to time by the professionals at the Bank and the Steering Committee.

The Group’s community investment is conducted on two levels: social involvement of employees, and donations to social organizations. The Group does not donate money or cash equivalents to political parties, politicians, or political institutions. The Group’s

collaborations with social organizations are subject to certification of each organization as properly administered, as well as to an examination of the quality of its activity, with the clear objective that the activity will have a significant impact on Israeli society in general and on the beneficiaries of the activity in particular.

As part of its social activities, the Bank works to make available the unique professional knowledge of its employees to the beneficiaries of the activities and the organizations with which the Bank cooperates. Thus, volunteers from First International Bank provide financial education in the framework of some of the volunteer programs. In addition, volunteers from MATAF engage in technological education, and contribute from their advanced professional knowledge in this field.

Donations in cash and cash equivalents

The Group banks' donations policies (the main focal points of which are outlined above) are approved annually by each bank's board of directors. The First International Bank's management, through the bank's Resource Division, is responsible for managing the donations budget. The bank have a donations committee, which handles requests on a regular basis and allocates donations to various entities in accordance with the Group's policy.

Applications for general donations are referred to the donations committee, along with a reasoned recommendation. The committee is responsible for collecting all the requests and issuing recommendations. Donations are approved only to lawfully managed NGOs (with all required certificates, exemption clauses, etc., and with no political affiliations). Each donation that meets the above criteria is evaluated and considered by the Donations Committee. Support is provided to the many entities supported by the Group in accordance with a clear policy that reflects its vision. The donation process is structured and regulated, with an assessment of the need and the necessary approvals. The donations committee considers, inter alia, the following: donations to the needy (children and youth at risk, children and youths with special needs or illnesses, etc.), how effective the donation will be, and gives priority to employees' requests in order to encourage their involvement in the community outreach efforts.

In 2019, the FIBI Group donated NIS 3 million to various social causes, in accordance with the group's policy, such that 45% of the donations went to charities and activities that help children and youth at risk, and 18% of the donations went to charities that promote entrepreneurship for women.

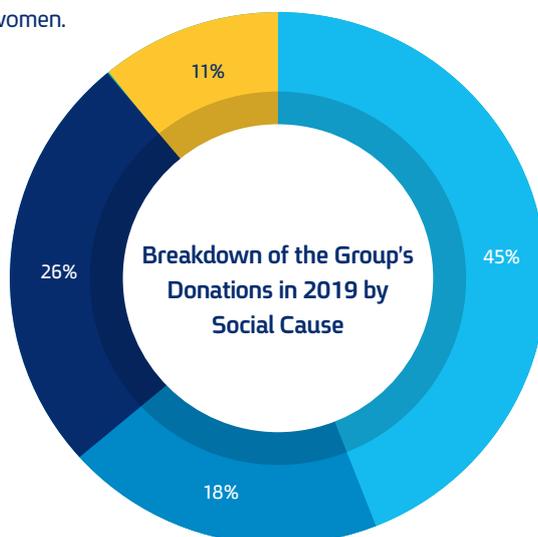
“ The Bank strives to maintain long-term relationships with the various associations it supports. Each community program is drawn up after the NGO's needs are clarified. The character and method of the investment and its goals are developed in cooperation with the organization, and the effectiveness of the activity is examined, with the aim of maximizing the positive impact of the resources invested. ”

Joint Projects Include Monetary Investment by the Group and Involvement by its Employees:

As part of its financial investment, the Group also operates the United Way program in cooperation with NGO "Matan - Investing in the Community", in which the Group's employees can donate any amount of money to NGOs of their choice. The Bank matches the amount of employee contributions to nonprofits under the project. The venture is designed to promote joint and empowering donations. In 2019, approximately NIS 250,000 was donated by the employees and the Group through this project.

Technological products of monetary value are donated:

Bank Massad is a strategic partner in the Laptop for Every Teacher program led by the Athena Foundation. The objective of the program is to empower teachers and advance their professional standing, including in the area of online classes. As part of the program, about 3,000 laptops are provided to teachers in Israel every year, as well as a 120-hour training program to improve knowledge and add tools and skills for using the laptop for teaching purposes. To date, the Fund has given out over 20,000 laptops to teachers in 220 towns across Israel. The Group's flagship program is giving tablet computers to special education teachers as part of a joint project of the Group and the Fund. In 2019, the Fund gave laptops to approx. 3,000 teachers.



