

The FIBI Group 2018 Corporate Social Responsibility Report



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A Word from the Chairman and Chief Executive Officer

Dear Stakeholders,

We hereby present the FIBI Group's Corporate Social Responsibility Report for 2018. It is the sixth consecutive year in which the FIBI Group publishes a CSR report, reflecting our commitment to investing in social and environmental aspects as part of our ongoing business activity. At the heart of this commitment is the concept whereby corporate social responsibility activities should be incorporated as an integral part of a company's business core and organizational culture. As part of the development of corporate social responsibility at the Group, we are proud to be one of the first companies in Israel to apply the UN's Social Development Goals (SDGs) into our CSR report. The Group views the pursuit of these goals both as an important platform for cooperation among the various sectors of the economy - public, business and voluntary - as well as a business opportunity.

In 2018, the Group continued to promote and implement its social and environmental responsibility, and the creation of shared value both for the Bank and its various stakeholders. The Group ensures that its activities are conducted with maximum transparency and accountability, while maintaining an honest and ongoing dialogue with the various stakeholders, which served as the basis for business development and for the development of innovative products and services that provide a professional response to customers' needs.

2018 was the third year the FIBI Group has operated according to its three-year strategic plan, which was approved by the Board of Directors in 2015 (and revised in 2019). The objective of the plan is to increase the Group's overall efficiency and boost growth, while continuing to focus on private banking, while maintaining the Group's leadership status in securities and investment consulting. The strategic plan puts an emphasis, inter alia, on two core areas of the Group's activity - digital and technological innovation, and empowerment of private customers by providing specialized product and service offerings to a wide range of customers and population groups. The Group ensures that these objectives are promoted through a wide range of channels, which will be described later in the Report.

In 2018, the Group continued to promote its digital and IT infrastructure strategy in order to improve customer service as well as the Group's ability to compete with its peers and in order to boost growth. We continue to develop advanced and innovative digital tools and services in collaboration with a range of Fintech and other technology companies, while tapping into the innovation of the Israeli high-tech industry in order to provide Group customers the most advanced and efficient services.

The Group's unique characteristics allow it to reach out to a wide range of customers and economically empower minority groups. The FIBI Group strives, inter alia, to provide customized solutions to various sectors in Israeli society: the religious and Ultra-Orthodox (Haredi) population through PAGI array at the FIBI Group; the Arab Sector through Massad Bank; the teachers and other employees of the educational system through Massad Bank and FIBI; to IDF soldiers and officers and employees of Israel's defense establishment and to IDF retirees - through Bank Otsar Ha-Hayal. As part of the Group banks' activity of promoting economic empowerment and expanding the financial offerings available to different sectors of Israeli society, in 2018 the Bank stepped up its efforts to make banking services more accessible to various population sectors. This is achieved, inter alia, by expanding the deployment of temporary branches that serve small and remote communities, and by boosting and developing digital services which do not require physical access to branches.

Further to the successful merger of PAGI and U-Bank into First International Bank in 2015 - which was carried out while retaining those banks' unique brand names, values and character - in 2018 the Bank prepared for the merger of Bank Otsar Ha-Hayal into First International Bank, which was completed on January 1, 2019. This merger was also carried out while retaining the unique brand name, values, character and deployment of Otsar Ha-Hayal, in accordance with its customers' needs.

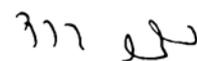
The Group attaches great importance to the nurturing and development of its human capital, and strives accordingly to promote equal opportunity and employment diversity. The Group employs thousands of people from diverse backgrounds and regions across Israel, giving each employee equal opportunity to prove their skills and abilities. The FIBI Group scrupulously maintains equal opportunity in all organizational processes at the Group, including hiring and onboarding, salary and job terms and conditions, promotion, and professional training, and in any other organizational process. The Group also maintains a proper and responsible work environment while promoting and upholding the law and adhering to universal norms. In 2018, the percentage of the Group's women employees and managers continued to be higher than the average in the Israeli economy.

FIBI is proud to take part in the economic growth of the State of Israel and its society. The Group will continue to contribute vigorously to Israeli society and to the country's sustainable growth in the economic, social and environmental spheres.

Irit Isaacson
Chairman



Smadar Barber-Tzadik
CEO







Profile and Activity of the Group



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

The Group's business activity is focused on several main levels:

- Financial mediation between depositors and borrowers, which is the foundation of commercial banking. Income from this activity is expressed in net interest income, constituting Group's main source of profit.
- A wide range of financial and banking services: foreign currency, foreign trade, securities, information services credit cards, derivative financial instruments, etc.
- Investment advice and pension advice.
- Investment of the Group's nostro funds and management of market and liquidity risks.
- Operational banking services for the capital market, specifically - provident funds and mutual funds.
- Trust services for individuals and institutions - through the Group's Trust Company.
- Providing services to exporters and importers in Israel - The FIBI Group views exports and imports as a key anchor in Israel's economy and industry and helps promote them through various financing and funding plans.

The FIBI Group operates via three main business divisions:

- The Corporate Division, which handles all activity for corporate and middle market customers, as well as for businesses and institutional entities active in the capital market. The Division boasts a Business Zone, which coordinates the activity of the Bank's main business branches.
- The Banking Division coordinates the activities of private customers - which include mortgages and credit cards - comprising individuals, households and small businesses. It also includes

U-Bank branches - which specialize in Platinum Banking and securities, and the separate PAGI branch array - which specializes in the religious and Ultra-Orthodox sectors.

- 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.

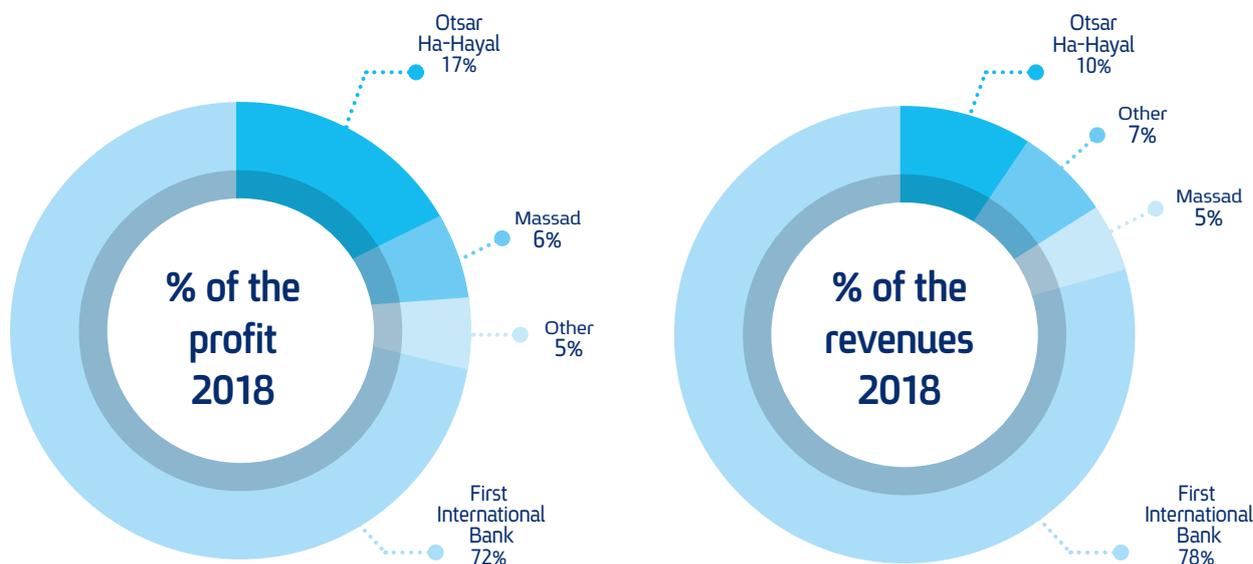
In addition to First International Bank, the Group includes two other local commercial banks, which specialize in unique target audiences: Otsar Ha-Hayal - which specializes in providing services to retail and corporate customers, with special emphasis on members of Israel's defense establishment; and Bank Massad - which specializes in providing services Israel's teachers. In September 2018, Bank Otsar Ha-Hayal and First International Bank signed an agreement to merge Bank Otsar Ha-Hayal into First International Bank, while preserving the "Otsar Ha-Hayal" brand and its branch system. The merger was completed on January 1 2019.

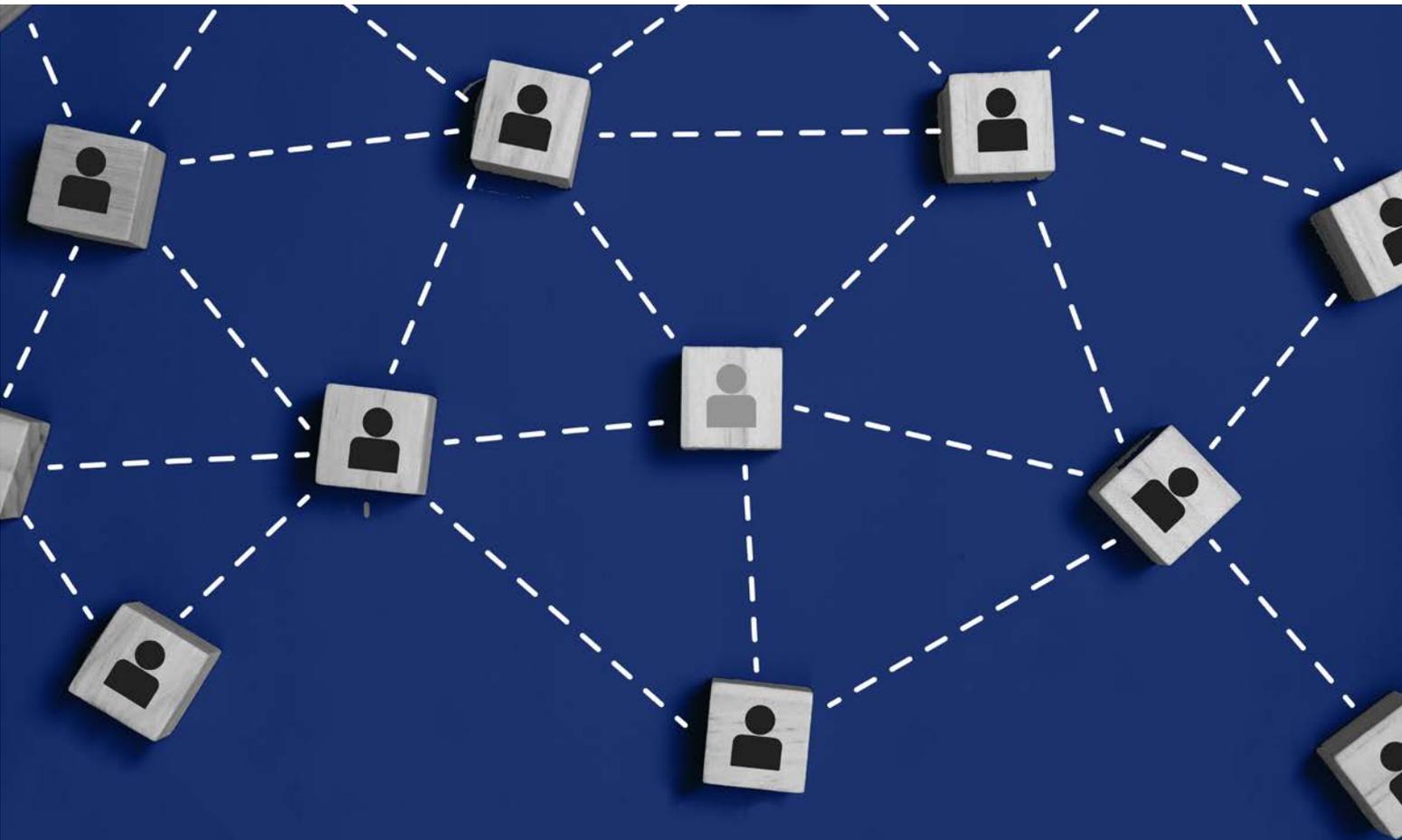
FIBI and Massad Bank are members of the Association of Banks in Israel. As Association members, they are entitled to receive information and participate in discussions and in decision making processes held by the Association.

The Bank has a strategic plan for 2016-2018, which was approved by the Board of Directors in September 2015 and re-evaluated by twice a year (the strategic plan was revised in 2019). The plan's ultimate objectives are stated in terms of return on equity beyond risk-free interest rate and a cost-income ratio. The plan is based on proportionality in all areas of operation, with the goal of achieving reasonable and sustainable profitability.

On November 17, 2016, the Bank's Board of Directors approved the revision of the Group's strategic plan, with special emphasis on efficiency measures. The Bank re-evaluates the plan every six months with respect to the macro-economic environment, competitive developments in the Israeli economy, regulatory environment, technological developments as well as changes taking place in the FIBI Group, and revises, as necessary, the plans and measures derived from the strategic plan.

Income and Profit Breakdown - the FIBI Group, 2018



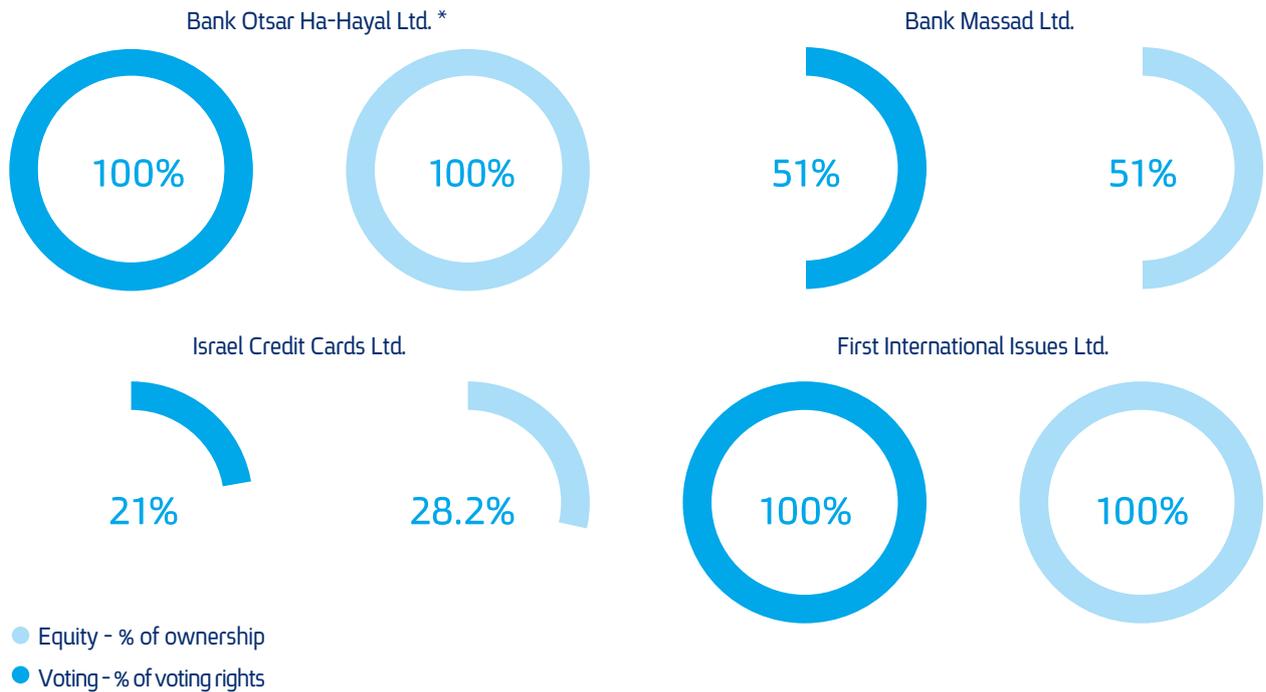


Ownership Structure

FIBI Holdings Ltd. owns 48.34% of the issued share capital and voting rights in First International Bank (constituting the controlling core, pursuant to the Bank of Israel control permit). No other entities or persons have material interests in FIBI. The controlling shareholders of 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 interests in FIBI Holdings Ltd. and consequently, in the FIBI Group, as detailed in the "Details regarding the Bank's Controlling Shareholders" section in the 2018 Annual Financial Statements.

According to FIBI's reports, as of the date of the financial statements, 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 Energy Ltd. - 11.68%.

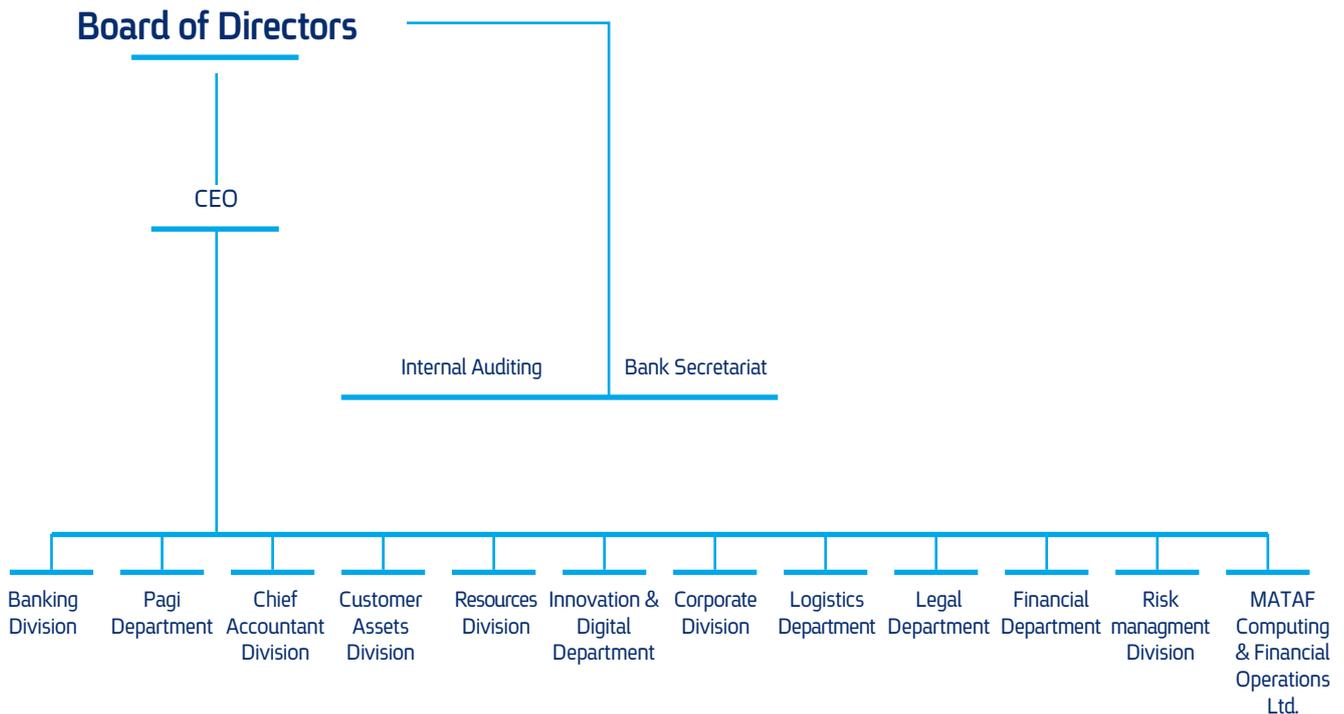
The FIBI Group's Main Investees in 2018



* The merger of Bank Otsar Ha-Hayal into FIBI was completed on January 1 2019.

Corporate Structure of the FIBI Group:

In 2018, the bank operated through six divisions and five professional divisions. Each division - including the Audit Sub-Division, PAGI and the Financial Sub-Division - is headed by a member of management. The corporate structure of the divisions and the systems is in line with the administrative concept of customer-oriented banking, allowing specialization in the provision of 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 goods; 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.

The FIBI Group also contributes indirectly to the development of the Israeli economy in several aspects: Branches of the Group are deployed nationwide, enabling economic activity in remote communities and regions. In addition, the banks provide the main segments of customers with whom the Group works specialized,

professional response to a range of 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 - offering them specialized, tailor-made, value-added services and products. Thus, the banks grant these customers greater accessibility to managing the financial aspects of their lives and ongoing economic activity. The Group's continues to proactively promote small and mid-size businesses operating in Israel. The survivability and stability of these businesses is essential to the domestic economy. In addition, the Group's banks initiate various activities to promote financial knowledge among customers and as part of its community outreach activity, in order to help customers and the public better manage their financial and banking affairs in both the short and long terms.