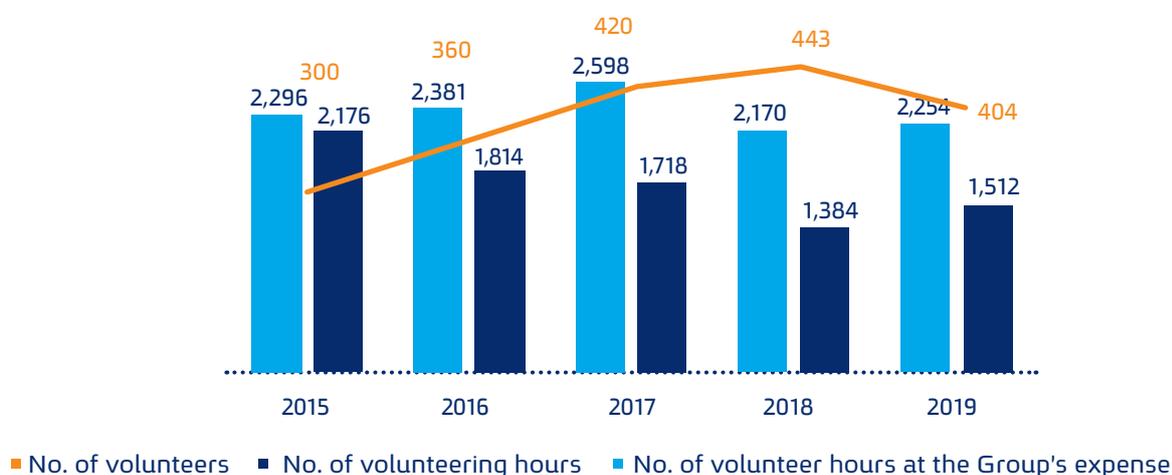
- Children and youth at risk
- Business entrepreneurship for women
- Sectors and populations with unique difficulties
- Other

Volunteering by Employees

In 2019, 404 employees of the FIBI Group - who constitute around 10% of the Group's total number of employees volunteered, contributing 2,254 volunteer hours to the community, of which 1,512 hours (about 67%) were at the Group's expense.

The employees' volunteering is takes place as part of the Group's flagship program for community involvement - "We Believe in You". The program works in collaboration with the "Matan - Investing in the Community" organization. The program focuses on teenagers from areas that are socially and geographically on the margins of society. The program's goal is to integrate them into society through educational and social programs, social and business entrepreneurship, financial literacy, technological training for integration into the labor market in an advanced technology environment, and business English. This is combined with the provision of leadership tools and skills, and the inculcation of ideas of excellence, of values that reinforce the sense of capability, and of a positive self-image, while strengthening the inter-generational connection. The Group regards support for youth and children at risk as an extremely important tool for their growth, out of responsibility for improving their future, and for equal opportunity in Israeli society. Another flagship project in the Bank Group's "We Believe in You" program supports the promotion and development of women's entrepreneurship in Israel's geographical and social periphery to promote women's economic independence and accompany women to success, raise and promote women's status in Israel, and produce strong female economic leadership from all sections of the population.

Volunteering by Employees in 2015-2019



The Group's activities in the field of helping children and youth at risk:

In 2019, the Bank's support for at-risk youth was expanded through the development and implementation of programs and frameworks for dropout prevention and vocational training, with an emphasis on technology, including professional training for at-risk youth in the geographical and social periphery of the State of Israel. The programs offer a solution for young people who have dropped out of formal frameworks and who are also in difficult financial situations and are looking for ways of obtaining professional training and a livelihood. The programs equip these young people with skills and prepare them for the transition to the world of work, with the aim of raising their chances of integration into the labor market. In 2019, about 1,850 children and youth participated in activities supported by the program.