Geographic distribution of the branches:

Bank	No. of branches	No. of branches located far from Israel's center ⁽¹⁾	% of branches located far from Israel's center
First International Bank	66	22	33%
PAGI - FIBI	18	6	33%
U-Bank	5	0	0%
Massad	23	12	52%
Otsar Ha-Hayal	46	18	39%
Total	158	58	37%

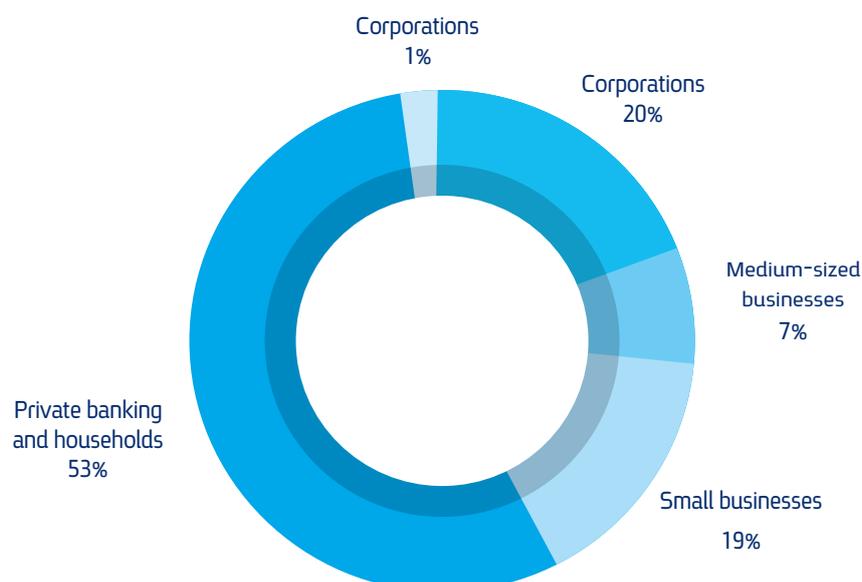
Economic performance:

Performance Indicators - the FIBI Group (in NIS millions), 2012-2018

	2018	2017	2016	2015	2014	2013	2012
Total revenues	4,123	3,752	3,649	3,494	3,768	3,851	3,797
Operating and other expenses	2,819	2,607	2,683	2,710	2,912	2,860	2,814
Salaries and related costs	1,696	1,627	1,656	1,629	1,780	1,746	1,676
Provision for income taxes	408	358	398	326	328	366	315
Net income	733	678	521	446	455	538	563
Dividend to shareholders	355	310	200	130	285	200	-
Community outreach	3	3	2.8	2.8	2.9	3.6	2

Net credit granted to the public, by segment (in NIS millions) - 2018

As at December 31 2018, total credit granted to the public by the Group totaled NIS 84.292 billion



1. North of the Hadera or south of Gedera.

 The objective of the Report is to transparently, reliably, and comprehensively present, as far as possible, the activity of the FIBI Group in the areas included in the Report, in order to allow the Bank's stakeholders to obtain an overview of its activity in the area of corporate social responsibility.



About the report

The FIBI Group's sixth corporate social responsibility report examines and presents our achievements vis a vis the various stakeholders. This report reviews the activity of the First International Bank Group in Israel in 2018 in areas of corporate social responsibility. The Report was prepared in accordance with the standards set by the Global Reporting Initiative organization (GRI), in accordance with the "Comprehensive" option of reporting and at the highest level of transparency² In this framework, the report is targeted towards various stakeholders of the Group.

The Report reviews the activity of the First International Bank Group, including the activities of its three main banks: First International Bank (including PAGI and U-Bank, which were merged into First International Bank in 2015), Bank Otsar Ha-Hayal, Bank Massad, as well as MATAF (where MATAF's activity has bearing on the issues presented in this Report). The Group's previous report was published at the end of 2018, covering 2017. The data included in the present CSR report are in accordance with those presented in previous ones. In view of the merger of Bank Otsar Ha-Hayal into FIBI at the beginning of 2019, no separate objectives were set in this Report for Bank Otsar Ha-Hayal in respect of 2019.¹

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 FIBI Group's material topics, carried out in preparation for the Group's previous CSR report, and based on feedback from stakeholders outside the Group and a review and revision process carried out ahead of the present report (see below).

Assurance of the report was made by an independent third party through the Center for Sustainability Reports Assurance (see the full assurance report later in this Report) and was also examined by the Materiality Disclosure Service of the GRI, which reviewed the references of the GRI Index. 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 2017) 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. The FIBI Group publishes an annual corporate social responsibility report.

2. 102-54

3. 102-49



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 ongoing business activities, based on a holistic view of corporate social responsibility, with the aim of generating added value to the Group and all of its stakeholders.



Corporate Social Responsibility in the FIBI Group:

By engaging in ongoing dialogue with the Group's employees, shareholders, various suppliers as well as the community in which we live, the Group promotes business growth and creates added value.

Corporate social responsibility is managed in a systematic and orderly manner. The 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 the Board of Directors and its various committees. In this context, the Head of the Resources Division and CSR Manager present the Bank's 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 further details about the Report, please email the Group's Head of Corporate Social Responsibility using the email address provided at the GRI index at the end of the Report.

Material Topics⁴

This CSR Report was written in accordance with the standards of the Global Reporting Initiative (GRI) - the accepted local and global framework for reporting on CSR. Identifying the material topics is a cornerstone of the GRI reporting process. 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 topics 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 selection of the material topics is highly significant - these are the topics promoted by the Group in the area of corporate social responsibility. The GRI reporting and standards framework - the latest GRI standard, according to which the Bank prepares its CSR Report - constitutes a management tool, which guides organizations on reporting on their management approach to any material topic they have selected.

The process of identifying our material topics is based on analysis of the following:

- Existing reporting frameworks such as the Global Reporting Initiative (GRI) and Sustainability Accounting Standard Board (SASB).
- Frameworks dealing with material topics at the global level, such as: Sustainable Development Goals (SDG).
- Reports by ESG analysis entities such as: Sustainalytics, OEKOM, RobecoSam and Vigio EIRIS.
- Material topics identified by other members of the banking sector in Israel and abroad.
- Ongoing stakeholder Engagement

While writing of the 2018 Corporate Social Responsibility Report, the FIBI Group conducted a validation and revision process for the material topics to be reported. As part of this process, the FIBI Group holds a dedicated dialogue with principal stakeholders of the Group for the purpose of raising and prioritizing issues which they define as material. At the same time, the Bank's management re-prioritized the issues that are material for the Bank, after an in-depth discussion during a management meeting. FIBI's new materiality matrix will appear in its next Corporate Social Responsibility Report, for 2019.

 Material topics are corporate social responsibility topics (environmental responsibility, economic-social development, corporate governance) in which the organization has a major impact on its stakeholders or which affect the organization. 



4. 102-43, 102-44, 102-46

The FIBI Group's Material Topics for 2018

<ul style="list-style-type: none"> • Serving and promoting diverse populations in Israeli society • Service accessibility for people with disabilities • Ethics and anti-corruption • Privacy and information security 	<ul style="list-style-type: none"> • Fairness of products and services • Incorporating sustainability and social considerations in credit provision and investment decisions 		Significance for stakeholders
<ul style="list-style-type: none"> • Creating economic value for stakeholders • Corporate governance and compliance • Promoting financial understanding 	<ul style="list-style-type: none"> • Equal opportunity and employee diversification • Responsible supply chain • Work environment 		
	<ul style="list-style-type: none"> • Business continuity • Product and service innovation • Investment in the community • Employee training and development 	<ul style="list-style-type: none"> • Managing environmental aspects 	

Significance for the FIBI Group

The FIBI Group's Material Topics: ⁵

Serving and promoting diverse populations in Israeli society	The Group comprises 5 brand names - First International Bank, Otsar Ha-Hayal, 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.
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.
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.
Privacy and information security	Managing information security and protecting customers' information secrecy, while responding to, and handling customer inquiries in this area.
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 applying the various consumer regulations that apply to the bank and responsible marketing based on accepted ethical rules in this field.
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.

5. 102-47

The FIBI Group's Material Topics:

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.
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 for the Group's regular activity, pursuant to the laws, provisions, and rules binding the Israeli banking system.
Promoting financial understanding among customers and integrating long-term considerations into capital market activity	Various initiatives to promote financial knowledge among the Group's customers and in the community.
Equal opportunity and employee diversification	A description of the principles and processes that allow and advance workplace equality and non-discrimination, as well as proactive measures to hire employees from populations that are under-represented in the Israeli labor market in response to social and business needs.
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.
Quality of service	Steps taken by the Group to promote quality of service and maintain customer satisfaction, including training, monitoring and measuring, learning and improving service quality.
Work environment	Development of the work environment in the FIBI Group, as an employer of thousands of people, with an emphasis on the employees' circumstances, welfare activity, employee job security, managing the interfaces between the managements of the Group's banks and the employees as well as the promotion opportunities and added value which the Group provides to its employees as part of the work environment.
Business continuity	Promoting preparedness for maintaining business continuity and for operating under various conditions, including emergencies.
Product and service innovation	Promoting innovation with an emphasis on digital services through direct channels.
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.
Employee training and development	Professional training of Group employees according to the Group's business needs and for its employees' personal and professional development.
Managing environmental aspects	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.

 The FIBI Group has numerous and diverse stakeholders that impact and are impacted by the Group's activities. The Group maintains contact and dialogue with each of its stakeholders through direct and indirect channels about various issues that are of particular interest to the stakeholders. The Bank has officers in charge of contact and dialogue with each group of stakeholders. The FIBI Group makes every effort to be attentive to the needs of its stakeholders and to address them as part of its business activity. 

Stakeholder engagement⁶

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 FIBI Group combines and incorporates stakeholders' positions into the Group's activity, insofar as these allow it to mitigate risk and create value for the stakeholders.

Stakeholder	Key dialogue channels in 2018 ⁷
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Customers	<ul style="list-style-type: none"> • Branches - The FIBI Group maintains direct contact with its customers through its many branches that are deployed across the country. The branches offer customers a wide range of high-quality banking services rendered by the best professionals in their field; services are offered to all customers of the FIBI Group - private banking, capital market and/or business customers. The Group ensures the enhancement of its relationship with customers through the branches, where direct dialogue is maintained between employees and customers. • Direct channels - The FIBI Group relentlessly seeks to promote and integrate the use of online channels (including a website, mobile app, Beinleumi Call, texting and web-based email services, as well as a marketing page and Facebook page), in order to open as many communication channels as possible with its customers. For this purpose, the Group holds training sessions for customers and bankers through a range of means, and also uses many channels to maintain a dialogue with customers and stakeholders, as the case may be (web-based email messages, text messages, push notifications, correspondence with a banker, chat, video chat, the Bank's Facebook page, etc.). • Conferences and workshops - the FIBI Group promotes dialogue with the Group's customers by providing dozens of training sessions and conducting conferences and workshops for them 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 former Soviet Union (there is also a dedicated Russian language line and Russian-speaking staff at the Beinleumi Call service). 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 us through "state your opinion" on the bank's website or through our Facebook page; the Group is committed to providing a quick and efficient response, to our customers' satisfaction.
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6. 102-43, 102-42
7. 102-40

Stakeholder Key dialogue channels in 2018⁷

Customers	<ul style="list-style-type: none"> • 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 turnovers): 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 mid-sized 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, who can also use the services offered on the various digital channels.
The FIBI Group Employees	<ul style="list-style-type: none"> • 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. Furthermore, the Head of the Human Resources Department is in charge of any ethics-related inquiries, that can also be submitted anonymously. • 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. • 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. • Internal communications channels - Including each bank's enterprise portal and other communication methods. • 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. • 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. • Streamlining forum - Streamlining proposals by employees on various topics; • Round tables - Promoting dialogue through round table discussions, on a variety of professional and organizational topics.
Shareholders and Investors	<ul style="list-style-type: none"> • Stock exchange filings - To update the investors and shareholders about FIBI immediately and with full transparency. • Financial statements. • Investor relations website - Allows full access to reliable information and supports decision-making; • The shareholders' general meeting mechanism; • Dialogue (conference calls, meetings) with analysts and investors on a regular basis.
Suppliers	<ul style="list-style-type: none"> • Periodic meetings are held with all suppliers at a frequency that depends on the substance and scale of the activity; • 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.
Society and community	<p>A close ongoing relationship with NGOs and social organizations - the FIBI Group conducts a dialogue with various social organizations, such as the JDC, Matan - Investing in the Community, Unistream, Pitchon Lev, Adopt a Soldier, Runners from the Heart, Fathers and Sons on the Playing Field, etc. The FIBI Group runs various programs with these organizations. In addition, we hold periodic meetings with these organizations and submit reports on the issue to management and the Board of Directors;</p>
The Environment	<p>Measuring the Bank Group's key impacts on the environment - We work together with relevant professional entities, discussing how to potentially reduce the Group's environmental impact. In this context, the 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 Agencies	<p>Ongoing cooperation and contact - The FIBI Group cooperates with the relevant regulators, 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 is proud to be one of the first entities in Israel to incorporate the UN's Social Development Goals (SDGs) into its CSR report and is committed to continue to promote the goals which are consistent with the Group's strategy.



The FIBI Group & the Sustainable Development Goals (SDGs)

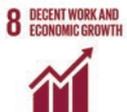
In September 2015, the UN General Assembly - which comprises 193 member states - adopted a set of goals to be implemented with the view of promoting global sustainable growth by 2030. The program, named 2030 Agenda for Sustainable Development, includes 17 goals and 169 sub-goals. The goals encompass numerous fields, such as the eradication of poverty, reduction of inequality, access to education, economic growth, combatting against climate change, and more.

As a member of the organization, Israel is committed to reporting on the SDGs' implementation. 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 private-business sector. As a large-scale financial enterprise, the FIBI Group recognizes the significance of its commitment to realizing the SDGs.

This is the second year the FIBI Group reports on its involvement in advancing the SDGs in its CSR report. To this end, the Group mapped its activity with respect to the goals and targets, in order to present its share in achieving the SDGs and examine its future activities in this context.

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.

Material topic	SRS indicator	SDG	TARGETS	Relevant FIBI activity
Serving and promoting diverse populations in Israeli society	203-2		10.2	<ul style="list-style-type: none"> Customer-targeted activity designed to provide an optimal solution to the unique financial needs of diverse population segments. Promoting ongoing activity in the Ultra-Orthodox and religious sectors through the PAGI array, including through financial literacy activities and granting credit to social organizations in this population segment. Massad Bank is expanding its deployment in, and improving its service to the Arab community, offering products and services customized to employees of the education system. First International Bank holds ongoing activity for the Former Soviet Union (CIS) and third age population segments.
	FS13		10.3	
	FS14		10.8	
	FS7		8.3	<ul style="list-style-type: none"> Bank Otsar Ha-Hayal provides state-guaranteed loans to small businesses.
Accessibility for people with disabilities	FS14		10.2 10.3	<ul style="list-style-type: none"> Making the Group's services more accessible, both through its physical branches, on its websites, and through the call center and additional service interfaces.
Ethics and anti-corruption	205-1 205-2 205-3		16.5	<ul style="list-style-type: none"> The Group takes proactive measures to prevent bribery and corruption by using several mechanisms, such as: The internal audit system, the Risk Management Division and oversight of its procurement activity. In addition, the Bank's Code of Ethics constitutes a binding declarative document.
Fairness of products and services	419-1		16.5	<ul style="list-style-type: none"> 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.
	206-1		16.6	
			16.7	
			7.2	<ul style="list-style-type: none"> 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.
Incorporating sustainability and social considerations in credit provision and investment decisions			9.1	<ul style="list-style-type: none"> 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. 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. 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.
			9.3	
			9.B	

Material topic	SRS indicator	SDG	TARGETS	Relevant FIBI activity
Advancing customers' financial understanding and incorporating long-term considerations in capital market activity	413-1		4.3	<ul style="list-style-type: none"> The Group holds conferences to raise awareness and improve financial management among customers and diverse target audiences. The Group empowers its employees through ongoing training in relevant content areas, on Intranet-based tutorials. 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
	404-1			
	404-2			
	102-27			
Corporate governance and compliance	406-1		16.B	<ul style="list-style-type: none"> No complaints regarding discrimination were filed in the Group in 2018.
	405-1		8.5	<ul style="list-style-type: none"> The Group adheres to strict equal opportunity practices and ensures full representation of the Israeli population across the recruitment, onboarding and employment processes. 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.
	102-38			
405-2				
Equal opportunity And Employment Diversification	202-1		5.2	<ul style="list-style-type: none"> 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. Each of the banks - including MATAF - has appointed a sexual harassment prevention officer and has detailed rules and regulations outlining how to file a complaint. 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. The two most senior positions in the FIBI Group are occupied by women - the Group's chairman of the board and the CEO.
	405-2		5.5	
	406-1		5.B	
	405-1		5.C	
Responsible supply chain	FS10		12.7	<ul style="list-style-type: none"> 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, a responsible procurement policy was drawn up and is since being implemented across the FIBI Group.



Our Customers



 The FIBI Group addresses a broad range of customers and segments in Israeli society, adapting and creating customized solutions for various types of customers. The Group's focus on a broad range of customers from various social sectors constitutes one of its competitive advantages. 

Serving and promoting diverse populations in Israeli society

The Group attaches great importance to its customers' financial well-being and invests considerable resources in developing financing solutions and investment products that encourage sustainable consumption and a stable business environment.

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. As core stakeholders of the FIBI Group banks, customer operations and relations are managed with a view to the future and the customers' best interests - by maintaining various accessible communication channels according to each customer's specific needs. The Bank proactively encourages innovation in its various service channels so as to enable its customers to improve and boost their financial well-being, alongside the development of a range of unique and dedicated products tailored to the banks' various target audiences in response to customers' dynamic and changing needs.

As part of the main customer segments' activity, the Group provides solutions to the financial needs of diverse populations and segments in Israeli society. Thus, the Group provides diverse audiences with improved capabilities for managing their assets and liabilities, while supporting Israel's economic growth.

Inequality is more prevalent in Israeli society than in other developed countries, as shown by the leading indices, especially the Gini Index. This problem has been a focus of public debate in Israel for some time. Being part of Israeli society, the FIBI Group is committed to advancing and appealing to the full spectrum of population groups in its business activity.

The Group emphasizes a personal and empathetic attitude in its work, in accordance with its strategic plan and policy. As a leading financial concern, the Group is committed to providing thorough and professional services based on trust in both personal and digital banking. The FIBI Group aims to address diverse customers. This effort is part of its strategic plan, which is assessed semiannually



by the Board of Directors. As part of this plan, improvements and adjustments are implemented according to conclusions drawn from customer satisfaction surveys. The Group also conducts annual studies to monitor financial market trends. It distributes questionnaires on social media to track and measure customer satisfaction and uses the results to make adjustments and introduce innovations into its services.

The Group also regards helping all of its customers - particularly groups with specific financial difficulties, groups with special economic needs, the elderly, and customers lacking financial knowledge - as highly important. The FIBI Group's guidelines are based on three major elements: rapid response, solutions personally adapted to the customer's needs, ongoing dialogue and complete transparency with its customers.

In adapting its solutions to groups with specific difficulties, the FIBI Group'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.

The FIBI Group reports its activities according to the format and categories set forth in the Banking Supervision Department's Reporting to the Public Directives. For more information on the regulatory operating segments, please see Note 28 to the 2018 Annual Report.



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 order to support these customers, who constitute the backbone of the Israeli economy, the Bank offers its business customers dedicated services and products, by segmenting this population into operating segments based on customers' business turnover and the proportion of credit out of turnover. For this purpose, three main operating segments were identified:

- Small businesses.
- Commercial businesses - medium-sized.
- Corporations.

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 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 range of credit products under convenient terms and conditions, as well as

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professional and comprehensive advice in order to adapt the credit solutions to their unique needs. In addition, the Bank is developing tools for granting credit digitally, and is considering cooperating with other entities in order to expand the range of credit products offered to its 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 First International Bank. This includes discounts on current account management fees, credit rates and foreign trade prices. 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 Ashra** - The Bank sponsor a program to finance exporters' operations in cooperation with 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 as 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% in financing for the purchase of industrial equipment for an unusual period of up to 12 years.

Financing Businesses - Factoring:

Bank Otsar Ha-Hayal 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, thereby transforming a credit transaction into a cash transaction. Bank Otsar Ha-Hayal's 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 Enterprises Fund - Bank Otsar Ha-Hayal

Bank Otsar Ha-Hayal focuses on providing small and medium-sized businesses with loans from assistance funds. The funds

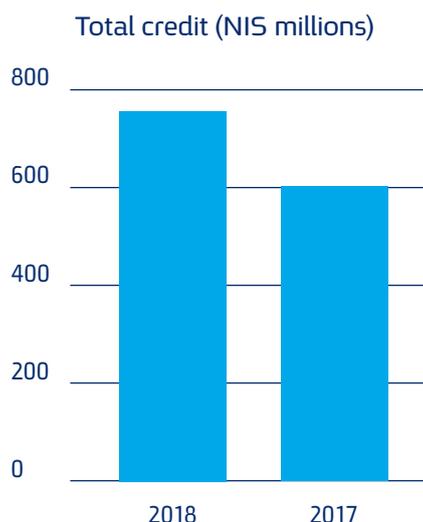
provide credit used for founding and supporting small and mid-sized businesses, and they are funded in collaboration with government ministries, donor funds, employers and other entities. The largest fund with which Bank Otsar Ha-Hayal works is the state-guaranteed Small and Medium Enterprises Fund.

Since preparing for the latest tender for financing funds held in 2016 - a tender in which Bank Otsar Ha-Hayal's joint bid with Meitav Dash Provident Funds won - the Bank provides state-guaranteed loans to small businesses. This makes Otsar Ha-Hayal a significant financial partner of the State of Israel in supporting the small and mid-sized business segments. Otsar Ha-Hayal (and three other banks) won the tender for a four-year period with an option to extend by two further 3-year periods. Following this win, Bank Otsar Ha-Hayal and Meitav Dash Provident Funds are expected to extend small and medium-sized businesses credit in the amount of NIS 830 million by 2020.

The funds have several characteristics that make them significant contributors to the development of small and mid-sized businesses. The provision of credit through the funds does not require entities to provide significant collaterals (due to the guarantees provided by the partner entities in the fund), which facilitates the process for customers. Furthermore, the decision as to whether to provide funding is made based on an assessment of the applicant entity's business plan and business potential, which incentivizes businesses to prepare high-quality business models. Furthermore, entities may receive a tailor-made funding package that combines several funds as well as regular bank credit, in accordance with the business's needs.

The Group's strategic plan places emphasis on boosting Bank Otsar Ha-Hayal's activity in this field with new customers. This will be reflected in the work plan for the coming years.

Credit Granted through the Funds, 2017-2018:





Promoting Economic Activity in the Ultra-Orthodox and Religious Communities

The PAGI Array at FIBI focuses on serving the Ultra-Orthodox and religious communities, constantly developing new products and services tailored to their unique needs. The PAGI Array was successfully merged into First International Bank in 2015, while preserving the Bank's brand name, the nature of its activity in the Ultra-Orthodox and religious sectors, and the deployment of its branches. The objective of the PAGI Array - whose employees are Ultra-Orthodox or religious - is to have presence in significant Ultra-Orthodox population centers, in response of the unique need of this community, most of which avoids using the internet. This reality results in heavy use of the Bank's branches, requiring the Bank to provide the necessary services by deploying numerous branches in Ultra-Orthodox population centers and employing suitable personnel, while offering time- and cost-saving solutions, such as ATMs for depositing cash and checks, etc.

- The FIBI Group's PAGI Array is working to create a continuous, consistent and ongoing dialogue with its target audience - the Ultra-Orthodox sector. Unlike most large businesses, which view the Ultra-Orthodox community as homogeneous, PAGI - as a well-established and leading business in this community - is aware of the unique characteristics of the sector. The result of this approach is the diverse channels through which the Bank creates value for its customers:
- Conducting frequent surveys to examine changing trends and needs of different segments in this sector.
- Providing adequate solutions to the unique characteristics of different customer segments.
- Offering relevant banking products to each segment and each stage in the Ultra-Orthodox life cycle.

 The PAGI Array at FIBI focuses on serving the Ultra-Orthodox and religious communities, constantly developing new products and services tailored to their unique needs. 

- Cooperating and providing sponsorships for organizations and institutions promoting the welfare of various sects in Ultra-Orthodox society.
- Making banking services that are customized to the needs of the different communities more accessible by creating a modular service delivery model.

Since 2010, PAGI has been implementing strategic moves for the retail sector, which focus on accounts which clear paychecks. The objective of the move is to better focus the products and services offered to each household customer, in line with their needs at each stage of life, through a deeper understanding of the Ultra-Orthodox life cycle and its associated needs, according to the accepted financial criteria of income, disposable income, repayment capacity, etc.

In this framework, the Bank created three financial retail plans targeting the three stages in the Ultra-Orthodox life cycle (Station 5, Midway, and Full Settlement). Each stage is characterized by a different income level of the Ultra-Orthodox household; accordingly, the Bank created a specific and unique package for each stage, delivering different benefits and products that suit the needs of the Ultra-Orthodox person during that stage of his life cycle (including exemptions from fees and loans under convenient terms).

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.

In addition, PAGI specializes in providing services to Ultra-Orthodox and religious NGOs and institutions, thereby contributing to economic activity as well as to social processes and aspects. 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 organizations' activity over time, while scrupulously complying with regulatory restrictions.

Activity in 2018

- The PAGI Array operates through a network of 17 dedicated branches in the Ultra-Orthodox community, with the nature of the service, manner of address and language adapted to the target population. The branches' deployment offers easy access to all significant Ultra-Orthodox population centers.
- In 2016, PAGI identified a new segment in the Ultra-Orthodox segment - working young people. Later on, PAGI conducted a comprehensive study, with the assistance of a strategy development firm specializing in this field, to examine the trends and needs of a growing segment in the Ultra-Orthodox community - employed young adults. A qualitative study, it was based on numerous interviews, analysis of academic studies and studies carried out by government entities, as well as analysis of the Bank's data relating to this segment. In 2017, PAGI launched a broad strategic move to provide a solution to the employed young adults population in the Ultra-Orthodox sector, which included a dedicated track - entitled "PAGI Beat" - for this segment, offering unique benefits for each stage of the family's and financial development, from the time young Ultra-Orthodox adults first enroll in academic studies for a period of ten years. Among the benefits provided under the said track are exemption from fees, student grants, free consultations with financial and pension advisers and loans under convenient terms in accordance with the need of a young Ultra-Orthodox family. The benefits are given in accordance with the familial and financial situation of the employed young adult, and the benefits track is set up bearing in mind the varying needs of the Ultra-Orthodox family during different stages of its life cycle. In 2018, 900 new accounts of employed Ultra-Orthodox young adults were opened under this track.
- Language for the Ultra-Orthodox initiative: This 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, with emphasis on the labor market. The content has been specially designed for the Ultra-Orthodox sector and includes the following:
 - Adaptation to the level of English acquired from the basic English courses common in the Ultra-Orthodox sector.
 - Adaptation of the content to the Ultra-Orthodox sector.
 - A strong emphasis on the labor market through development of a relevant vocabulary and creating exercises focused on situations at work.
 - The course includes workshops on writing CVs and how to be interviewed in English.
 - In 2018, there were eight Language for the Ultra-Orthodox groups in Jerusalem, Bnei Brak, Modi'in Illit, Elad, in which 106 participants took part.
- Focusing on the new Ultra-Orthodox student population and providing a unique solution to their needs as heads of families (most) - A student loan, with the principal payable after graduation, followed by convenient spread payments over a period of up to five years. Another initiative for the student population includes cooperation with the Lev Academic Center, a technological college which caters to the Ultra-Orthodox. This cooperation includes lectures on subjects of interest to students: prudent financial practices during their academic studies.
- A benefits program for small business owners - In 2017, PAGI launched a program of benefits for small business accounts as part of its general appeal to working people in the Ultra-Orthodox sector. This program offers benefits for new customers in a range of banking activities typical of small businesses, classified according to the various stages in a business's life: launch, expansion, as well as well-established businesses. The benefits provided under this program include loans at convenient terms (in accordance with the stage of the business's life cycle), and discounts on various fees. The program also offers business owners a meeting, at no charge, with an expert financial adviser at the end of the business's first tax year. It begins with opening an account aimed at fostering correct planning of the monthly cash flow in the business.
- As part of the activity for employed adults from this segment, PAGI holds cultural conferences entitled "What's Going On Now". These conferences are held with the understanding that employed young adults involved in the Israeli experience lack information relevant for the segment's public agenda, in accordance with their worldview. Various topics from different fields were raised for discussion in these events, including politics, economics and personal empowerment.
- As part of the program of benefits for small businesses, cooperative efforts with and in favor of the segment's business owners were conducted. In this framework, a seminar was held for approximately one thousand women business owners in collaboration with the Temech non-profit organization that supports entrepreneurship in the Ultra-Orthodox sector. PAGI has also taken part in the Beit Shemesh Small Businesses Conference, and a lecture was delivered in the conference on its behalf about building a monthly cash flow for businesses. Furthermore, advertising, marketing and branding workshops were held for Ultra-Orthodox women business owners as part of the Skirt Club.
- More than NIS 1.1 million were invested in sponsorships of dedicated events and conferences for the Ultra-Orthodox sector in various fields.

Objectives execution status for 2018:

In 2018, PAGI will continue to pursue a strategic move, which mostly consists of marketing to the employed young adults segment of the Ultra-Orthodox sector.	Done
Expand the Language for the Ultra-Orthodox initiative	Done
Launch a content website entitled "Online" targeted at young employed adults from the Ultra-Orthodox sector.	Postponed to 2019
Sponsor activities in the Ultra-Orthodox community: welfare events, workshops, conferences, seminars; sponsor non-profit organizations.	Done
As part of the program of benefits for small businesses, cooperative efforts and ventures will be conducted with business owners from the Ultra-Orthodox sector.	Done

Objectives to promote the Ultra-Orthodox sector - 2019:

- Continue to expand the Language for the Ultra-Orthodox initiative for teaching high-level English to members of the Ultra-Orthodox community.
- A website - As part of its widespread activity on behalf of young working people in the Ultra-Orthodox sector, PAGI will launch a website dealing with a variety of areas relevant to them. The website will display special information on the subject. The purpose of the venture is to provide young Ultra-Orthodox working people with needed information and content.
- Develop a track for self-employed persons as part of the "PAGI Beat" program.
- Hold conferences and events in various fields for PAGI customers.
- Enhance collaborations with academic centers offering programs for the Ultra-Orthodox sector.

 Bank Massad worked to broaden services to customers working in the healthcare sector, while focusing on the Arab sector, and to render these services more accessible. 



Promoting service to the Arab Sector

Bank Massad continues to expand the deployment of its branches in the Arab Sector and to make its services more accessible to the sector, as part of its strategic plan for retail customers in general and specifically for the education sector and educational system and teaching employees in particular. In the past few years, several branches have been opened in communities with significant Arab populations and additional points in mixed towns and locations accessible to the Arab sector. As part of its effort to improve the service for the Arab Sector, Bank Massad hires employees from this sector for its branches, and more than 15% of its employees now come from the Arab Sector. As part of its products and services offerings, the Bank strives to customize its services to the needs of the sector's customers, both with regard to the way it communicates with customers (in terms of the means and language employed to communicate), and by adapting the products to suit key events of the sector, according to the relevant context.

Activity in 2018:

- Bank Massad activated seven dedicated branches for the Arab sector. The branches' deployment provides its customers with access to the range of services provided by the Bank.
- At the end of 2018, Bank Massad opened a branch in Umm al-Fahm that will serve the residents of Northern Triangle region. The Bank tailors specific loans to the specific needs of the Sector and to the various holidays of the Sector throughout the year.
- During 2018, Bank Massad initiated various activities with social aspects in the Arab community: Activities for the Ramadan - such as publication of holiday greetings, distribution of Imsakiya (Muslim prayer schedule) at schools and bank branches, special holiday loans, etc.; opening of the school year in September and activity for Mother's Day.
- Unique activities at the end of the year, including distribution of gifts in schools, for the Sector's Christian community. Bank Massad worked to broaden services to customers working in the healthcare sector, while focusing on the Arab sector, and to render these services more accessible. Sponsorship of local activities in schools and colleges from the Arab sector.

Status of 2018 objectives for the Arab Sector:

Recruiting education students and providing benefits to students in educational and teaching studies at the Alqasemi Academy and the Haifa Academic Arab College for Education in Israel.	Done
Opening another bank branch in Umm al Fahm to make the bank's services more accessible to local residents.	Done

Objectives for 2019:

- Expand recruitment efforts of education students and provide benefits to students in educational and teaching study programs at the Alqasemi Academy, Haifa Academic Arab College, and Beit Berl College.
- Open temporary branches and additional branches in Arab communities in order to make services and benefits more accessible to employees of the education system.
- Expand recruitment and marketing efforts in medical centers among healthcare professionals, while focusing on potential customers from the Arab sector.

Promoting special activity for new immigrants from the CIS

First International Bank caters to new immigrants from the former Soviet Union (CIS). The Bank mapped the needs of its customers from this sector, and selected 16 relevant branches that employ a Russian speaking employee who handles the sector. The said employee is based in the relevant branches on a permanent basis and assists customers on an ongoing basis. The Bank promotes ongoing activity in the sector, such as lectures on financial conduct, publishes articles in the Russian press and on leading Russian-language websites (inter alia, the Bank focused on its innovative services), assists in organizing conferences for this audience and takes part in the community's key events. To provide the optimal response to the segment's needs, the Bank is assisted by external consultants.

Activity in 2018:

- First International Bank works to increase financial awareness among immigrants from the CIS, and to make various banking services accessible for this population. In this framework, the Bank works to increase the sector's awareness to the topic by organizing conferences and publishing articles.
- In 2018, the Bank held seven conferences and community lectures on banking and budget management issues for immigrants from the CIS. These conferences were held in various locations which are relevant to the community, such as kindergartens, schools in which new immigrants are taught Hebrew (Ulpanim), municipal absorption centers for immigrants, branches of the Jewish Agency for Israel, etc. Hundreds of immigrants from the CIS took part in this activity.
- In 2018, articles were published in the most popular and accessible Russian language media outlets. These articles provided information about various banking services (both traditional and innovative); the articles also included explanations about the unique services provided in the Russian language to immigrants from the CIS.

Objectives for promoting activity targeting immigrants from the CIS in 2019

1. Broaden the dissemination of banking-related information among immigrants from the CIS. In this framework, the Bank plans to hold conferences dealing with banking, budget management, body language in the workplace and game theory; the conference will be held both in and outside branches.
2. Hold training sessions for the Russian speaking bank employees who support immigrants from the CIS at the different branches, and provide ongoing professional support for these employees.
3. Publish additional articles on banking services, innovation in the Bank and the broader accessibility of Bank's services to the Russian speaking public in Israel.

Products and services for education system employees

Bank Massad targets teachers and education employees in general and the Arab community (which is characterized by numerous teaching and education employees) in particular. The Bank offers financial products and services tailored to this population, as well as a range of special plans and benefits, taking into account its unique banking and financial needs.



 Bank Massad targets teachers and education employees in general and the Arab community (which is characterized by numerous teaching and education employees) in particular. The Bank offers financial products and services tailored to this population, as well as a range of special plans and benefits.



Activity in 2018

- The Bank operates Teachers Club 10, a special plan for teaching employees, for the management of current accounts at a fixed, all included, monthly fee of NIS 10. Teachers who transfer their salaries to the accounts are also eligible for an unlinked interest-free loan of up to NIS 30,000, an interest-free credit line equal to their salary, and a welfare loan. Alternatively, customers can choose to make a three-year deposit of up to NIS 50,000 at attractive interest rates.
- Another plan, offered to teachers who transfer their salaries and charge at least NIS 2,500 a month on their credit card, grants them an exemption from current account fees, a discount on deposit fees for securities, and 5 free checkbooks a year.
- The Bank offers a special benefits plan to students enrolled in teaching certificate programs, treating them as "teachers of the future". Customers receive non-linked, interest-free loans of up to NIS 12,000 to finance tuition, a free credit card ("Ashmoret"), and fee-exempt current account management.
- The Bank sponsors "Israel's Leading Teacher" project - in cooperation with newspaper Yedioth Ahronoth, the Teachers Union and the national lottery, Mifal Hapayis - in which the country's most inspiring teachers are ranked. The panel of judges includes a representative of the Bank. In addition to the sponsorship, the Bank awards laptops to all winning teachers.
- The Bank serves as a strategic partner in the Athena Fund, dedicated to empowering Israel's teachers. Of all the Athena Fund programs, the flagship project - which was initiated by the Bank - provides tablet computers, combined with professional training, to special education teachers. So far, the Fund has given tablet computers to about 10,000 special education teachers. The program enables students with special needs to communicate more effectively with teachers, friends, families, and the community, and helps them fit in better with society. Children who previously had difficulty communicating with their families and teachers can now use the tablet computers to express their feelings and desires. The experience accumulated over the past few years shows that the tablet computers enable teachers and special-needs students to engage in significant and rewarding learning, allowing teachers to prepare customized study programs for individual students. Tablet computers are accessible and intuitive, which improves motivation. It also enables students to display thinking and understanding skills at a high level.
- In a survey conducted among the teachers participating in the project, 99% said their status in the class had improved. 75% indicated their teaching had improved, and 35% said there was a significant improvement in concentration levels and discipline issues in their classroom as a result of computer use. The number of weekly classes in which the teachers used computers as a teaching tool grew seven-fold. Furthermore, the number of weekly classes in which the students were assigned tasks requiring use of a computer grew four-fold. According to the surveys, the mobile computers also helped the teachers improve their instructional methods and assimilate a variety of new approaches. Using the tablet computers also significantly improved motor skills and eye-hand coordination. Student can now complete tasks they previously had difficulty performing. Using the tablet computes enables the students to cope better with their difficulties. To summarize, using tablet computers helps narrow educational gaps, makes the teaching materials more accessible, and strengthens the social and motor skills of students with special needs. Improving learning by special-needs students through the use of tablet computers helps them realize their potential - an important contribution to both the students and society as a whole.

Employees of the educational system - Objectives for 2019:

- Intensify activity among teachers at schools and kindergartens; Provide banking benefits to families of teachers;
- Provide sponsorships and participate in teachers' conferences and events in cooperation with the Israel's Teachers Union;
- Recruit students as teachers and providing banking benefits to students at educational colleges across Israel;
- Continue the partnership with the Athena Fund - distribute computers to teachers as part of the "Laptop Computer for Every Teacher" program and distribute tablet computers to approximately 3,000 special education teachers;
- Sponsor the Israel's Leading Teacher initiative;
- Provide sponsorships and cooperate with the Israeli Organization for ADHD - a volunteer organization that serves the needs of students with attention deficiency disorders.

Special activity with members of the defense forces

Bank Otsar Ha-Hayal specializes in retail banking with an emphasis on customers serving in the defense forces (IDF soldiers and officers, employees of the defense establishment, etc.) and their families.

As of the end of 2018, Bank Otsar Ha-Hayal operated 14 branches and offices in or close to IDF bases, and another branch in an Israel Aerospace Industries facility in Lod. These branches constitute more than a quarter of the Bank's active branches. With the exception of one branch, all branches located in or close to IDF bases are ones in which customers can carry out a broad range of banking activities regardless of whether their account is managed in that specific branch, taking into account the needs of customers who serve in those IDF bases, but do not necessarily live in proximity thereto; due to the nature of these customers' army service, they find it difficult to reach the branch in which their account is held.