The following are the main support for at-risk youth programs:

01

Machshava Tova (Good Thought) - The association works to reduce social disparities and promote social leadership through technological training for at-risk youth. The study of STEM disciplines and the provision of access to technology in a supportive and empowering environment open up a whole world of opportunities to youth for education, employment and social integration. The Step Up program exposes young people to in-demand technological fields, such as cellular technician, and provides them with practical and useful training for the labor market. Along with acquiring knowledge, there is an emphasis on developing technological and entrepreneurial thinking, strengthening their self-belief and confidence, and cultivating their sense of competence, in order to create better prospects for them. In 2019, the Bank supported the Step Up program to promote technological activity and vocational training for youth in dropout situations in 9 boarding schools and youth villages for at-risk youth throughout the country. A total of 120 trainees participated in the activity in the course of the year.

02

Technological education in the Kedma Youth Village - Kedma is an educational-therapeutic youth village, for high-risk girls and boys who have dropped out of various educational frameworks and found their way to the margins of Israeli society. Kedma is a warm home for them, and provides an appropriate response to their physical, social and emotional needs, enabling them to undergo change and growth, and experience substantial successes that will move them forward. First International Bank was a partner in establishing a new technological stream in the youth village. The goals of the technological stream are to prepare students for integration in an advanced technological employment world, to empower the students and generate in them a sense of competence, and also to create an employment horizon for them at Intel. In 2019, 50 students studied in the program.

03

Unistream - Unistream is an association that provides training to youth and young people from underprivileged and marginal populations and exposes them to the world of business and entrepreneurship, and to concepts of leadership and excellence, enabling them to break through and recalibrate their life path towards mainstream society as contributing and prosperous citizens and to become social and economic leaders.. The Bank supports four Unistream centers around the country (Neve Michael boarding school, Alumim boarding school, Yemin Orad, Netivot). It advises these centers on the development of the business venture over the course of the year. The Bank's support comprises volunteering by employees, together with involvement by senior bank representatives as judges on committees, at rehearsals and at competitions. In addition, the support includes hosting the groups at the Bank, for sessions on subjects from the basics of business administration, the capital market, financial literacy, marketing and advertising, and writing a business plan, up to business tools and skills such as business presentation, negotiation, business communication, etc. In 2019, 128 youths participated in the centers' activities with the Group's support.

04

The Fidel Association - The program provides educational and social tools that will enable youth from the Ethiopian community to integrate into Israeli society, and that will strengthen their sense of identity and belonging, and make them capable of academic excellence and of leadership. The Bank supports the operation of two Fidel youth centers in Ramla and Lod, and accompanies them on special days and at significant events. The youth centers are open in the afternoon and evening for youth aged between 13 and 18. A professional staff serves as a source of consistent emotional support and of role models who create an empowering, nurturing and safe environment. The centers also welcome children of non-Ethiopian descent from poor neighborhoods who are at risk. The purpose of the centers is to provide a warm home for youths from nearby neighborhoods, to give them as sense of familial backing, to reduce reckless behavior, and to form a basis for personal development. The youth centers run enrichment programs in order to foster motivation and the aspiration to succeed in life, such as study centers, classes and workshops (graphic design, music, writing, etc.), meetings with role models, leadership teams, and a Fidel football team that takes part in tournaments. In 2019, 234 youths took part in activities supported by the Bank.

05

Father and Sons on the Playing Field - A program for strengthening relationships and communication between fathers and their pre-adolescent and adolescent sons with the objective of strengthening the family, enhancing a can-do spirit, and preventing reckless behavior. The teams create an important meeting place for fathers and sons through team sports, comprising a supportive group to encourage sports and promote a healthy lifestyle. The Bank supports the program, which operates 38 groups across the country. In addition to the regular activities of the groups, a number of tournaments were held during the year, involving various groups from around the country and with the cooperation of the Bank's volunteers, the Bank's futsal team, employees and their children. In addition, the bank's volunteers gave lectures the year on financial management in the family, to fathers and mothers who participate in the program. In 2019, about 900 fathers and sons (most of them in the fourth, fifth and sixth elementary school grades) participated in the program.

06

Value Way Program - Bodo for Peace - The project uses martial arts as a platform for empowering youth for future leadership, learning educational values, community involvement, behavioral change, reducing youth violence, and good citizenship. The main goals are strengthening of self-confidence, and acquiring skills for harmonious life in the group in particular and in society in general. The core values of the educational activity are respect, harmony, personal responsibility, integrity and humility. The target audience is children and youth from diverse sectors: Jewish, Arab, Bedouin, members of the Ethiopian immigrant community. The program supported 7 centers and boarding schools for at-risk children and youth across the country that adopted the program. A total of 184 youth participated in the activity.