The Bank has developed specialized banking programs for diverse groups in this segment, such as: career officers, NCOs and IDF pensioners; Ministry of Defense employees and pensioners; civilian employees of the IDF; disabled IDF veterans; discharged career officers and NCOs, conscripts, and the families of members of the defense forces, defense enterprises, and organizations. In addition to retail banking, the Bank has developed a range of plans and products for the business activity of members of the defense forces sector. The Bank has a special-purpose unit for fostering relations with the defense forces and providing rapid response to this group's unique needs.

In order to foster relations with members of the defense forces, the Bank runs the "Career Military Service Day" complex in the Tel Hashomer base. In this complex, soldiers embarking on their career military service are offered information about the unique benefits offered to them by the Bank.

 The Bank has developed a range of plans and products for the business activity of members of the defense forces sector. The Bank has a special-purpose unit for fostering relations with the defense forces and providing rapid response to this group's unique needs.



In order to help members of the defense forces, the Bank offers unique loans to this population. The loans are extended as part of the collaboration between various entities working for the benefit of members of the defense forces, such as the Ministry of Defense, IDF units (such as the Residence Administration, Terms of Service Officer, etc.) and the Hever consumer club.

The Otsar Ha-Hayal Sub-Division at First International Bank's Banking Division was set up at the beginning of 2019, upon the merger of Bank Otsar Ha-Hayal into First International Bank. This is a unique Sub-Division, whose role is to run Otsar Ha-Hayal branches in general and retain and foster relations with members of the defense forces in particular, while providing quick response to the unique needs of this population.

In order to cater to the needs of members of the defense forces, most Bank Otsar Ha-Hayal branches are open to the public on Fridays, so that those who can come home only on weekends can benefit from banking services close to home.

Objectives execution status for 2018 - Special activity with members of the defense forces:

Focusing on recruiting members of the security forces and their core circles - by developing special recruitment and retention programs to prevent attrition.	As part of the new agreement with Hever, the following types of accounts were launched: Hever Account, Hever Business Account, and Hever Spouse Account.
Expanding core circles - Developing a plan for additional target audiences: Family members of the defense forces and others.	A special account was developed for families of the security forces - "Hever for the family."
Value propositions according to the customer's lifecycle - creating value propositions tailored to the customer's life cycle, including product offerings, anchor management, etc.	This is carried out as part of the new agreement with Hever and as part of SHAHAK project for retaining and boosting released career soldiers.
Continuing to leverage the Ministry of Defense tender - continue to leverage the win and increase the Bank's market share among the tender's target population.	This is carried out using the day of entry into the permanent army service and by boosting activity with members of the security forces.
Adapting the service model - Developing a unique service model for customer retention, which will combine direct channels, a dedicated telephone response, and a full deployment of branches.	This is accomplished by increasingly promoting the use of digital services. Development of a new product: Digital loans.

Objectives for 2019:

Renew the agreement between Hever and the FIBI Group, whereunder Hever members are offered special terms and benefits in each FIBI Group branch, including Otsar Ha-Hayal branches for an additional period (similarly to the agreement signed between Hever and Bank Otsar Ha-Hayal in 2017).



Promoting activities for the Third Age Segment

During retirement, customers' lives undergo material financial changes, stemming from retirement and reduced revenues, as well as increased expenses due to new needs. In addition, this new period in life brings new experiences to customers' lives, alongside concern for their future and the future of their family. Furthermore, the digital age poses additional, separate challenges for the elderly, who in many cases find it difficult to adapt to the changes associated with it. These challenges require services and products targeted to third-age customers.

The Bank has a comprehensive package for third-age customers:

- **Retirement consultation** - Advice on maximizing the use of income resources and adapting investment products to the investment horizon and risk level appropriate for this population's age range.
- **Strategic investment consulting** - Adapting the customers' investment portfolio, while focusing on the unique needs of this sector's age range.
- **The "Living to be 120" plan**: A CPI-linked deposit designed as a type of pension supplement - the deposit enables to make a monthly deposit through direct debit.
- **All-purpose loans**: Flexible loans on preferential terms with a focus on customers' needs typical of this age, among other things - taking into account the needs of children and grandchildren. These loans include an option to begin repayment at a later date, according to the customers' needs.
- **Customer conferences for the third age** - Customer conferences featuring content adapted to this population, such as: coping with intergenerational transition, proper entry into retirement, digital education for direct training, etc.
- **Training for third age customers in digital banking** - Training in digital banking for existing customers over 50: Third age customers conducting transactions that can be made using digital devices, and all other customers who do not use digital devices for banking purposes. Training is provided both individually and through presentations to groups.

In addition, the FIBI Group takes part in the "Digital Empowerment Project" led by the Bank of Israel for the entire banking system. The project aims to help senior citizens integrate into the digital aspects of the banking system and provide them with tools they can apply when using digital banking services. As part of this project, group lectures and individual training sessions on digital banking are provided to senior citizens.

 The FIBI Group is committed to making its banks' services accessible to all its customers - physically at the branches and at call centers and online services as well as at service facilities in the branches. 

Service accessibility for people with disabilities

The FIBI Group promotes access for people with disabilities, so that everyone can exercise their basic right to receive the services offered. The FIBI Group is committed to making its banks' services accessible to all its customers - physically at the branches and at call centers and online services as well as at service facilities in the branches. The Bank has an accessibility coordinator in place, who is responsible for implementing the accessibility plan at the Group level pursuant to accessibility laws and regulations. The Group-wide program for promoting accessibility of the services and branches is conducted in cooperation with Access Israel and is nearing completion.



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 Group's branches in anticipation of the new standard include:



Nearby disabled parking



Accessible entrance to the branch



Reception desks adapted to the visually impaired and mobility impaired



Adapted teller counters



Adapted waiting corner



Aids for the hearing impaired



Accessible toilets



Accessible elevator



ATMs adapted to the visually impaired and mobility impaired

Objectives execution status for 2018 - Special activity with members of the defense forces:

	No. of branches	Total no. of accessible branches in 2018	% of accessible branches in 2018	Total no. of accessible branches in 2019	% of accessible branches in 2019
First International Bank (Including PAGI and U-Bank)	94	90	96%	94	100%
Bank Otsar Ha-Hayal*	42	42	100%	42	100%
Massad	21	20	95%	42	100%
Total	157	152	96.8%	157	100%

Accessibility to services for people with disabilities on 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 customer stations** - As of the end of 2018, 100% of all automated machines 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 were made accessible using assistive technology.
- **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 the Group's employees on the Bank's training portal.
- **Providing 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.

Objectives execution status:

Making all of the Group's branches accessible.	Done, except for the activation of wheelchair lifts in five branches, which are await approval by the regulator.
Conduct ongoing accessibility maintenance surveys for all of the Group's branches.	Done, in cooperation with the Access Israel, in about twenty branches.

Objectives for 2019:

Complete the accessibility adaptations in the different branches and continue ongoing maintenance of accessibility in Group branches with the support of Access Israel.



“ 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 develop cybersecurity systems and integrate them quickly into the Bank’s systems.”



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 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 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 develop cybersecurity systems 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.

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, 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.



Objectives for 2019:

- Build a secured working environment as part of preparations for applying cloud services.
- Increase awareness of employees, suppliers and customers through training sessions, drills, conferences and messages.
- Expand the coverage provided by an innovative technological defense mechanism by companies participating in the fourth class of the Cyber Incubator.
- Expand process automation to all layers of the defense systems.
- Carry out ongoing monitoring of the defense systems.

Activity in 2018:

- The Group's suppliers were mapped, and material suppliers were selected for whom an information security inspection was carried out. The inspections were carried out in the suppliers' systems to ensure that the information of the Bank and its customers, to which some of the suppliers have a certain degree of access, is well protected. The inspections were carried out in accordance with the Group's Supply Chain Policy and Proper Conduct and Banking Business Directive No. 363.
- The information security systems were automated. As part of this process, automated systems and processes were integrated into the Group's cyber defense center for swift and high-quality monitoring and alerting.
- The level of the information security control applied to the Bank's material suppliers was increased in accordance with the Supply Chain Policy and Proper Conduct and Banking Business Directive No. 363.
- Expanding the coverage provided by an innovative technological defense mechanism by participating in the third class of the Cyber Incubator.
- Increasing the awareness of employees, suppliers and customers through training sessions, drills, conferences and messages.
- Automated systems were integrated into the cyber protection center, into code reviews and events identification.

 The Group develops tools, knowledge, and technology platforms, and provides advanced personal advisory services to its customers. In addition to its Second Opinion services, which it provides free of charge, the Bank offers the general public a second opinion about investment portfolios managed elsewhere. The Bank also provides all of its customers with access to high-quality digital tools, such as its advanced website that features a broad range of professional capital market tools and the Smart Trade system that supports the activity of self-employed customers. 

Advancing customers' financial understanding and incorporating long-term considerations in capital market activity

Consultation regarding investment in securities and taking into account long-term considerations

Recent economic and technological changes in financial markets have increased the need to advance the financial understanding of customers, who need to take responsibility for their financial future and manage it independently, proactively, and in an informed manner. The low interest rate environment has made traditional methods of savings (which bear minor returns) less worthwhile compared with long-term investment alternatives in the capital market.

The FIBI Group believes in its ability to help its customers safeguard their financial future and assist them in building the most suitable investment portfolio for them, including long-term investments. As a leading banking group in the capital market, the FIBI Group recognizes the need and importance of offering its customers diverse investment instruments that would help them deal with the negligible interest rate and adapt their investments to their character, risk appetite and needs. The advisory services provided by the Group are of the highest professional standard and are characterized by caution, objectivity and responsibility. The Group has developed 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. We favor applying an educational concept which will contribute to optimal capital market activity by as large a public as possible. For this purpose, the Group invests resources in making knowledge accessible and developing tools intended to support sustainable behavior in the capital market by its customers. A key 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.

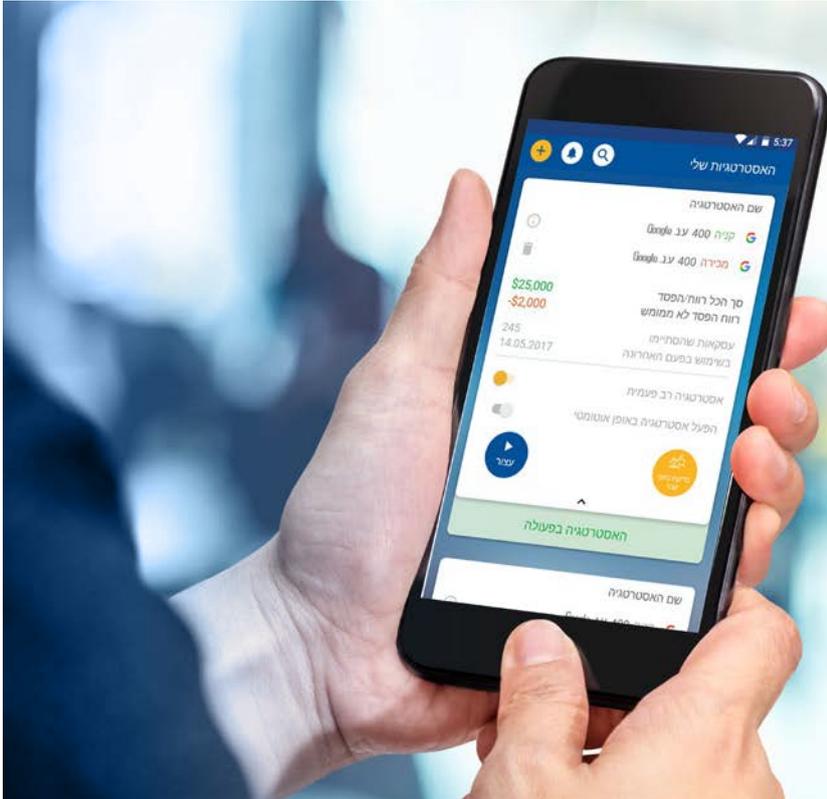
Opportunities for increasing financial knowledge exist in several channels - the direct banking channels, through the website, the application, and at the bank branches by banking experts specializing in all financial spheres. The Group develops tools, knowledge, and technology platforms, and provides advanced personal advisory services to its customers. In addition to its Second Opinion services, which it provides free of charge, the Bank offers the general public a second opinion about investment portfolios managed elsewhere. The Bank also provides all of its customers with access to high-quality digital tools, such as its advanced website that features a broad range of professional capital market tools and the Smart Trade system that supports the activity of self-employed customers.

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.

Dynamic and customized investment management across various life stages

The Group is concerned with the financial future of its customers, directing them to think about long-term investments across the various life stages. This approach is reflected in an orderly methodology that includes investment advice milestones with the objective of providing each customer with a solution tailored to his/her personal needs and wishes.

- **Characterization and clarification of customer needs** - The first stage is to characterize the customer, during which the investment objectives, the customer's needs, his/her risk appetite, and characteristics are examined. In addition, the investment



“ To support a high-quality and efficient investment service, the FIBI Group has developed investment products, help systems, and supportive technology tools that provide real value to customers and help them in their financial planning for the future. ”

- adviser and customer hold a discussion regarding expected returns based on the customer characterization.
- **Diversified investment portfolio** - The second stage is to build a diversified investment portfolio composed of off-the-shelf investment products according to the customer's characterization in the first stage. Through properly matching a diversified investment portfolio to the customer's needs and adhering to the recommendations of the Group's Research Department, which provides content services to all the banks in the Group, the banks can offer their customers optimized portfolios. The Bank's research unit provides ongoing professional support, both in terms of the recommended investment portfolio composition and the suitability of a specific investment product and the level of risk derived from it to the customer's portfolio, as reflected in the initial characterization.
- **Current and proactive maintenance** - The third stage involves the ongoing maintenance of the portfolio by keeping regular contact with the customer, updating him/her about significant events related to his/her portfolio, and providing recommendations for actions needed due to market changes or to his/her needs and characterization.
- To support a high-quality and efficient investment service, the FIBI Group has developed investment products, help systems, and supportive technology tools that provide real value to customers and help them in their financial planning for the future. These tools and services include the following:
 - **An equity deposit with standing order** - A long-term investment track that enables customers to have a standing order for an equity component through tracker funds (in 2018, tracker funds and exchange traded notes became exchange traded funds), thereby benefiting from the long-term return that equity investments provide, in addition to ordinary standing orders for investment in a wide variety of mutual funds.
 - **Flexible standing orders** - These allow efficient long-term savings through mutual funds or tracker funds, taking into account the customer's current accounts balances. The customer determines the current account balance earmarked for ongoing use, above which the deposit will be made, as well as the maximum deposit amount. The product's flexibility allows for maximum compatibility with the customer's characteristics and needs, both in terms of investment choice and customer's current uses.
 - **Dynamic investment portfolio** - A long-term investment product characterized by a long average duration and high equity exposure, based on concept that long-term equity investments and long-term instruments may offer higher returns on risk-free assets. The dynamic investment portfolio model is built so that the proportion of risk components shrinks as the target date approaches.
 - **Investment radar** - An automated system which identifies events in customers' investment portfolios and warns them of specific events that they should take into account in managing the portfolio.
 - **Autopilot** - A tool that enables automatic and thorough review of all the data in the portfolio, allowing the Group's investment advisors to draw customers' attention to portfolio events, thus streamlining their work and enabling them to provide higher quality service.
 - **Advise.me** - A system that enables an investment adviser to send his/her customers recommendations through a mobile application. The system enables the adviser to reach a large group of customers in a short time, and customers - to obtain service with convenience and availability according to his/her needs.

Objectives for 2019

The FIBI Group will continue developing investment products, supportive systems, and technological tools to help customers in planning their financial future.

“ The pension advisory service tracks changes in the customers' needs, resources, and characteristics while taking into account short- and long-term considerations, on the basis of the Group's extensive experience and knowledge of financial and pension advice. The combination of these factors provides customers with real added value as to obtaining an overview of their financial situation, of which the pension arrangement is a component.



Pension advisory service at the FIBI Group - Taking care of our customers' future

As part of its long-term outlook, the FIBI Group attaches great importance to planning its customers' post-retirement financial needs. The Group therefore provides its customers with pension advice, which gives them a clear and full view of their pension savings and examines whether the savings are in line with the customers' personal needs and characteristics. The pension advisory service tracks changes in the customers' needs, resources, and characteristics while taking into account short- and long-term considerations, on the basis of the Group's extensive experience and knowledge of financial and pension advice. The combination of these factors provides customers with real added value as to obtaining an overview of their financial situation, of which the pension arrangement is a component.

With the understanding of the importance of proper pension planning, and with the aim of exposing the Group's professional and objective pension advisory services to as wide an audience as possible, the FIBI Group holds numerous conferences and lectures throughout Israel to teach and advance knowledge in this area. Some of the conferences are held at bank branches while others are initiated by the pension advisers, branches, and external parties. The extensive deployment of the Group's branches and the Bank's willingness to share knowledge with the general public enable the FIBI Group to make the highly professional pension savings field accessible to the Israeli public across Israel. In 2018, various parties within the FIBI Group (the Pension Advisory Department, branches, PAGI and others) initiated approximately forty conferences on the subject for the benefit of the Group's customers and the wider public. The conferences were attended by approximately 1,500 participants.

The Group's pension advice is based on the following principles and channels:

- **Continuous advisory service** - including continuous and initiated advice that tracks changes in the customer's needs and personal details, and ensures that the customer has a pension arrangement that is in line with his/her family and financial situation, regularly monitors and oversees the various pension products in the market, and uses a sophisticated analytical model to systematically analyze the products.
- **Proactive pension planning (prompted by the Group)** - initiating a constant review of the pension plan and adapting it to the customer's needs, while providing an optimal response to personal changes in his/her life and to the frequent regulatory changes.
- **Advanced advisory and service systems** - the Group's advanced systems use complex mathematical models to adapt the various kinds of products to the customer, his/her personal situation and needs, so as to ensure that the pension products are best suited to him/her.
- **Objectivity** - As a pension adviser, the Group collects identical and uniform fees and commissions from the product issuers (distribution fees), thereby preventing bias of any kind on the part of the bank's pension advisers about all the existing pension products and ensuring the best fit for the customer.
- **Transparency** - The customer is openly and explicitly updated about the management fees for each pension product, including distribution fees (which are uniform, as mentioned above) paid to the Bank.
- **Accessibility and availability** - The Group makes available to its customers all of its branches across Israel, a call center, an app and website, so as to allow them to readily manage their pension portfolios.
- **Supervision and oversight** - The Group implements advanced supervisory and oversight arrangements and is committed to the highest standards of quality, to guarantee customers a minimum of errors and zero manipulation.

The Group's pension advisory process comprises four stages:

- **Review of the customer's needs** - Review of the financial needs of the customer and his/her family at retirement and other insurance options.
- **Review of resources** - Review of the customer's pension- and financial assets, their quality and suitability to his/her needs.
- **Evaluation of the risk level** - Examining whether the risk level is suited to the customer and his/her characteristics in terms of the risk level of the customer's pension products and their suitability to his/her risk appetite.
- **Review of costs** - Review of the costs of the customer's pension products and reducing them as far as possible.
- **Building a pension portfolio** - supplementing the pension portfolio such that it meets the customer's unique needs by, inter alia, adding and changing products and insurance coverages.

This advisory process improves the customer's pension savings by:

- Reducing management fees paid to savings product producers.
- Matches the pension funds' risk level to the customer's age and characteristics.
- Choosing funds recommended by the rating system.
- Improved insurance coverage and adapting it to the customer's marital status.
- Aligning the contributions with the salary and current tax benefits to maximize the pension savings.

In addition, the Group offers its customers unique pension advice ahead of their retirement, which includes the following:

- Considering the options for using pension savings - Withdrawal of an annuity or a lump sum in accordance with the types of plans and taking into account the relevant tax aspects.
- Taxation tracks - The taxation of pension and severance pay savings depends on the terms under which the funds may be withdrawn and on taxation tracks selected by the planholder.

Matching the pension mix that will best suit the planholder's needs while taking into account tax considerations may, therefore, save tens of thousands of Shekels for the planholder and is therefore of great significance. Based on decisions to be taken during the conversation, the retirement advisor will provide the planholder with the documents he/she will require in dealings with the tax authorities.