07

Art project for children living in boarding schools - the project is run in collaboration with the Nachum Gutman Museum of Art and the "Fair Chance for Children" association, and operates in 9 boarding schools around the country during the summer vacation and the 2019 Jewish holiday season in which there is no educational framework. The activity affords children the opportunity of a different kind of educational experience, an experience that has enrichment, recreation, fun and exposure to the worlds of culture and art, as in any normal family. The project is designed to nurture and enrich children from underprivileged and special populations living in boarding schools around the country, and provide them with quality art education and a challenging and enjoyable framework for artistic creation, together with a sense of belonging, competence, and influence on the immediate environment of their lives. A total of 240 children in 20 activity groups participated in the program.



The Group's activity in the promotion of women's entrepreneurship:

As part of the Bank's flagship project for business entrepreneurship for women, the Bank collaborates with 3 major associations in the field of women's business entrepreneurship. The goal of the selected organizations is to reduce the social gaps in the State of Israel, by empowering women and providing tools that will help them establish, develop and promote small businesses. The organizations build the infrastructure and provide the tools and methods to facilitate the expansion of business entrepreneurship among women, in the geographical and social periphery of Israel. The annual activity includes broad support of the Bank for women's entrepreneurship programs and courses in the three NGOs, building a network for the Bank's volunteers to take part as lecturers, mentors and business analysts in the various programs, branding and positioning to create broad public awareness of the activity through which the Bank leads and supports the empowerment of women and the development of small businesses, as a flag-bearer for the social cause of women's advancement in the business world. In 2019, about 375 women business owners participated in activities supported by the Bank.

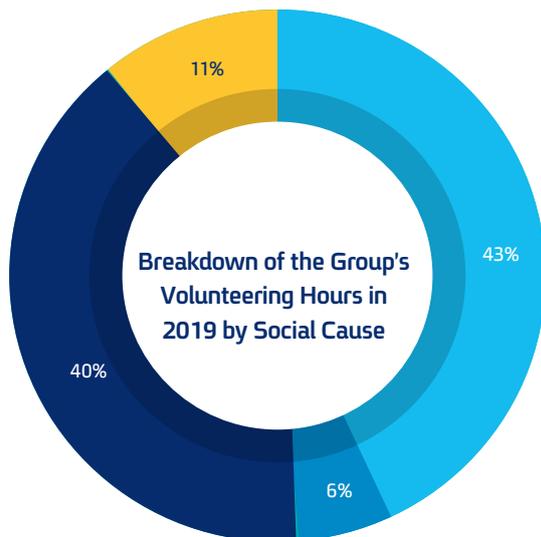
- **Financial empowerment for women** - During 2019, the Bank supported three training and mentoring courses for the "A Business of One's Own" program - a comprehensive and thorough program for women who want to start an independent business as a source of livelihood, or who own an independent business that is starting out. The program includes business enrichment and personal empowerment in order to free participants from economic dependence on institutions and from poverty. A total of 41 women participated in the activity. In addition, with the support of the Bank, a conference for 100 women was held, which included a marketing marathon for business owners. It took place at the Bank's offices.
- **Future Initiatives** - During 2019, the Bank supported five business training courses funded by a parallel contribution by the Ministry for the Development of the Negev and Galilee. A total of 200

women from the Israel's economic, social and geographical margins participated, owners of start-up businesses or existing small businesses requiring development and upgrading.

- **Jasmine** - During 2019 the Bank supported two cycles of the course "Jump to Business" - Execution for Success, in two groups in the center and in the north. A total of 34 Jewish and Arab women participated in the activity. A unique program that aims at business promotion and development, providing tools for managing and developing the business. It is intended to assist women business owners at the survival stage to develop their businesses and bring about a significant increase in their profits, as they put ideas into practice during and after the program.