- Management of pension savings after retirement: Planning and managing investment of personal funds, which the planholder does not plan to withdraw.
- Potentially increasing the retirement annuity, where needed.
- Assessing the need to continue insurance coverages, where possible.
- Payment to beneficiaries or surviving relatives in case of death - the track determines who will be entitled to receive the pension payments and/or a lump sum, and the pension amount in case of death.

Pension portfolio - Locating and viewing pension products

As of 2016, the FIBI Group provides its customers with a preliminary pension advice service that enables them to locate their pension products and view them on FIBI's website. To obtain the service, customers need only to log on to the Bank's website, read the power of appointment and sign it. Another option is to sign the form at the branch. After the form has been signed, a request is dispatched to the Pension Clearing House, which then sends a request for information to all institutionals in Israel, who are required to provide the Bank with the information. The information arrives at the Bank once, several days later, and can be viewed online. At this point, the customer decides whether to contact his/her branch to schedule an appointment for a pension consultation, or make do with the update. Customers receiving pension advisory services from the Bank receive the information on an ongoing basis, and the information available to the Bank is updated on a monthly basis.

Objectives execution status - Financial advisory services for 2018:

Provide retirement advice to customers based on their needs and subject to regulatory restrictions.	Is being carried out
Continue to give lectures at additional forums to expand pension- and financial education.	Is being carried out
Expand the use of digital means in providing pension advisory services.	In development
The possibility of transferring some types of advisory services to digital channels is being considered.	In development
Expand the Pension Clearing House's interfaces to allow for ongoing monitoring of customers' pension portfolios and streamlining the ongoing support process.	Done
Expand the use of the telephone as an additional platform for providing pension advisory services, so as to make it accessible to more customers (subject to regulatory approval).	In development
A broader range of customers will be offered valuable pension counseling.	Is being carried out

Objectives for 2019

- Increasing the number of customers receiving pension advice services.
- Increasing awareness of the importance of obtaining pension advice ahead of retirement and boosting access to the service.
- Giving lectures at various forums to expand pension education.
- Expanding the use of digital means in providing pension advisory services.

Additional initiatives to promote financial knowledge by the FIBI Group

The Group attaches great importance to promoting financial knowledge both among its customers and the general public, with the understanding that the more knowledgeable customers are, the better their financial decisions, conduct and financial situation. As a result, dozens of conferences are held each year on a variety of financial topics in the fields of capital markets, pension counseling, financial planning and family finances. The presentations are delivered by external content specialists and the Bank's experts.

 In this context, the Group has various initiatives to advance financial knowledge among its customers.



In this context, the Group has various initiatives to advance financial knowledge among its customers, tailored to each customer segment. These include conferences featuring presentations on a wide range of topics: The capital market, managing household finances, real estate, investment, and even family and parenting issues, with the objective of enhancing the participants' financial literacy, sharing knowledge, and winning new customers. The presentations are delivered by external content specialists and the Bank's experts. In addition, the Bank prepares the conferences' content according to the issues raised by the customers.

Activities in 2018:

First International Bank:

- This year, the Bank held dozens of conferences a year on pensions, mortgages, the capital market, financial planning and family finances, smart banking, etc. These conferences are held at bank branches (for current customers and their friends) and outside the bank across Israel (workplaces, community centers, etc.). The lectures are given by bank employees who specialize in the relevant fields as well as by external content experts.

Financial education in the Ultra-Orthodox sector:

- PAGI has teamed up with a financial advisor who specializes in the Ultra-Orthodox community's financial conduct. As part of the project, lectures are delivered across Israel and financial guidance is provided by various means. The focus of the financial education efforts provided under the auspices of PAGI is to offer a different approach than the one customary in Ultra-Orthodox society - In addition to the prevailing approach, which advocates lowering expenses, the training also focuses on increasing income, long-term planning and adopting a new way of thinking about financial matters, so as to allow sound financial conduct over time. Other than being more appropriate, such financial education also conveys a deeper message regarding proper financial conduct as a way of life, even in times of prosperity, rather than only during a deep financial crisis or to prevent financial collapse.
- Ventures and joint projects were carried out for the target group - Local and national conferences combining lectures on financial education and other subjects of interest to the target group, media stories about prudent financial conduct, cooperation with the student union at the Lev Institute, and the "Language for the Ultra-Orthodox" social venture, which is described in detail in the relevant section.

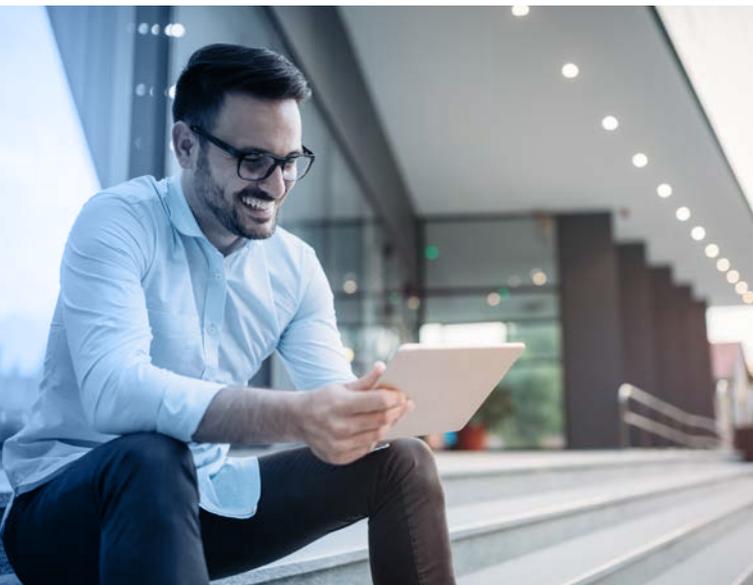
- The "Language for the Ultra-Orthodox" initiative - A lack of basic knowledge of English constitutes a barrier to the integration of Ultra-Orthodox workers into the labor market. The "Language for the Ultra-Orthodox" program, initiated by PAGI, is designed for people with a basic knowledge of English. Its aim is to expand and reinforce knowledge of the language, while developing skills until a working knowledge of English is achieved. The emphasis is on vocabulary needed in the labor market. This specially designed course is adapted to the level of English acquired from the basic courses common in the Ultra-Orthodox sector. It is also adapted to the characteristics of the Ultra-Orthodox sector, with a strong emphasis on the business sector through development of a relevant vocabulary and exercises centered around work situations. The course includes workshops on writing CVs and how to be interviewed in English.
- As part of the focus on students, collaboration took place with the Jerusalem College of Technology - Lev Academic Center for the Ultra-Orthodox religious sector. As part of the collaboration, presentations were held on topics relevant to the students, such as on smart financial behavior, thus making PAGI's unique products more accessible to students - A NIS 1,200 grant and a tuition loan.

Bank Massad and Bank Otsar Ha-Hayal:

- Massad and Otsar Ha-Hayal held activities designed to promote digital financial literacy among its customers, and in particular, among third age customers. These activities included training sessions relating to using banking services and the banks' websites, applications and automated kiosks.

Objectives for 2019:

Hold further professional conferences on financial management and investment that will benefit our customers and the wider public.



The FIBI Group is developing products and services adapted to the needs of its customers, while leveraging the technological possibilities offered by the new developments. The Group believes that the technological developments in the financial sector offer its an opportunity to adapt services and empower customers. The Group is making great efforts to promote innovation and adapt its services to these developments.



Product and service innovation

The past decade brought extensive technological changes in the banking sector - new channels of communication with the customers, automation of processes, information management technologies, etc. The FIBI Group is developing products and services adapted to the needs of its customers, while leveraging the technological possibilities offered by the new developments. The Group believes that the technological developments in the financial sector offer its an opportunity to adapt services and empower customers. The Group is making great efforts to promote innovation and adapt its services to these developments.

The FIBI Group's strategic plan focuses on investing in the customer, expressed in providing a comprehensive and personal solution in a variety of channels adapted to the customer's characteristics. Special emphasis is placed on promoting and upgrading digital banking tools and enhancing the use of direct banking channels, while assimilating innovation through unique online and mobile products and technologies and collaborating with Fintech companies. The

Group believes that these steps improve our customer interfaces and his/her user experience, while maximizing their added value. The Group promotes innovation by assimilating products and technologies by start-ups, alongside ongoing efforts to develop in-house products and technologies through the Bank's IT Unit.

As a result, the Group is implementing solutions in a variety of channels, with emphasis on customer experience and the availability of banking services without the need for physical access to branches. The Group thus invests considerable resources in the development of digital services. At the same time, an effort is made to expand the deployment of ATMs in order to reduce customers' dependence on the branches' opening hours.

The First International Bank Group strives to enable its customers to perform most of their ongoing banking activity through the digital channels and ATMs.

Following are the direct channels available to our customers:



The websites



The mobile apps



Beinleumi Call - A call center with flexible operating hours



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



Text services, personal push messages and web-based email



Correspondence with the Bank - Digital correspondence with a banker through the Bank's website and app. Customers can use this service to receive information, give instructions to carry out banking services at any given time, anywhere and without the need for physical access to branches or waiting for their phone call to be answered



Provide bot responses through correspondence services of social media networks



Create links to a range of digital platforms using the API technology

Each of the banks in the FIBI Group has an app through which customers can carry out a range of banking services and view their personal financial information. Among the banking services available through these apps are: Check depositing, ordering checkbooks, viewing comparative capital market information and advanced information analyses, locating branches, making deposits, setting up standing orders, withdrawing from daily deposits, bank transfers, loans, applying for mortgage, foreign currency and securities trading, and more. The transactions available on the apps can also be carried out on the banks' websites.

The Group's branches have service representatives in place who explain to customers how to use self-service kiosks and train customers on using the tools available on the banks' websites and applications. 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.

Activities in 2018:

In 2018, the Bank strove to broaden its digital services offering to private, business and capital market customers. This included integrating innovative capabilities into existing services and broadening and launching additional digital services. The innovation and digital solutions were planned and set up in collaboration with Fintech and other technology companies, based on the Bank's strategic objectives in the field of innovation. Among the principal services that were launched and expanded in 2018 are:

- Advise.me - A technological system that enables investment advisers to send his/her customers recommendations through a simple and convenient mobile application (the service is provided in cooperation with Fininvest).
- Smartrade - An innovative platform for building customers' investment strategies; the platform was launched through the Bank's app (in collaboration with Levent).
- Expanding the range of banking services available on the Bank's website and through its app, including various types of bank transfers and ordering credit cards.
- Adding the option of face recognition as a means of identification by the Bank (in cooperation with Transmit Security).
- Launching an upgraded website with improved response times that will suit customers' needs.
- Allowing customers to correspond with digital service representatives.
- Digital correspondence services with bankers offered to all of the Bank's customers through various media outlets and platforms.
- Upgrading the capabilities of "FIBI the Virtual Banker" (in collaboration with Personetics).
- Upgrading the capital markets activity screens on the Bank's website.

The big-data project

In 2017, the Group launched its big-data project. The purpose of the project is to build a smart infrastructure so as to enable the gathering, moving, and storage of information from the Bank's digital assets in order to allow analysis and generate insights and recommendations, send offers to customers in real time, and monitor customers' activity in order to improve their user experience. During 2018, the building of the digital infrastructure continued.

Objectives execution status - Innovation in products and services:

Continued deployment and implementation of advanced digital innovation across all service channels of the Company, while promoting significant cooperation with Fintech companies.	Done
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Objectives for 2019:

First International Bank

- Expanding deployment and implementation of advanced digital innovation across all service channels of the Company, while promoting significant cooperation with Fintech and technology companies to benefit the entire Group.

Bank Massad

- Promoting initiatives to improve employee knowledge and access to digital tools.
- Holding service and sales workshops at branches, while putting an emphasis on making digital services accessible to customers, both through the website and through the mobile app and automated kiosks at the branches.
- Increasing the number and types of banking activities that can be carried out through the Bank's mobile app.
- Deploying, in some of the branches, service representatives who will be able to explain to customers how to use the digital devices available at these branches.



 The FIBI Group scrupulously maintain fairness toward its customers, out of the belief in maintaining long-term relations with them and have the customer's best interest in mind, alongside business considerations. The Group therefore scrupulously adheres to fairness and transparency in the banking products and services it offers.



Fairness of products and services

As an entity that provides services to its customers, the Group is subject to a series of laws and regulations related to the provision of banking services and products, including various prohibitions and general duties towards customers (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). These provisions apply to all products and services provided by the Group. The FIBI Group complies with these laws and regulations by using dedicated control and auditing mechanisms - the most important of which is the compliance system - which is responsible for ensuring that the Group's banks implement applicable regulations to which they are subject.

Each new product is thoroughly and meticulously examined by the relevant business parties, the Legal Counsel Department, and the compliance officer, who operate on the basis of various principles, as detailed below. The Group is committed to operating transparently and openly vis-a-vis its customers, by presenting the information relevant to them:

- The Group scrupulously maintains proper disclosure, providing its customers with any information that may be relevant to them so they can reach calculated and informed decisions.
- The Group scrupulously works with its customers in compliance with the provisions of the law that apply to the Group for its customers' best interest, avoiding taking any direct action which is not to their benefit.

 Each new product is thoroughly and meticulously examined by the relevant business parties, the Legal Counsel Department, and the compliance officer, who operate on the basis of various principles



- The Group notifies its customers about anything related to their assets and liabilities toward the Group (each of the Group's banks may provide customers with information on their assets and liabilities in the respective bank only, rather than in the Group).
- The Group offers its customers diverse solutions and products and seeks to provide clear information about the various options, including the advantages and disadvantages of each product or service (for each customer).
- The Group is happy to discuss with, and provide full information and comprehensive explanations to, its customers, correcting and improving where necessary (from the Group's Code of Ethics).

Furthermore, the Group instills the values of fairness and transparency in all Group employees through training and the Code of Ethics of the banks in the Group. This is reflected, inter alia, in the websites of the Group's banks openly featuring their codes of ethics, price lists for the services and products, etc.

Instilling proper and fair business principles and values in all of the Group's banking endeavors

When analyzing the crises in the global banking industry in the past few decades, conduct risk emerges as one of the causes - in addition to significant failure events, operational and financial failures - due to non-transparent and unfair conduct or lack of proper disclosure by the bankers towards the customers, investors, suppliers and employees (hereinafter - the "Stakeholders") of these corporations.

Conduct risk is a cross-organizational risk based on a long series of lawful provisions and regulations, the foundations of which are fairness and transparency in the bank's conduct towards its various stakeholders.

Thus, and as part of its risk management in general, and compliance risks in particular, the FIBI Group and the organs leading it strive to instill and implement adequate and fair business principles and values in the Group's banking practices, including developing and characterizing the products it offers to its customers according to their changing needs, proper disclosure to customers and to other stakeholders about the various products, including the risk components embodied in them, and having the Group's professionals match the offered solutions to their customers' needs and to the changing market conditions, while adopting technologies which make the Group's products as widely available as possible to its diverse customers. The FIBI Group makes a point of responding to each and every customer professionally, responsibly, and with great care. The Group handles each inquiry in a thorough and unbiased manner, with an emphasis on fairness and objectivity.

Fairness in investment consulting

A key part of the FIBI Group's investment consulting approach is to ensure the financial future of its customers and to guide them to consider long-term investments. The Group believes in tailoring the service to the customers' characteristics and needs. The Group has developed and implemented methodologies that include investment advice milestones with the objective of providing each customer with financial understanding as well as a solution tailored to his/her personal needs and preferences.

Fairness in marketing, advertising and sales

The FIBI Group is meticulous about proper disclosure. The Group scrupulously adheres the principles of responsible marketing and always operates on the basis of the accepted ethical rules. The FIBI Group banks promote long-term relations with customers by providing professional, fair, efficient, and courteous service and creating service and product value for the Group banks' diverse customers.

The Group is extremely careful to use several strict layers of screening and control to ensure that all of its messaging conforms to the requirements of the law. The advertising policy is set by the Bank's management, in line with its business strategy and

the objectives and characteristics of the target audience, etc. At times, the Bank is assisted by external specialists and external consultants. The Bank manages the brand on a regular basis, and adapts the products to the target audiences, while complying with legal and regulatory requirements and adopting ethical principles.

All content published by the Group (marketing brochures, banners, ads, etc.) undergo an orderly approval process by the legal department and compliance officer in each Group bank. 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. In 2018, 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 difficulties

When our customers encounter financial difficulties, the Bank's policy is to do our utmost to reach debt arrangements with them prior to initiating legal procedures, which may be very costly. The FIBI Group has developed and uses processes which combine sensitivity, professionalism and will to help these customers regain financial stability. Thus, pursuant to FIBI Group's procedures, customers must be contacted before legal collection proceedings are initiated. Furthermore, the attorneys who handle the collection cases are instructed to attempt to reach a settlement with the customers before seeking the court's intervention. In 2018, the FIBI Group signed more than 300 debt settlement agreements with customers in financial difficulties.

In this context, the FIBI Group initiates, from time to time, processes for collection of old debts (such as the "Debt Settling Operations", which are designated days during which debtors meet with Bank's representatives and attorneys in an attempt to reach comprehensive agreements on debt settlements), while taking steps to alleviate customers' difficulties. The Bank strives to reach agreements with customers who fail to meet their repayment schedules. The FIBI Group also collaborates with various organizations working to resolve the financial difficulties of customers who find themselves in dire financial straits due to economic, cultural and health-related reasons; such organizations contact the Bank together with the customers or on their behalf. In this context, the Bank signed a convention requiring it to give preferential treatment to women in shelters for battered women.

 The Bank strives to reach agreements with customers who fail to meet their repayment schedules. The FIBI Group also collaborates with various organizations working to resolve the financial difficulties of customers who find themselves in dire financial straits due to economic, cultural and health-related reasons; such organizations contact the Bank together with the customers or on their behalf.





Quality of service⁸

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

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 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 efficiency, as well as compliance with the laws, regulations, Bank of Israel positions, and other regulatory provisions.



The Bank continues to develop innovative and advanced products for its customers. It is important for the Bank to engage with its customers, and to understand and address their needs at the highest level. The Group's service approach is common to all its employees and it takes care to equip its employees with up-to-date professional tools and knowledge in order to maximize and streamline the service it provides to its customers. In 2018, approx. 600 customer-facing Bank employees from 40 branches underwent advanced customer service training.

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 with 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 for improvement purposes. In addition, as required by the Group's policy, an annual work plan conference is conducted, in which teams discuss implementing solutions.

Activity in 2018:

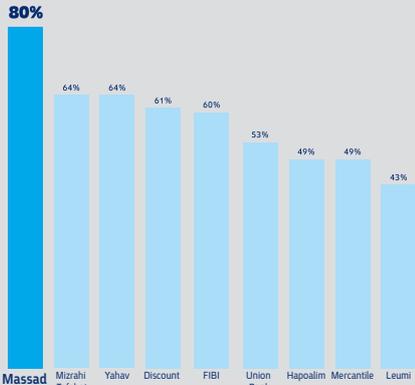
First International Bank and Otsar Ha-Hayal

- First International Bank was ranked second among the large banks in a customer satisfaction survey held by the Bank of Israel in order to assess the banks' level of service (both in branches and in the app).
- To improve the telephone service to customers, a callback system was installed at the banks' branches, through which customers can leave contact details for a banker to call them back. The purpose of this system is to improve customer service and, as a result, their satisfaction.
- The banks appointed service coordinators, which undergo dedicated workshops to improve service at the branches. In addition, FIBI began to conduct in-depth surveys among customers who abandoned the Bank, in order to understand the reasons for their dissatisfaction and formulate a response and solution. Improvements were also made to the website and app to speed up and streamline the service using the direct channels, so as to save customers the need to arrive at the branches.
- The Bank holds general and specific seminars, tailored to each branch's needs, nature and the environment (type of population, culture, competitors, etc.). Bank Otsar Ha-Hayal held 84 full training days in various frameworks focusing on provision of high-quality service.
- Promoting the use of direct channels. Training was provided at branches, a booklet was issued and distributed to customers, which includes all the options and how to use them easily.
- Expansion of advisory services for a holistic view of all of a customer's assets, with an emphasis on risk management. The process included ongoing training of the banking and advisory staff.