Additional socially involved programs, outside the flagship program:

- **Israel Journey** - a joint national project with the Friends of the IDF to strengthen the social, moral and national resilience of the State of Israel. "Challenging for Inspiration" - a program that connects wounded IDF soldiers with employees of First International Bank for an educational, value-based experiential journey to strengthen the sense of belonging to the people of Israel and the State of Israel. The program includes a two-day trip by a combined group of IDF disabled and Bank employees, exploring circles of identity from the self to the community to the people in its land. In 2019, the bank supported two trips with the participation of 54 IDF disabled people with volunteers from the Bank.
- **Adopt a Fighter** - a project that aims to support the IDF's regular combat troops by connecting business entities with combat units. The adopted unit receives a "welfare basket" which is given directly to the battalion to finance welfare activities in accordance with the "Adopt a Fighter" directives. The Bank has adopted the 411th Battalion of the Artillery Corps and has been associated with it for several years at the various events held by the battalion.



- Children and youth at risk
- Business entrepreneurship for women
- Sectors and populations with unique difficulties
- Other

Community Outreach by MATAF:

This is the fourth year of volunteering for MATAF employees at NAMAT Technological High School in Rishon LeZion. Boys and girls from difficult backgrounds who have dropped out of the various education frameworks study at this high school. The school aims to enable its students to realize their personal potential, and serves as a "last chance high school" for them. The school enables its graduates to continue studying after high school, on the same premises, for a practical engineering degree, later to be drafted into one of the IDF's computer units. The integration of young people in technological roles in the IDF has a great impact on their later lives, and enables them to acquire quality professional experience relevant to the labor market in a field for which there is high demand. MATAF employees mentor the school's students in various fields of study: English, mathematics and ICT. In addition, MATAF employees provide students with mentoring and technological instruction aimed at assisting them with projects, in delivering lectures, in operating in the advanced virtual environment, and more.

As part of the activity, special days were held during the year on which the company hosted the students and teachers in the MATAF building. Students in grades thirteen to fourteen at the school, who are studying in the IDF technological reserve for degrees as technical engineers in ICT and information security were hosted in the MATAF offices. In this session, the students explored professional topics through lectures by experts in information infrastructure and security. In addition, later in the year, the high school's educational staff was also hosted in the offices. At this meeting, the teaching staff conducted assessments of the school's annual work plans, and a lecture on a professional subject was given by the CTO of MATAF.

Measuring the Bank's social impact:

Some of the programs that the Bank supports perform impact measurement exercises to evaluate the effectiveness of their activities, and work to continuously improve on the basis of these assessments. For example, the "Machshava Tova" organization

conducts continual evaluation and measurement exercises. The association has a dedicated measurement coordinator, who produces a regular assessment and measurement report. The technological stream at the Kedma Youth Village also measures and evaluates the effectiveness of the program and the improvement in the students' sense of competence. The measurement is performed in collaboration with experts from Ben Gurion University.

In addition, the Bank continuously monitors the impact data, both those obtained from the programs themselves and those that it collects. The Bank uses measurement criteria, reports, field inspections, goal setting and data analysis in order to maximize its impact on society.

Meeting Objectives for 2019:

Objectives	Status
Enhance support for the core of the "We Believe in You" flagship program - children and teenagers at risk - was increased. The various activities with this target group were continued, in accordance with the program devised in cooperation with the Matan - Investing in the Community NGO.	Done
Deepening social support for business entrepreneurship for women with the partner associations in the areas of promoting women in the business world, to enable women to achieve economic independence (among other things through mentoring and business advice from women managers at First International Bank for women entrepreneurs whom the Bank supports).	Done
Vocational training for at-risk youth.	Done
Volunteer Conference.	Postponed to end of 2021
Merger of community activities and contribution to the community of Otsar HaHayal Bank.	Done
The FIBI Group will continue the expansion of employee volunteering through the various programs and encourage employees' involvement in the community.	Done

Goals for investing in the community in 2020:

- Support for the core of the "We Believe in You" flagship program - children and youth at risk - was increased. The various activities with this target group were continued, in accordance with the program devised in cooperation with the Matan - Investing in the Community NGO. Expanding support for the flagship project in business entrepreneurship for women in the geographical and social periphery of Israel to promote economic independence for women, and production of a women's conference at the Bank for all entrepreneurs who participated in the various programs, as part of the Bank's positioning as a supporter of the promotion and development of entrepreneurship for women. Support was continued for other social issues related to the Group, and for other disadvantaged population groups. Expanding the meetings on financial education to the additional non-profit organizations with which the Bank cooperates, in accordance with the annual work plan

External Assurance and Disclosure



GRI Content Index1

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The service was performed on the Hebrew version of the report.