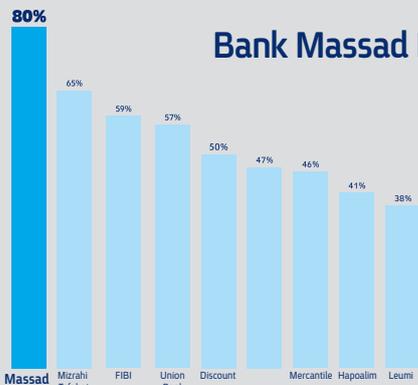
Bank Massad

- Bank Massad views the satisfaction of its customers as one of the fundamental cornerstones of its business activity, and accordingly invests considerable efforts in customer satisfaction. These efforts bear fruit - in January 2019, the Bank of Israel published the results of a customer satisfaction survey it conducted throughout the entire banking system. The survey ranked Bank Massad first in the category of customer satisfaction with the quality of service, 15 percentage points ahead of the bank ranked second.
- In 2018, Bank Massad held dedicated conferences in addition to the ongoing meetings with branch managers, managers of branches' personal banking departments and managers of the customer services function. During these conferences and meetings, Bank Massad emphasized the importance of customer service, of fostering relations with customers and of fully identifying their needs, while providing them with quick and accessible response. Furthermore, Bank Massad launched a comprehensive dedicated package of services for private banking customers. The Bank conducts comprehensive customer satisfaction surveys every two years.
- An internal survey published in 2018 by an external survey company shows that in most of Bank Massad's branches, the level of customer satisfaction was either high or very high. In addition, significant efforts are made to make the digital services in branches accessible to customers through extensive deployment of service representatives who provided personal support to customers. Bank Massad also conducts surveys on customer churn in order to assess the reasons why customers decide to leave the bank, and draws conclusions from the surveys' results.

According to a Bank of Israel survey on customer satisfaction with Banks' service:



To what extent will you recommend your bank to a friend or family member?



Bank Massad Ranks No. 1

To what extent are you satisfied with the waiting time to receive service at the branch?

Customer satisfaction surveys

Customer satisfaction surveys showed increased customer satisfaction from the service provided by the three banks: FIBI, Otsar Ha-Hayal and Massad. The surveys conducted among customers assess various aspects of customer satisfaction, such as professionalism, courtesy, attentiveness to customers' needs, speed of response, the bank's position compared to other banks and more.

The results of the main surveys conducted by the banks in the Group are as follows:

First International Bank

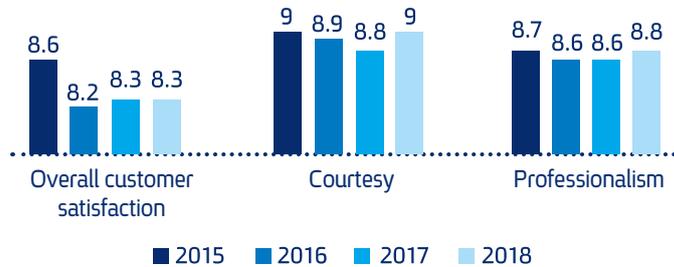
The telephone surveys are conducted among all population segments, among customers who have visited branches and those who use the direct channels. First International Bank managed to maintain a high level of service and customer satisfaction, despite the fact that surveys show a decline in customer satisfaction in the banking system as a whole.



Bank Otsar Ha-Hayal:

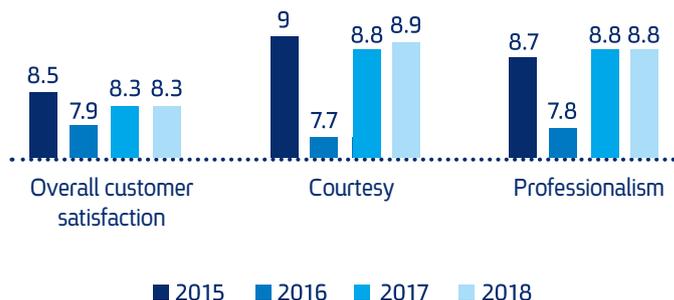
During 2018, customer satisfaction surveys were conducted by the Bank. The purpose of the surveys was to examine overall satisfaction with the service provided at Bank Otsar Ha-Hayal branches. The surveys targeted various customer segments: Personal banking customers, private banking customers and business customers.

The survey shows an increase in satisfaction with both professionalism and courtesy, which were rated 8.8 and 9, respectively. Otsar Ha-Hayal was also able to maintain its overall satisfaction rating from last year.



Bank Massad:

A telephone customer satisfaction survey was conducted in the second half of 2018. The survey targeted households - comprising both personal and private banking customers. The survey included questions about service, proactiveness and use of digital services. According to the survey, the Bank has maintained its customer satisfaction level in each of the key indicators:





 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 reviewed fairly and objectively against the Bank's relevant procedures and agreements with the customers. The dialogue with customers is characterized by sensitivity, exercising discretion and quality service practices. 

Public inquiries

Handling 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 - headed 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 reviewed fairly and objectively against the Bank's relevant procedures and agreements with the customers. The dialogue with customers is characterized by sensitivity, exercising discretion and quality service practices. 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 cases of inquiries that do not involve the Bank's business judgment, the customer is made aware of the fact that he/she may appeal the response of the public inquiries officer to the Banking Supervision Department or the court.

The Public Inquiries Unit conducts learning processes aiming to draw lessons from inquiries received thereby. The different banks in the FIBI Group constantly strive to improve, and the Public Inquiries Unit plays an important role in the Bank's ability to map the issues that are material for its stakeholders, for the purpose of drawing lessons and setting objectives. In this context, managers in FIBI Group banks receive regular updates about trends identified through customer complaints, and the Group encourages them to take action in order to improve these issues.

Type of inquiry	Received	Handled	% of inquiries / complaints handled	Justified complaints
Complaint	767	767	100%	
Complaint	2119	2060	97%	299
Total	2886	2838	98%	

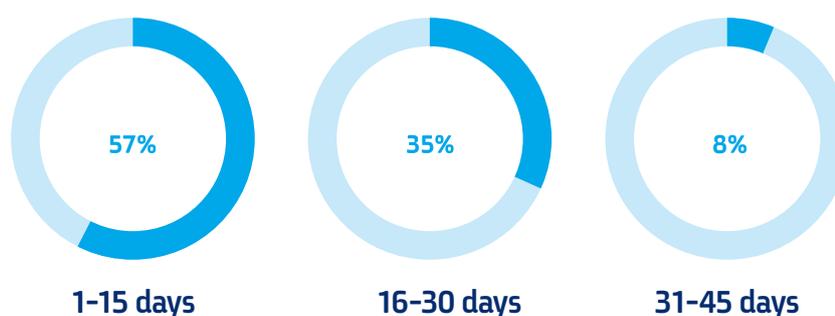
The Group is committed to respond to every complaint within reasonable time and to provide a clear, courteous and thorough response, supporting its responses with documentation when necessary, on the basis of the following principles:

- 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 complaining customers into satisfied customers.
- Placing emphasis on service and courteousness.
- Drawing lessons from complaints in order to improve service and professionalism.

In 2018, First International Bank focused on improving the services it provides to its customers; these efforts were reflected in the small number of complaints lodged against the Bank with the Banking Supervision Department of the Bank of Israel. Thus, only 500 were submitted to the Bank of Israel against First International Bank; this is the lowest number of complaints among the large banks (by comparison, 973 complaints were filed against the next largest bank). Regarding the criterion reflecting the ratio between the Bank's share in justified inquiries and its market share in retail banking, as published by the Bank of Israel, First International Bank was rated second among the large banks (this means that, not only is the absolute number of complaints lodged against First International Bank low, but the proportion of inquiries relative to its market share is low).

Regarding the response time to complaints, we continued to respond quickly and efficiently, with most complaints being handled less than 30 days, compared to the 45 days permitted under Proper Conduct of Banking Business Directive No. 308A.

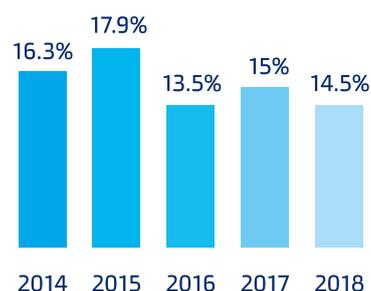
Response times to complaints:



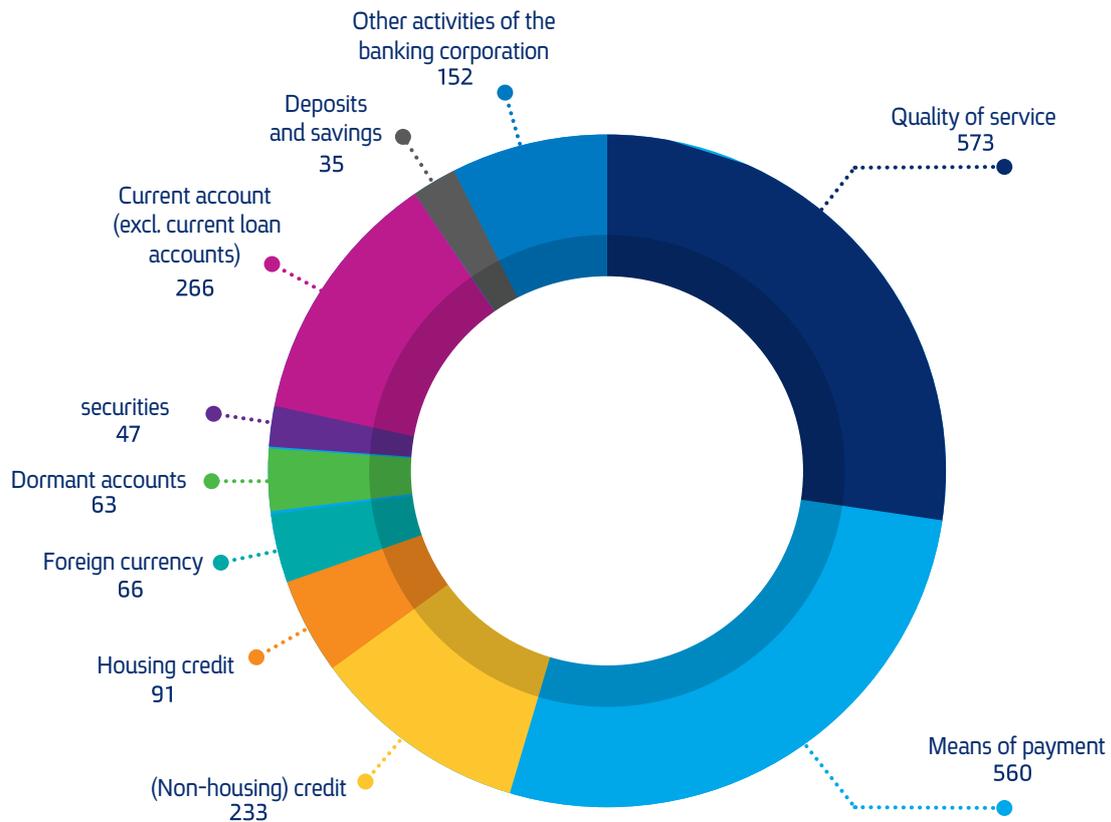
Total No. of complaints Received During the Reported Period Requiring Reporting to the Bank of Israel



No. of justified complaints filed with the FIBI Group



Breakdown of Inquiries by topic



It should be noted that during the reporting period, no inquiries were made relating to breach of customer's privacy, loss of customer information or other inquiries relating to information security and privacy.

Objectives for 2019

- Increase the number of surveys conducted among the Bank's customers.
- Add criteria to satisfaction surveys, and expand data collection channels (for example, giving customers the option to participate in a survey through the Bank's digital channels).
- Conduct quality control over the Bank's telephone response function.
- Continue to hold service-related training for branch employees.
- Use service metrics to rank the branches' performance.





Incorporating sustainability & social considerations in credit provision and investment decisions

As part of its overall credit portfolio, the FIBI Group attaches importance to granting credit to environmental projects, products that contribute to mitigating negative environmental impact and projects that contribute to a cleaner environment and, in this context, finances various renewable energy projects. The Group encourages investments and businesses that develop and create innovative products and services, technologies, or processes that contribute to preventing and reducing waste pollution, decreasing the use of natural resources, as well as promoting biological reclamation and land and water purification.



The activities of some of the Bank's customers may impact on the environment and society, requiring the right balance between the various considerations to be found. The FIBI Group therefore treats environmental and social aspects as part of its credit risk management process.

Environmental risk to the Group may be embodied in various risks to which it is exposed, such as credit risk, market risk, operating risk, and image risk. Environmental risk which is included in credit risk could be manifested as a decrease in the value of collaterals or deterioration in a borrower's financial position due to environmental costs resulting from environmental regulations. Another possibility is reputational risk, due to an environmental hazard being attributed to the Group as a result of its connection to the party responsible for the hazard.

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 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. Employees performing work that is relevant to this policy are trained annually by the Group's Training Department as part of the relevant course on credit, in cooperation with representatives of the Corporate Division.

As part of its overall credit portfolio, the FIBI Group attaches importance to granting credit to environmental projects, products that contribute to mitigating negative environmental impact and projects that contribute to a cleaner environment and, in this context, finances various renewable energy projects. The Group encourages investments and businesses that develop and create innovative products and services, technologies, or processes that contribute to preventing and reducing waste pollution, decreasing the use of natural resources, as well as promoting biological reclamation and land and water purification.

The FIBI Group is currently 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:

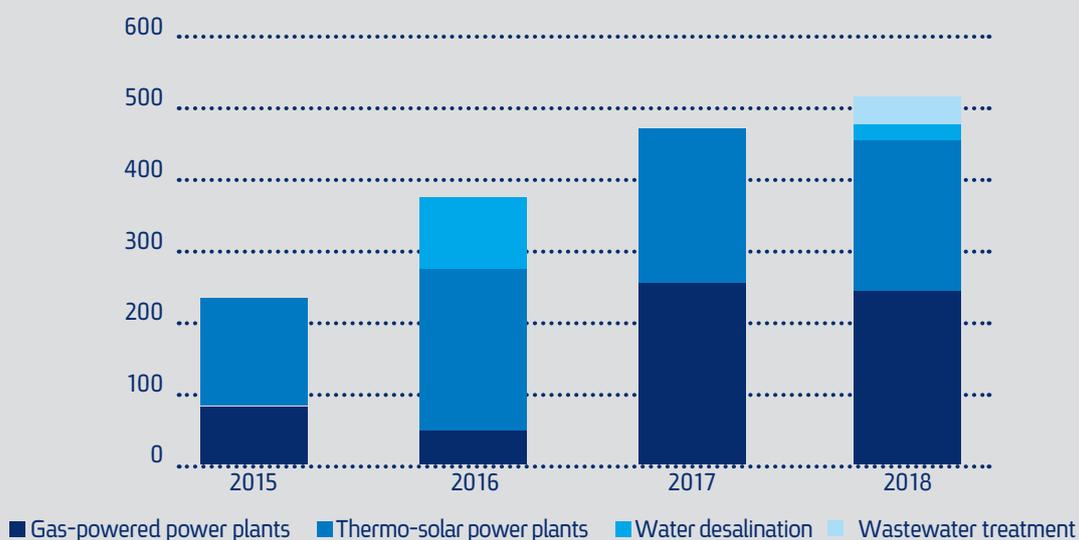
- Credit services are tailored to the target group's way of life: loans are granted on easy terms, credit solutions for crises are provided, and personalized tools are offered to customers according to their financial capabilities.
- A range of social entities and organizations are supported, and credit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

Activity in 2018

Environmental credit:

- In 2018, the FIBI Group granted loans to projects promoting sustainability for a total of NIS 68 million. This includes a total of NIS 25 million in loans granted to thermo-solar power plants and a total of NIS 43 million to gas-powered power plants.
- In 2018, the FIBI Group granted a total of NIS 515 million in loans to projects promoting sustainability, compared with NIS 470 million in the previous year, as follows:
 - Gas-powered power plants - NIS 245 million
 - Thermo-solar power plants - NIS 199 million
 - Water Desalination - NIS 29 million
 - Wastewater treatment (including industrial wastewater) - NIS 42 million

Credit for environmental products (in NIS millions), 2015-2018



Credit to social organizations:

In 2018, PAGI sponsored a range of entities and organizations in the Ultra-Orthodox sector: Charities, seminars for small businesses, educational activities in yeshivas, seminars for managers of non-profit organizations, and more. As of the end of 2018, 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 790 million.



Our Employees





“ The Group's human capital, its employees, is one of the Group's key growth drivers; employees are full partners to the Group's business success and its ability to meet its objectives. To enable employees to fulfil their potential in full, for the benefit of their personal and professional development, and for the benefit of the Group's business activity, the Bank maintains a proper and responsible work environment, while strictly adhering to the provisions of the law, generally accepted practices in the Israeli labor market (particularly in the financial sector), and universal human rights norms. ”

Work environment

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 employee 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 supportive partners in realizing the banks' goals. The human resource strategy focuses on combining the needs 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 while enabling employees to serve as partners in an organizational culture which 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 planning of human resources - Strengthening and developing human capital in accordance with the bank'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 management development.
- Organizational development - Developing advanced tools in every area of human capital in the organization, including improving hiring, onboarding, and retention of employees; honoring 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 banks' and MATAF's onboarding processes 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 Group's employee profile in 2018



97% of the Group's employees work full-time, while 3% work part-time.



97% of employees are directly employed by the Group, while the remainder are contract workers.



The average age of the Group's employees is 47.3 and the average seniority of employment at the Group is approximately 18.6 years.



56% of the Group's employees have academic degrees.



8.7% of the Group's workers are temporary.

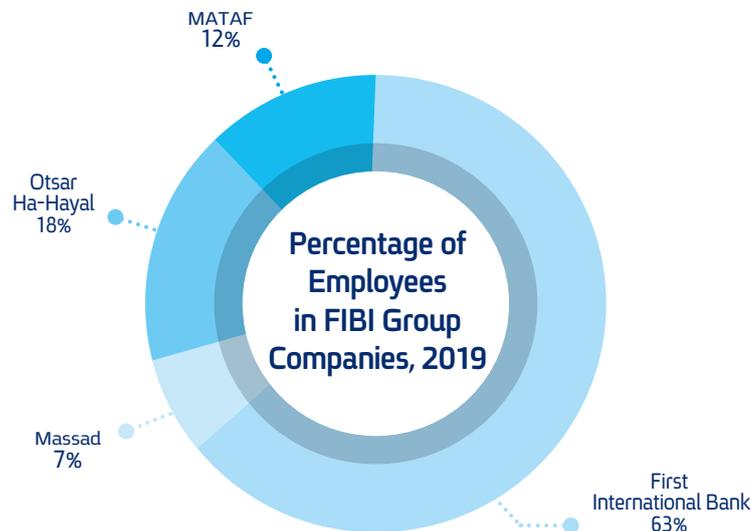
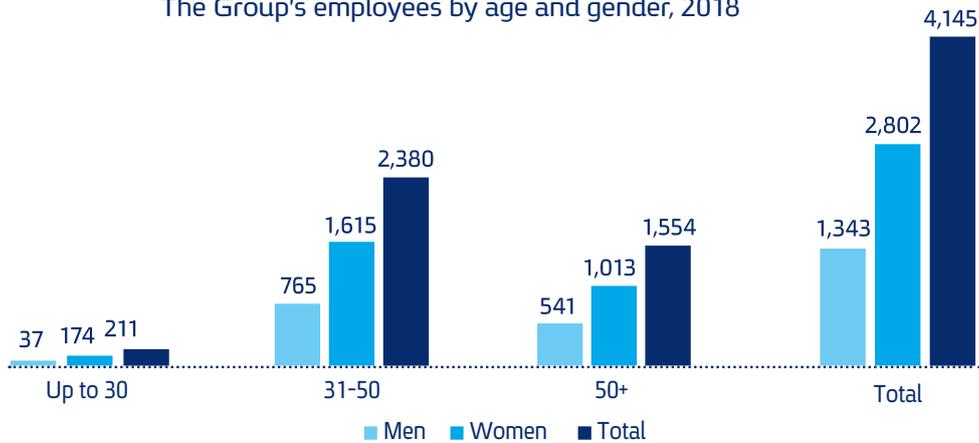


87% of group employees are employed through a collective labor contract, and 13% are employed through personal employment contracts.