The GRI's assurance services reviewed the GRI index as part of the Materiality Disclosures service. In this context, it was checked that the index is written correctly and clearly and correctly refers to disclosures 102-40 to 102-49. The review was performed on the Hebrew version of the report.

Standard	Disclosure	Description	Page	
GRI 101: Foundation 2016	102-1	Name of the organization	10	
	102-2	Activities, brands, products, and services	10	
	102-3	Location of headquarters	10	
	102-4	Location of operations	10	
	102-5	Ownership and legal form.	10, 11	
	102-6	Markets served	10	
	102-7	Scale of the organization	10, 13, 67	
	102-8	Information on employees and other workers	67	
	102-9	Supply chain	106, 10, 13	
	102-10	Significant changes to the organization and its supply chain	6, 10, 106	
	102-11	Precautionary Principle	62,110	
	GRI 102: General Disclosures 2016	102-12	External initiatives	25, 16
		102-13	Membership of associations	10
		102-14	Statement from senior decision-maker	3
		102-15	Key impacts, risks, and opportunities	3, 15, 17, 21, 25, 62
		102-16	Values, principles, standards, and norms of behavior	98
		102-17	The organization's internal and external mechanisms for advice and concerns about legal conduct and ethics	98, 95
		102-18	Governance structure	88
		102-19	Delegating authority	88
		102-20	Executive-level responsibility for corporate governance management	16
		102-21	Consulting stakeholders on corporate governance topics	21, 17

Standard	Disclosure	Description	Page
	102-22	Composition of the Board of Directors	90
	102-23	Chairman of the Board	90
	102-24	Determining the composition of the Board of Directors	92
	102-25	Preventing conflicts of interest	100
	102-26	Role of the organization's Board of Directors and management in developing, approving and updating the organization's vision, values, and strategy	88
	102-27	Enhancing the Board of Directors' knowledge about sustainability and corporate responsibility	88
	102-28	Assessing the performance of the Board of Directors	93
	102-29	Identifying and managing economic, social, and environmental impacts	88
	102-30	Effectiveness of risk management processes	88, 62
	102-31	Review of corporate governance management	88
	102-32	The role of the Board of Directors in corporate social responsibility report	15, 88
	102-33	Communicating critical concerns	88
GRI 102: General Disclosures 2016	102-34	Nature and total number of critical concerns communicated	88
	102-35	Remuneration policies	93
	102-36	Process for determining remuneration	93
	102-37	Stakeholders' involvement in remuneration	93
	102-38	Annual compensation ratio	79
	102-39	Change of annual compensation ratio	79
	102-40	List of stakeholder groups	21
	102-41	Collective bargaining agreements	73
	102-42	Identifying and selecting stakeholders	21
	102-43	Approach to stakeholder engagement	17, 21, 55
	102-44	Key topics raised through stakeholder engagement and the organization's response	17, 55
	102-45	Entities included in the financial statements	10
	102-46	Defining report content and topic Boundaries	15, 17
	102-47	List of material topics	17
	102-48	Restatements of information	15
	102-49	Changes in reporting	15
	102-50	Reporting period	3, 15

Standard	Disclosure	Description	Page
GRI 102: General Disclosures 2016	102-51	Date of most recent report	15
	102-52	Reporting cycle	15
	102-53	Contact point for questions regarding the report	Please contact itzcovitch.o@fibi.co.il
	102-54	Claims of reporting in accordance with the GRI-SRS	15
	55-102	GRI content index	126
	102-56	External assurance	137
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	13, 62
	103-2	The management approach and its components	13, 62
	103-3	Evaluation of the management approach	13, 62
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed by the Bank	14
	201-2	Financial implications and other risks and opportunities due to climate change	62
	201-3	The Bank's obligations for employee retirement/ remuneration and pension plans	75
	201-4	Financial support, grants or assistance received from government during the reporting period	10
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	66, 79
	103-2	The management approach and its components	66, 79
	103-3	Evaluation of the management approach	66, 79
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage, by gender	79
	202-2	Ratio of senior management from the local community	82
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	62, 13
	103-2	The management approach and its components	62, 13 ,
	103-3	Evaluation of the management approach	62, 13 ,
	203-1	Infrastructure investments and services supported	62
	203-2	Significant indirect economic impacts	62, 13, 38
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	106
	103-2	The management approach and its components	106
	103-3	Evaluation of the management approach	106
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	107
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	98
	103-2	The management approach and its components	98

Standard	Disclosure	Description	Page
GRI 103: Management Approach 2016	103-3	Evaluation of the management approach	98
GRI 205: Anti-corruption 2016	205-1	Operations assessed for various types of corruption	98
	205-2	Communication and training about anti-corruption policies and procedures	98
	205-3	Confirmed incidents of corruption and actions taken	98
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	110
	103-2	The management approach and its components	110
	103-3	Evaluation of the management approach	110
GRI 301: Materials 2016	301-1	The materials used by the company, by weight or volume	110
	301-2	Proportion of recycled input materials used	110
	301-3	Reclaimed products and their packaging materials	The disclosure is irrelevant to FIBI's activity
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	110
	103-2	The management approach and its components	110
	103-3	Evaluation of the management approach	110
GRI 302: Energy 2016	302-1	Energy consumption within the organization	110
	302-2	Energy consumption outside of the organization	The disclosure is irrelevant to FIBI's activity
	302-3	The organization's energy consumption intensity	110
	302-4	The organization's energy consumption reduction	110
	302-5	Reductions in energy requirements of the organization's products and services	110
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	110
	103-2	The management approach and its components	110
	103-3	Evaluation of the management approach	110
GRI 305: Emissions 2016	305-1	Direct emissions of greenhouse gases (Scope 1)	115
	305-2	Indirect emissions of greenhouse gases (Scope 2)	115
	305-3	Other indirect (Scope 3) GHG emissions	The disclosure is irrelevant to FIBI's activity
	305-4	The organization's GHG emissions intensity	115
	305-5	Reduction of GHG emissions	115
	305-6	Emission of ozone-depleting substances	The disclosure is irrelevant to FIBI's activity
	305-7	Other significant air emissions	The disclosure is irrelevant to FIBI's activity

Standard	Disclosure	Description	Page
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	66
	103-2	The management approach and its components	66
	103-3	Evaluation of the management approach	66
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	68
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	73
	401-3	Parental leave	67
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	7470,
	103-2	The management approach and its components	7470,
	103-3	Evaluation of the management approach	7470,
GRI 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarding operational changes	74
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	66
	103-2	The management approach and its components	66
	103-3	Evaluation of the management approach	66
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	74
	403-2	Identifying and managing work-related health and safety risks	74
	403-3	Occupational health services	73
	403-4	Worker participation in occupational health and safety	The disclosure is irrelevant to FIBI's activity
	403-5	Worker training on occupational health and safety	The disclosure is irrelevant to FIBI's activity
	403-6	Promotion of worker health	73, 77
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	The disclosure is irrelevant to FIBI's activity
	403-8	Workers covered by an occupational health and safety management system	79
	403-9	Work-related injuries	69
	403-10	Work-related ill health	69
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	83
	103-2	The management approach and its components	83
	103-3	Evaluation of the management approach	83
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	84
	404-2	Programs for upgrading employee skills and transition assistance programs	83

Standard	Disclosure	Description	Page
GRI 404: Training and Education 2016	404-3	Percentage of employees receiving regular performance and career development reviews	72
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	79
	103-2	The management approach and its components	79
	103-3	Evaluation of the management approach	79
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	79
	405-2	Ratio of the basic salary and remuneration of women to men	79
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	79
	103-2	The management approach and its components	79
	103-3	Evaluation of the management approach	79
GRI 406: Non-discrimination 2016	406-1	No. of discrimination incidents and corrective actions taken	81
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	106
	103-2	The management approach and its components	106
	103-3	Evaluation of the management approach	106
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	106
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	117,31
	103-2	The management approach and its components	117, 31
	103-3	Evaluation of the management approach	117,31
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	117
	FS13	Service points for disadvantaged populations by geographical area and type	13, 31
	FS14	Initiatives for making financial products more accessible to disadvantaged populations	13, 33
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	98
	103-2	The management approach and its components	98
	103-3	Evaluation of the management approach	98
GRI 415: Public Policy 2016	415-1	Political contributions	117
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	52
	103-2	The management approach and its components	52
	103-3	Evaluation of the management approach	52
	417-1	Requirements for product and service information and labeling	52
	417-2	Incidents of non-compliance concerning product and service information and labeling	54