In 2018, 176 men and women employees went on parental leave, and 133 employees returned from leave.

The Group's employees by age and gender, 2018



New hires and veteran employee departures

Employee turnover in 2018

Age	Hires				Departures			
	Men	Women	Total	Percentage	Men	Women	Total	Percentage
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%

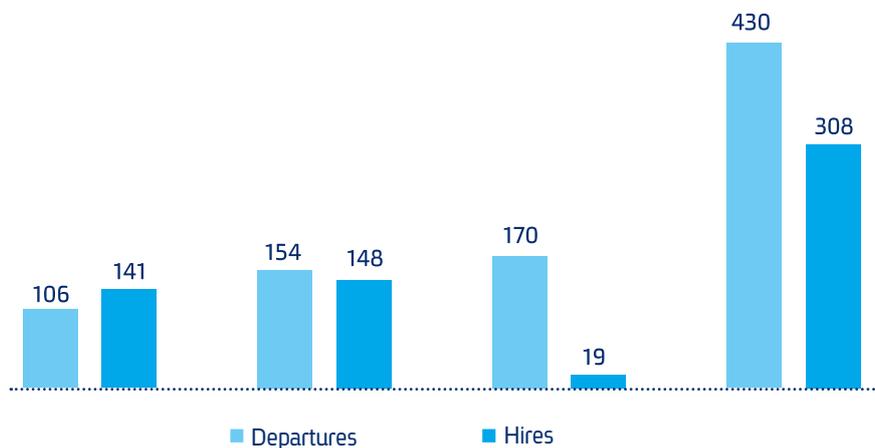
Employee turnover in 2017

Age	Hires				Departures			
	Men	Women	Total	Percentage	Men	Women	Total	Percentage
Up to 30	25	106	131	51%	26	81	107	30%
31-50	40	66	106	42%	57	86	143	42%
50+	2	15	17	7%	39	56	95	28%
Total	67	187	254	100%	122	223	345	100%

Group-wide employee turnover in 2017-2018



Employee turnover (by age) in the 2017-2018 reporting years





Employee absences in 2018:

	Illness ⁹	Work accidents ¹⁰
% of sick leave days	7.09%	0.06%

Breakdown of FIBI Group employees by gender and rank

	2018			2017		
	Women	Men	Total	Women	Men	Total
Management and senior executives	55	80	135	63	86	149
Middle management	410	331	741	412	364	776
First level management	218	128	346	226	149	375
Employees	2119	804	2993	2176	818	2994
Total	2802	1343	4145	2877	1417	4294

9. Including reported illnesses and illness of a family member

10. Including road accidents. During 2018 there were no work accidents leading to serious injury or death.

Dialog with the Group's employees

As mentioned above, the Group regards its employees as full partners to its development and success, and therefore encourages an ongoing and honest dialogue between various Group units and between employees and management, aiming to improve the transfer of professional knowledge between employees, collaboration and team work among employees from different units and different banks within the Group, and to enhance employees' camaraderie and sense of belonging to the organization.



Dialogue channels with the Group's employees

	First International Bank	Otsar Ha-Hayal	Massad	MATAF
Human Resources' hotline	✓	✓	✓	✓
Feedback sessions	✓	✓	✓	✓
Management-employee meetings, including visits by the CEO, members of management and 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	✓	✓	✓	✓
Satisfaction surveys	✓	✓	-	✓



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

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

Round tables at FIBI

During 2018, management at First International Bank held 25 meetings with approximately 400 employees in all of the Bank's lines of business (following meetings between management and approximately 450 employees in 2017) in order to launch a direct dialogue between management and the employees, tighten the connection between the Bank's various units, and allow the employees to become closely acquainted with the Bank's objectives and work plans. These meetings deal with topics on the Bank's and employees' agenda, including the 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.

Round tables at Massad

As part of the ongoing dialogue between the Bank's management and its employees and between branch and headquarters employees, Massad held thirteen dedicated round table meetings during the year. Twelve of the meetings were held as part of managers'

conferences in which branch managers met headquarters employees. In another meeting, Massad's CEO hosted managers of various managerial levels.

Round tables at MATAF

As part of the dialogue process at MATAF, two round table forums were held during 2018, one with the Company's CEO and the other with the CFO and VP Human Resources, with the objective of creating an open dialogue between the employees and management, and to allow raising ideas, improvement, and streamlining.

Round tables at Otsar Ha-Hayal

During the year, the bank's CEO held meetings with managers of various managerial levels as part of the Bank's efforts to enhance the dialogue between management and employees, and to improve ongoing communication for the benefit of the Bank's employees.

Internal surveys

In 2018, as part of an extensive project to improve internal service at the Bank, an extensive survey was held to examine the quality of the internal service and internal interfaces between the various headquarters units and between the headquarters units and the branch network, out of the belief that the quality of the internal service is key to providing high-quality service to customers. 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.

Direct dialogue - Employee assessment & feedback:

The Group's employee assessment process takes place once a year. The assessment process for employees who have not yet received permanent employee status takes place more frequently, in order to enable ongoing dialogue between such employees and their managers, and provide them with ongoing guidance and full expectation management. 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 managing an open dialog between a manager and an employee, empowering the employee, and obtaining a broad picture 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.

FIBI Group's feedback - Percentage of the Group's employees who received face-to-face feedback:

The percentage of employees who received feedback in the FIBI Group during 2018 was 74%.

Management-employee relations¹¹:

The Group's employees have workers' unions, which are responsible for the rights and duties of all Group employees, their welfare and entertainment, and assist employees where necessary. In 2018, 86.6% of the Group's employees were employed under collective agreements, while 13.4% were employed under personal agreements.

Activity in 2018

First International Bank

There are two representative organizations for employees of the FIBI Group: Union of managers and authorized signatories, which represents about 750 people; and the union of clerks, which represents about 1,900 employees. The Bank has collective agreements with its employees that require a certain linkage of the terms of the clerks, managers and authorized signatories to the agreements signed between the management of Bank Leumi (hereinafter: "Bank Leumi") and its employee unions.

Otsar Ha-Hayal

There is a union at the Bank for employees organized under a single collective employment agreement. The union represents approximately 680 employees and managers. The Bank's management holds regular dialogue with the workers' union on various matters that come up from time to time. In 2018, the workers' union declared industrial action due to the merger between First International Bank and Bank Otsar Ha-Hayal.

Massad

There is a workers' union representing all of the employees employed by the Bank under a collective agreement, 294 in total. The Bank's management conducts a regular, open dialogue with the union and has proper work relations with it. The Bank's management and the union signed a salary and employment conditions agreement in 2012, which was extended and was valid through 2018.

MATAF

MATAF employees were first organized through the Histadrut during 2017. Since receipt of notice regarding the employees' organization, MATAF's management conducted prolonged negotiations with employees, their representatives and the Histadrut, with the aim of reaching a collective agreement. The agreement was signed in early 2019.

Investing in human capital

The FIBI Group - A Good Place to Work At

FIBI, the largest employer in the Group, is regularly ranked among the 100 Best Companies to Work For jointly 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 2018, FIBI was ranked 38th on the Best Companies to Work For list.

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

Together, the banks offer employees the following benefits:*

- **Account management benefits** - The benefits provided by the various banks in the Group include, inter alia, various discounts on employees' personal bank accounts, such as exemption

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



from main fees, reduced fees, loans at preferential terms, and preferential interest rates on deposits.

- **Loans to employees** - The Bank offers its regular employees a wide variety of special purpose loans at convenient terms, such as: car loans, home improvement loans and mortgages. Even employees on trial periods can receive loans subject to approval in principle by the Human Resources Department.
- **Health insurance** - The Bank subsidizes a significant portion of the cost of health insurance for employees and their families, including dental insurance, health insurance, life insurance and workers' compensation.
- **Convalescence pay** - Bank employees are entitled to paid vacation leave pursuant to the law, but in most companies in Israel, the number of convalescence days granted to employees and their calculation method is significantly higher.
- **Sports activities** - FIBI offers its employees subsidized health club membership, as well as full funding for employees participation in teams in various sports, which compete in the Workplace League. The Bank has 30 sports teams in various fields, including soccer, basketball, tennis, swimming and more, which compete throughout the year in the Workplace League. All employees, male and female, can take part in the teams of the FIBI Group and its subsidiaries, subject to passing a fitness stress test as required by law.
- **Recreational workshops and courses** - As part of the Bank Club, employees are offered recreational workshops, courses and lectures on various subjects throughout the year.
- **Periodic medical check-ups** - At FIBI, employees are eligible for periodic medical check-ups with low deductibles, and subsidized psychological consultation and treatment by psychologists or social workers.
- **Subsidized vacations** - FIBI employees are entitled to a fixed annual amount towards their vacation either in Israel and abroad either, undertaken privately or through the Company. The personal vacation budget is NIS 2,100 per year and can be accumulated for up to five years.
- **Holiday gifts** - FIBI employees enjoy personal gifts on Rosh Hashana, Passover, Purim, Family Day and other occasions.
- **Team building events** - FIBI holds regular unit team building events and social events for employees and their families.



- **Discounts and subsidies** - FIBI offers its employees discounted subscriptions to theaters, museums, the Nature Reserves Authority, etc.
- **Assistance in paying tuition for children of employees** - The Bank pays part of the tuition for children of employees enrolled in academic studies and/or studies towards a diploma in order to foster and develop these young people and further their education.

* Not all benefits are available in every bank

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 mobility and organizational changes

Transferring employees to other roles (employee mobility) 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, it must, or 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 cultural development. These departments accompany the employees throughout their working life: At the workplace, celebrations, leisure time, times of distress and on retirement. As part of this concept, the various banks and MATAF undertake cultural activity year-round, including special recreational days for the entire family at various sites, excursions, courses, workshops, and representative teams in sports and various recreational fields.

The FIBI Group makes every effort to maintain comfortable physical work conditions and preserve the health and safety of all Group employees. Whenever necessary, the Group performs radiation and air quality tests in the Group's various headquarter units and branches. The Group complies with all fire safety standards. In addition, the Group's systems comply with air quality standards and makes every effort to place electrical panels as far as possible from the employees' workstations in order to prevent radiation. If necessary, protective systems against radiation are installed. Furthermore, fresh air is supplied to the different offices by means of air conditioning systems.

Supporting army 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 prestigious 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 regular welfare activities:

- **A shorter work week** - FIBI employees enjoy an average of 39 hours of work per week (40 hours during winter and 38 hours in the summer).
- **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 the unit manager. 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.
- In addition, in exceptional cases in which an employee is required to work on his/her day off (usually Friday or Sunday), he/she is entitled to an alternative day off. If this occurs more than twice per quarter, the employee is entitled to two alternative days off from the third day onwards.
- **Paid vacation leave** - The number of paid vacation leave days provided by FIBI is significantly higher than that required by law. In addition, in addition to their annual paid vacation leave, FIBI employees are entitled to special leave for family and personal occasions:
 - Marriage - one week's vacation
 - Birth of a child - one day
 - Circumcision ceremony - one day
 - Marriage of a son/daughter - one day
 - Bereavement leave - the day of the funeral and the seven days of mourning (for a first-degree relative)
 - First degree relatives of fallen soldiers/victims of terrorist attacks - on Memorial Day.
- **Sick leave** - Procedures for the accumulation and use of sick leave days are more favorable than those customary in Israel - FIBI employees are entitled to 30 annual sick days, which can be accumulated up to a maximum of 540 days, and are eligible for sick leave pay from the first day of absence. Every employee is also entitled to two days of sick leave per month without presenting any medical confirmation of an illness.
- **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. The feeding time is coordinated with the unit manager and can be at the beginning or end of the workday.
- **Kindergarten and summer camp subsidies** - FIBI subsidizes kindergarten and summer camp for its employees, offering cooperation agreements with and discounts at numerous summer camps.



- **Gifts on personal occasions** - To maintain and strengthen the personal relations with its employees and their families, FIBI grants gifts on various family occasions. FIBI currently gives gifts on the birthdays, to children of employees who begin first grade, and to the children of employees who enlist in the IDF.
- **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 on retirement, offering a preparatory program on a variety of topics for employees nearing retirement. In addition, the Group places 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 4-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 preparatory retirement courses were held, which included 142 employees (men and women).
- The Bank'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 throughout the year. Among the activities offered at the Club are social activities, lectures, parties, toasts ahead of the holidays, as well as trips and vacations.

Recreational activities in 2018:

First International Bank:

- Jubilee and retirement event - The Group held its annual recognition ceremony for the retiring employees of FIBI and MATAF, or those celebrating their employment anniversaries (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 (of FIBI, PAGI, U-Bank and Massad) to mark International Women's Day. The event includes a festive breakfast, a guest artist performance, and a gift for the employees. 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 - Celebratory events for employees and their children during religious festivals and holidays; such events include countrywide participation of employees and their children in cultural events such as plays or movies suitable for children.
- Event for employees and their families - Two events were held for employees and their families: The first event was held in the Yamit 2000 water park, and the second - in Superland.
- Team building days for employees' families - Team building days for employees' families - During the year, especially during the summer, the Group's employees are offered various family recreational activities, including excursions across Israel (such as to the Hermon, an "atonement excursion" ahead of the High Holidays, morning and night tours at the Safari and other sites, participation in local parades (such as the Anemones Parade, the Pardes Hanna-Karkur Parade, and the Jerusalem Parade) and a variety of vacation offers across Israel.
- Enrichment activities - Lectures and enrichment activities in various fields for employees.
- Departmental team building events - Each unit at FIBI is entitled to an annual social cohesion budget, to be spent on an event of its choice, taste and according to its objectives.

Bank Otsar Ha-Hayal

- Participation in sporting events - 44 Otsar Ha-Hayal employees took part in the Eilat Sportiyada; these employees are members of the Bank and the Group's sports teams, and represent their teams in sporting events (basketball, futsal, cycling, running, netball, swimming and table tennis). Among the medals won by Otsar Ha-Hayal employees are gold medals in swimming, silver medals in running, and bronze medals in table tennis and basketball.
- Departmental team building events - Each unit at FIBI is entitled to an annual social cohesion budget, to be spent on an event of its choice, taste and according to its objectives.

Bank Massad:

- Team building events - The workers' union initiated team-building events abroad and in Eilat. The team building events were partially subsidized by the Bank's management.
- Recognition events - An award ceremony was held for outstanding and veteran employees (celebrating their 25- and 40-year tenures at the Bank).
- Departmental team building events - Workshops for the Private Banking, Personal Banking and Corporate Banking departments. Day-long workshops were held for managers of the various departments.

MATAF:

- Holiday events - Toasts were held ahead of the Rosh Hashanah and Passover holidays in the Company main lobby. The events were accompanied by light refreshments and greetings for the new Jewish year. Other holidays were celebrated at the Company's offices by holding additional events that included light refreshments and small gifts to employees.
- Off-hour healthy lifestyle classes. - Yoga and Pilates - This is the third year during which sports activities are held by MATAF. Funded by the workers' union, the activity takes place after work hours at MATAF's premises, enabling employees to maintain a healthy way of life and to benefit from the service and the convenience. The classes serve 30 to 40 employees.
- Booth fairs - The booth fairs are aimed at giving employees added value in the workplace with an emphasis on the quality of the products and attractive prices. In 2018, we held booth fairs for Tu B'Shevat and Rosh Hashana.

Activities promoting a healthy lifestyle among the employees:

The FIBI Group works to promote a healthy lifestyle among employees by increasing awareness to the importance of this field, and by encouraging employees to take part in sporting activities in the workplace. Thus, for example, First International Bank encourages its employees to represent the Bank in various sporting events, according with the employees' areas of interest. First International Bank has sports teams in futsal, netball, table tennis, basketball, tennis, running and SUP surfing. In addition to the sporting activities, some of the sports teams take part in voluntary work in the community. Furthermore, 90 First International Bank employees participated in the workplace Sportiyada tournament. Bank employees won cups and medals in several sports such as futsal, tennis, table tennis, swimming and netball. In addition, five Bank Massad employees also took part in the Sportiyada, competing in sporting events in futsal, basketball and table tennis. The Bank has also enabled the participation of employees in several classes of a 12-session slimming workshop.

Objectives status for 2018:

First International Bank

Continue implementation and automation of the Group's processes for managing the human capital in the subsidiaries	Done
Distribute an internal organizational survey for evaluating the Bank's internal interfaces with participation from all of the employees, including MATAF employees	Done
Write an internal organizational SLA - The survey results will be used to draw up an internal organizational service level agreement	In progress
Boost welfare and team building activities in the FIBI Group	Done
Hold events and conferences - Women's Day and retirement and jubilee event for 2018	Done
Participation of FIBI athletes in the 2018 Sportiyada	Done
Outstanding employees award ceremony	Done

2019 objectives:

First International Bank

- Objectives for 2019: Upgrading the Human Resources' website - Upgrade the website and the automated system through which Bank employees can submit inquiries to the Human Resources Department, in order to enhance ongoing dialogue with employees.
- Hold ongoing meetings between management and employees as part of round table events.
- Hold BDI employee satisfaction survey.
- Hold an employee satisfaction survey among First International Bank employees in order to assess their satisfaction with work interfaces.
- Implement processes aimed at improving intraorganizational services.
- Continue to increase the scope of welfare and team building activities in the FIBI Group.
- Hold events and conferences: Women's Day - A morning event for all of the women in the Group; jubilee and retirement event for 2019; outstanding employees ceremony.
- Hold events for families of Group employees - Family events in an amusement park and water park.
- Participation of FIBI athletes in the 2019 Sportiyada.
- Initiate recreational and sports activities and workshops for employees: Pilates/exercise, art workshops, slimming and healthy lifestyle workshops, parades and excursions, movie and theater nights.

Massad

- Hold a recognition ceremony for outstanding and veteran employees.
- Conduct a work plan conference for all of the Bank's employees.
- Hold team-building trips for employees in Israel and abroad.



Equal opportunity and employment diversification

As an organization one of whose main business cornerstones is addressing a broad range of sectors and populations within Israeli society, the FIBI Group attaches great importance to the diversity of its workforce. Promoting diversity in the workplace has a significant added business value, since it improves the Group's ability to address a broad range of populations; diversity in the workplace also generates added value for Israeli society and the economy as a whole.

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 maintains equal opportunity in all organizational processes at the Group, including hiring and onboarding, salary and job terms and 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 abilities and skills." The Group makes every effort 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 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.

On average, women's wages are 19% higher than men's among the Group's senior management; in first line management, men's salaries are 7% higher than women's, on average; in middle management, men's salaries are 9% higher than women's, on average, and male clerks earn, on average, 12% more than women clerks.

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 2018, the highest salary paid to a First International Bank employee was 12.16 times the median salary at the Bank (excluding the highest salary at the median). In 2017, this ratio stood at 12.04, i.e., there was a 1% year-on-year increase in the ratio. As of 2018, the minimum wage paid to an employee of the FIBI Group was 23.6% higher than the minimum wage in Israel.

Salary ratio by rank and gender 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 is important to note that the ratio was calculated based on the monthly wages for each rank.