Standard	Disclosure	Description	Page
GRI 103: Management Approach 2016	417-3	Incidents of non-compliance concerning marketing communications	54
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	43
	103-2	The management approach and its components	43
	103-3	Evaluation of the management approach	43
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	61
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	95
	103-2	The management approach and its components	95
	103-3	Evaluation of the management approach	95
GRI 419: Socioeconomic Compliance 2016	419-1	Total monetary value of significant fines Non-monetary sanctions for non-compliance with laws and regulations	95
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	13, 62
	103-2	The management approach and its components	13, 62
	103-3	Evaluation of the management approach	13, 62
	FS6	The value of the organization's products/ service portfolio	13
	FS7	Value of products designated for promoting social causes	63
	FS8	Value of products designated for promoting environmental causes	63

Quality Assurance Statement:

The FIBI Group, 2019 Corporate Social Responsibility Report



The Corporate Social Responsibility Institute is an independent public entity promoting corporate social responsibility among corporations. The Institute is part of the **College of Law and Business**, a private college (accredited by the National Council for Higher Education). The Institute holds professional meetings, writes reports, studies and market surveys, and localizes applicative methodologies from around the world, etc. Corporations' transparency and accountability regarding their social and environmental impacts is one of the issues at the heart of the Institute's activity. In November 2020, the FIBI Group asked the Institute to perform quality assurance on its 2019 corporate social responsibility report.

It is hereby declared that the Institute receives payment to cover the time invested in this process. In addition, it is hereby noted that neither the Institute nor Dr. Liad Ortar (who performed the work) have business relationships with the FIBI Group and that the quality assurance process was independent. During the quality assurance process, the draft report was reviewed and comments were referred to the authors.

Methodology

The aim of the quality assurance process for corporate responsibility reports is, first and foremost, to improve the final reporting product by providing professional feedback. For the avoidance of doubt, it is a process that is integral to the reporting process and aims at rapid and correct implementation, as far as possible, of the professional comments which are provided during the work process. In addition, we examine whether the report is in line with three key principles:

1. **Inclusiveness** - full coverage of the topics from the reporting process and reporting parties and inclusion of a wide range of stakeholders in the report.
2. **Materiality** - coverage of the topics material to the company's activity.
3. **Responsiveness** - reporting on issues raised by stakeholders.

Findings

This is the FIBI Group's seventh published CSR report. It is in line with the entire local banking segment's adoption of CSR reporting, as required by the Supervisor of Banks. In this report, the organization has implemented the reporting guidelines of the GRI organization, the GRI Sustainability Reporting Standards, in compliance with the broad reporting framework (known as Comprehensive). I hereby declare that the FIBI Group does comply with the disclosure and reporting scope required for this level. Issuing a CSR report annually, with all the entailing obligations, is undoubtedly a worthy decision by the FIBI Group.

I should like to point out the following matters:

Responsible procurement policy - During 2019, the Bank completed the writing of a responsible procurement policy and is working to implement it in the Group's procurement system. This is a significant and extremely important achievement. I should like to add that had it been possible to peruse the full policy document (via a link from the report or as an appendix), this could have helped other corporations seeking to do something similar and could also have made the public aware of what a responsible procurement policy looks like. In any case, this is a major and important move that has to do with expanding the Bank's positive circles of influence.

Regular materiality updating Dealing with the issue of materiality in corporate responsibility reports is complex, and is something that often deters corporations from performing it properly and reporting on it. This report presents an update of the materiality matrix of the report and includes broad explanations of the changes that have taken place in it. This is the proper way to do it.

Reference to the coronavirus pandemic in the 2020 Report - Although this report reviews the Bank's activities during 2019, in light of recent events, I understand the need to address the coronavirus pandemic and its effects now. I wish to emphasize, however, that a proper assessment of the pandemic and its effects should be published in the next report, for 2020, in an integrative manner, with links to the various chapters of the report. It will also be important to find the correct and appropriate professional way of reflecting these aspects in the next materiality matrix.

Sincerely,

Dr. Liad Ortar

Head of the Corporate Social Responsibility Institute
College of Law and Business



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