Rank	Ratio of men's to women's salaries in the same rank
Senior management	-19%
Middle management	9%
First line management	7%
Clerk	12%

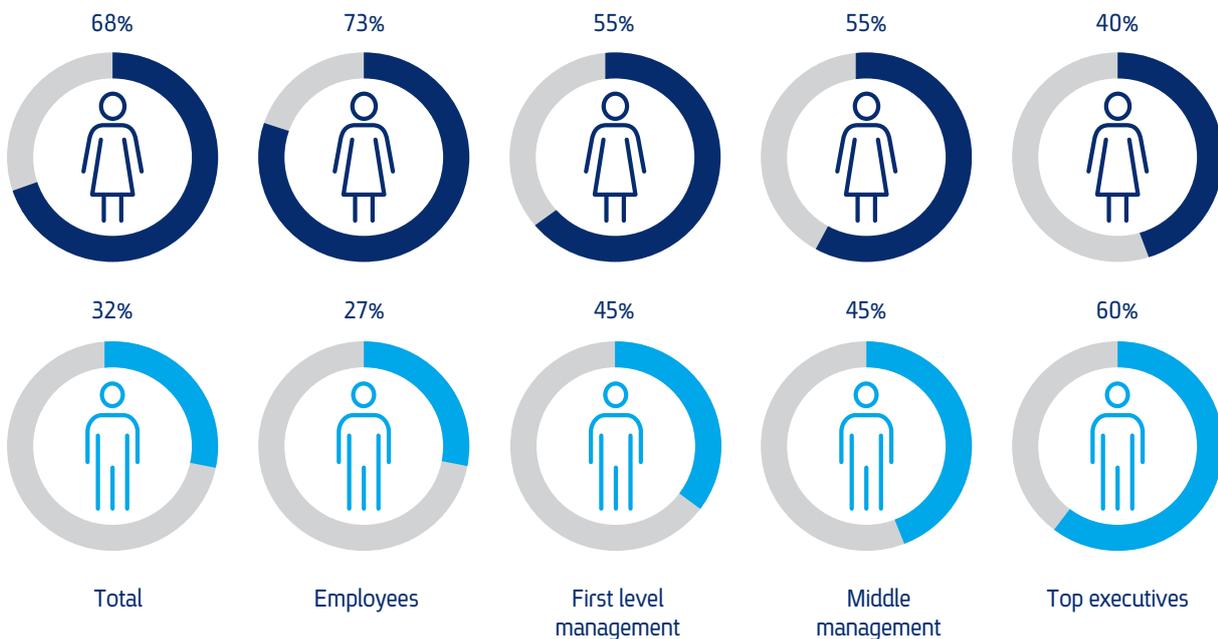
Equal rights

All employees in the Group, irrespective of gender, are eligible for parental 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 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 Leumi Group maintained a high percentage of women at every rank, appointing them to key positions. Women constitute 68% of all employees in the Group, 63% in first line management, 55% in middle management and 40% in senior management.

Breakdown of Management Levels by Gender, 2018



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 aiming to prevent sexual harassment incidents. In this context, every three years, employees are required to refamiliarize themselves with the rules and regulations and the desired organizational culture, by completing a mandatory tutorial that was updated in 2018. In 2018, 88% of Leumi's employees completed the tutorial. No sexual harassment incidents were reported in the FIBI Group in 2018.

Promoting employment in the Ultra-Orthodox sector

PAGI Bank specializes in serving the Ultra-Orthodox and religious population. PAGI 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 2018:

- No complaints regarding discrimination were filed in the Group in 2018.
- All managers in the Group are Israeli

Objectives execution status for 2018:

The Group aims to complete its work plan and improve awareness to working with people with disabilities - the plan was launched and will be completed in 2019.

Objectives for 2019

- Conduct a comprehensive survey among employees in order to assess the Bank's compliance with regulatory guidelines on employment of people with disabilities.
- Carry out activity to instill the importance of employment diversity and equal opportunity among employees.

 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, so as to maximize the level of professionalism while encouraging ongoing excellence.



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 its face, both vis-à-vis the customers and internally. As a high-level financial service provider, the Group is 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, so as to maximize the level of professionalism while encouraging ongoing excellence. The Group uses structured and gradual processes to help managers and employees acquire the level of professional knowhow and various skills they require to perform their work.

The Group has three training units:

- A group-wide training department, run from the FIBI Group headquarters, which serves all the banks;
- The training department at Bank Otsar Ha-Hayal, which provides in-house training services with an emphasis on retail banking and procures services from the Group's Training Department.
- 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 advances the knowledge of the Group's 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
- Soft skills (personal, social, and communication skills that help job performance).
- Professional and personal ethics and anti-corruption training
- 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 2018, 15,215 annual training days were provided to all Group employees, amounting to approximately 60 positions and an average of 3.6 annual training days per employee of the Group. In addition, approximately 10,555 hours of computerized training were provided (approximately 2.5 hours of training per employee).



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.

Each newly hired employee in any position participates in several basic courses to qualify as a "banker". 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 experienced 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 2018

- In 2018, FIBI held 21 professional courses of at least 3 days each (40 courses in total). In addition, 62 professional workshops and seminars spanning up to two days were held (337 workshops and seminars in total).
- Around 350 employees participated in the professional courses on various topics: Course for call center employees (5 classes); basic banking course (10 classes); investment course (5 classes); computer application course (7 classes); advanced credit course (two classes); credit for real estate (one class); equity investment (one class); bonds course (one class).
- 1,080 employees took part in courses pertaining to their professional work. Examples include a workshop for opening an account (12 classes), a workshop on deposits and savings plans (5 classes), a credit and collateral workshop (6 classes), a personal banking accounts workshop (8 classes), a credit systems workshop (5 classes), a loans workshop (6 classes), a

more comprehensive foreign currency workshop (7 classes), a workshop in the process of granting credit to a business customer (4 classes), a workshop in attaching property liens to commercial credit (5 classes), and a collateral and liens workshop (4 classes).

- 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 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 includes long-term courses, dozens of management enrichment courses and workshops adapted to the various management levels.

In 2018, 650 managers underwent training in a variety of fields, including: Branch and department managers' course, advanced management course, leading change, innovation, emotional intelligence, risk management, NLP, debriefing and feedback, and more. In addition, individual training sessions are provided to managers of various levels.

In this framework individual consulting and personal coaching was provided with the aim of improving management skills, helping managers function in a complex work environment, and providing them with mentoring when assuming new management positions. The personal coaching workshops provided to the Group's executives included:



- Guidance and training workshops to raise motivation and involvement among the business unit managers, improve teamwork in formulating and selling business credit plans, and upgrade work processes and sales skills.
- Individual consulting and personal training provided for branch managers and department managers at the branches - with the aim of improving management skills, helping managers function in a complex work environment, and providing them with mentoring when assuming new management positions.

Executive training

The Training Department, in cooperation with the Human Resources Department, trains the Bank's managers through structured development training. Upon receiving signatory rights, all signatories undergo an advanced management course according to the needs and requirements of their positions.

One class of an advanced management course was held in 2018. In addition, a unique course was held at the Bank's headquarters for preparing managers to manage branches and departments.

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 2018, the Training Department held training courses on a variety of regulatory subjects: seminars on prohibition on money laundering, practical training for anti-money laundering trustees, compliance workshops, a "Know the Customer" seminar, and lectures on compliance and prohibition on money laundering as part of professional courses.

Employee development at MATAF:

- Professional training included specialized technological courses for development, infrastructure, and information security personnel on various technological issues, such as software versions, tools, products, etc. In 2018, approximately 40 employees participated in about 88 training days.
- Executive development course: In 2018, MATAF created a dedicated executive development course. Course contents included executives' role in MATAF and management tools that executives will require in order to meet their work plans in accordance with their managerial level. These contents were combined with executives' needs as raised by employees on the ground, in order to provide an optimal response and increase the effectiveness of executives. In 2018, five 7-day courses were held, which were followed by individual work with the relevant supporting management. The course was led by an organizational consultant specializing in executive development. Three meetings were held subsequent to the completion of the course in order to retain the managerial discourse that was created in the course, and in order to practice the use of the tools provided during the course.

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. More than 50 professional training courses in nine main types of training were held during 2018.

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.

 The Training Department evaluates the effectiveness of training and the level of employees' satisfaction with it.





Our Management



Corporate governance and compliance

As part of the banking system in Israel, the FIBI Group is subject to an extensive legal and regulatory system regulating the banking industry. This system is 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, the Group's 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 Israel Antitrust Authority, the FATCA directives and the Antitrust 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, protection of privacy legislation, 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 remuneration 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 subsidiaries complying with the Group's policies, set by First International Bank. In this context, 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, 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 bank'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 boards of directors of the banks in the Group operate under the corporate governance guidelines prescribed by 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 decides the nature of his/her work and duties toward the Board of Directors, and approves the appointment of senior officeholders and other officeholders, as well as their remuneration. Furthermore, the board of directors assesses the performance of these parties.

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;

 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 boards of directors of the banks in the Group operate under the corporate governance guidelines prescribed by 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.



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 2018, the directors underwent several types of training in various topics, such as cybersecurity, artificial intelligence, the digital and banking revolution, digital currencies, lawsuits in the banking system, and regulatory training.

The Board of Directors is responsible for approving the public grievance policy and the Service Charter of the ombudsman. 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 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.

Each year, the board of directors assesses management's performance. In addition, the board of directors' performance is assessed every two years. Targets for improvement and work plans for execution are set based on these assessments in order to enhance the functions' activity, and the Group's corporate governance as a whole.

Composition of the boards of directors in the FIBI Group, 2018:

	First International Bank	Otsar Ha-Hayal	Massad
Total no. of directors	12	11*	13
No. of external directors	8	4*	5
Directors with accounting and finance skills	12	9*	10
Directors with accounting and finance skills in the Audit Committee	5	6*	6
No. of women on the board	1	3	7
Directors aged 30 or under	0	0	0
Directors aged 31-50	2	0	1
Directors aged 51+	10	11	12
No. of the board's plenum meetings	31	20	13
Total no. of the board committees' meetings	51	42	25
Is the Chairman of the Board independent (yes/no)	No	No	No
What is the age of the youngest director	44	51	48
What is the age of the oldest director	78	72*	82
The average age of the directors	65	62	64.3
Tenure (seniority on the board of directors) of each director	For more information, please see the 2018 Annual Report.	For more information, please see the 2018 Annual Report.	For more information, please see the 2018 Annual Report.

* The total number includes on ED with accounting and financial skills who passed away on December 21 2018.

Board of directors committees

Every board of directors has several permanent committees. In addition, every board of directors in the Group appoints additional committees as necessary, such as an Administration and IT Committee, Problem Debt Committee, Strategy Committee (which, in Bank Massad, convenes every 5 years). The board of directors' procedure determines the roles and areas of responsibility of the various committees. The committees' areas of activity are linked to most aspects of the board of directors' activities, and in many cases a preliminary discussion is held in the committees prior to discussions in the board of directors.

The Audit Committee is charged with the activity of the Bank's internal and external auditors, ensuring the quality of their work and with their appointment. The committee discussed the Bank's internal and external audit reports and brings the reports it deems fit for discussion in board meetings. The committee is in charge of identifying deficiencies in Bank's activity and offering the board potential ways to deal with them. The committee discusses employees' complaints about deficiencies in the management of Bank's business, and regulates the manner of submitting and handling complaints, as well as the protection provided to those employees who made complaints. The committee sets procedures for disclosure of conflict of interest in the Bank, and works to prevent such conflicts of interests. The committee discusses the financial statements and reports in which information is disclosed to the public. One of the material risks with which the Bank deals 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

board of directors also approves the Compliance Department's work plans, and ensures that they adequately account for risks and provide an effective response to the Bank's risk appetite. Each year, the board of directors reviews the definition of the risk appetite and tolerance for the compliance risk and oversees that the bank's management addresses the compliance findings adequately.

The Remuneration Committee directs the board of directors' human capital activities. The committee makes recommendations to the board of directors regarding payroll policies, retirement terms and the remuneration system applicable to employees and executives. When discussing these issues, the committee takes into account the Bank's business position, the impact of the remuneration policy on the corporation's risk profile, the provisions of Proper Conduct and Banking Business Directive No. 301A, the Bank's organizational culture, its long-term strategy and control environment. The remuneration committee is responsible, inter alia, for ensuring that the remuneration 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 remuneration agreements of the Bank's employees, and discusses negotiation processes with the bank's workers' unions.

The board of directors' Administration and IT Committee (whose name was changed in 2019 to the IT, Technological Innovation and Administration Committee) is charged with discussing the Bank's innovation and technology strategy, while taking into consideration the risks involved therein. The committee defines the Bank's technological risk appetite. The committee approves the work plan in the fields of innovation and digital activity and

ensures that appropriate resources are allocated for the purpose of achieving these objectives. The committee also deals with other administration-related areas, including the Resources Division's annual work plan, the Bank's succession planning programs, its organizational development plan, and the annual training plan of the training function. The committee also discusses and approves general and exceptional HR and construction-related issues, such as employee positions, transfer of employees and exceptional vacation leave. 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 is in charge of the board of directors' activity in the areas of risk management, and creates the infrastructure required for holding discussions on this issue by the board of directors. The committee discusses the Bank's overall risk strategy, bearing in mind both present and future aspects thereof. The committee oversees the manner by which risks are

managed by the Bank, and the activity of the Risk Management Division. Based on the committee's recommendations, the board of directors reviews and approves, on a regular basis, the policy paper for managing each of the Bank's material risks, the risk management framework set in the policy document for each of the Bank's material risks (including prohibition on money laundering and financing of terrorism risks), and ensures - by discussing the quarterly risks document submitted by the Risk Management Division, and by discussing other reports brought before the committee - the effective implementation of the Bank's risk management policy; the board of directors is also charged with 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.

In addition, for the 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.

Composition of directors by committee:

First International Bank:

	Remuneration Committee	Audit Committee	Administration and IT	Risk Management Committee	Loans Committee
No. of directors in the committee	4	5	6	6	5
No. of independent directors	4	5	4	3	3
Percentage of independent directors relative to total no. of directors	100%	100%	67%	50%	60%
Is the chairman of the committee independent	Yes	Yes	No	No	No
No. of committee meetings	5	24	4	10	8

Otsar Ha-Hayal

	Remuneration Committee	Audit Committee	Risk Management Committee	Credit Committee
No. of directors in the committee	4*	6*	6	6
No. of independent directors	3*	4*	3*	3
Percentage of independent directors relative to total no. of directors	75%	66%	50%	50%
Is the chairman of the committee independent	Yes*	Yes*	No	No
No. of committee meetings	5	18	6	10

* The total number includes on ED with accounting and financial skills, the chairman of the Audit Committee and Remuneration Committee, who passed away on December 21 2018.

Massad:

	Credit, Business Committee & Risk Management Committee	Audit Committee, Balance Sheet Committee & Compensation Committee
No. of directors in the committee	6	7
No. of independent directors	3	5
Percentage of independent directors relative to total no. of directors	50%	71%
Is the chairman of the committee independent	No	Yes
No. of committee meetings	13	12

Directors' skills and experience

As of the end of 2017, pursuant to the provisions of Proper Conduct of Banking Business Directive 301, at least one third of the members of a Board of Directors were external directors; at least one fifth of all the directors have proven experience in banking; at least one fifth of all the directors have expertise in accounting and finance (as per its definition in Section 240 to the Companies Law, 1999); at least one external director has accounting and finance expertise, and the others are professionally eligible or skilled in accounting and finance (as these terms are defined in the Companies Law); at least one of the directors has expertise and experience in risk management and auditing (and serve on the Remuneration Committee). The above are in addition to the skills required under the provisions of the Companies Law.

According to the Bank of Israel's directives (Proper Conduct of Banking Business Regulation No. 301 - hereafter - "Regulation 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 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 be approved by the general meeting;
- Chapter D of the Bank's Articles of Association (the "Bank's Articles of Association") sets forth instructions for the process of appointing a director. 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 of the provisions set in the legislation, standards, and regulations with regard to the



prevention of conflicts of interest by the directors. Accordingly, each of the banks has a dedicated procedure 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. 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. Eight members of management at First International Bank serve as directors in one of the banking subsidiaries.

Assessing the board of directors' performance

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 written by the bank pursuant to the requirements of Proper Conduct of Banking Business Directive 301. The process is intended to examine the efficiency of the work by the board of directors, find weakness, and make changes as needed. The assessment process focuses on aspects of corporate governance, risk management, and the control and supervision for which the board of directors is responsible.

Mechanisms for contacting the board of directors

The board of directors operates under an accepted administrative hierarchy: at each bank, issues, questions, and grievances by employees are submitted to management, and, if necessary, forwarded to the board of directors. An inquiry to the board of directors is 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 management at First International Bank serve as directors in the banking subsidiaries. In 2018, each of the Group banks held two general meetings, of which one was the annual one and one - extraordinary.

Employee remuneration policy

In accordance with Proper Conduct of Banking Business Directive No. 301A regarding remuneration policy in a banking corporation (hereafter - The "Directive"), the Bank approved in April 2017, three years after the earlier approval, a revised remuneration policy for all of the Bank's employees, including key employees, and principles for a collective remuneration policy. The remuneration 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 remuneration policy for employees, the provisions concerning remuneration 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 remuneration mechanism were also revised. In addition, as part of the Group's remuneration policy, the principles for fixed and variable remuneration of officeholders in controlled corporations were revised to comply with the principles stated in the remuneration policy for officeholders at the Bank.

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 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 in complex transactions, 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 therefrom. 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 Bank Group, both clerks and managers, at the branches and at headquarters, have free and direct access to the Chief Compliance Officer and/or a person on his behalf at the various units of the Compliance Department, in order to obtain expert advice and/or report deficiencies discovered in aspects of compliance. Inquiries are made directly by telephone, email, through designated systems, or at forums concerned with various banking topics.

Compliance - Annual activity and data

In 2018 no significant fines or sanctions were imposed on the FIBI Group for non-compliance with laws or regulations.

Bank Activity

First International Bank

- The compliance unit conducted proactive audits to identify and prevent alleged violations of various laws.
- As part of the training about, and instilling of, a compliance culture with the Bank's employees, lectures were given at 27 branches and 11 courses initiated by the bank's Training Department.
- The employee information website is regularly updated - "The Risk Management World", which includes various banking issues, constituting a source of information for all employees of the Bank.
- A Group-wide seminar was held for all compliance trustees in the Group. During this day, the Bank held training sessions on various topics, including regulatory changes and their implications, corruption and bribery, crony capitalism, business integrity, and updates on the Israeli banking system.
- The Bank deployed a computer system for the management of compliance provisions, controls, questionnaires for assessing the bank's control environment and training for risk managers.

Massad

- Bank Massad ratified its compliance policy in connection with various areas of its activity (prohibition on money laundering, financing of terrorism and internal enforcement plan), in accordance with the Group's compliance policy.

- Bank employees were provided with numerous ongoing updates on internal and external regulatory issues. Furthermore, bank employees participated in compliance-related courses and training days held at the Group's training center.
- Various systems of the Bank were adapted to support the application of the Bank's procedures and regulatory requirements.
- New compliance risks were raised and managed, based on new products, regulatory changes and customer inquiries.
- Support was provided to the Bank's internal audit function, and audits were conducted regarding relevant areas.
- The Bank distributed to employees seven mandatory tutorials on regulatory issues. The tutorials included a self-assessment section, which employees need to pass with a high grade.
- During the year, 16 training days were held at 12 branches. The training days included lectures to all branch employees, and individual training sessions tailored to employees' needs. The training days dealt with regulatory changes, the importance of following procedures, transparency and risks.
- Training sessions were held for various functions in the Bank's headquarters, during which employees' knowledge of and awareness to compliance and money laundering risks were refreshed.

Otsar Ha-Hayal

- As part of its ongoing activity, the Bank's Compliance Unit examined and monitored several high-risk areas for possible breaches of various compliance provisions. The risks for all of these areas are being hedged, and training is being provided to mitigate risk. The Compliance Unit conducts inspections during the year. In most cases, the inspections' findings were forwarded to the branches for handling, along with instructions about the necessary actions and/or requirements to pay special attention to the issues at hand. The findings were also forwarded to the Retail Division for notification purposes and further handling. The Compliance Unit regularly evaluates various banking activities, products, operating systems specifications, advertisements, and dozens of circulars and procedures. The unit's approval is required before they are distributed. At the approval stages of products or activities, the unit

places emphasis on compliance of the work processes with the law and a proper business conduct policy (to mitigate conduct risk). The unit also verifies that the various products or activities are fully automated, primarily in order to avoid manual transactions liable to result in breaches of the compliance directives.

- In 2018, the Bank deployed a computerize system for managing compliance provisions, controls and questionnaires for assessing the Bank's control environment.
- Over the course of the year, the Compliance Department held a range of compliance-related training sessions for Bank employees. Two training sessions were held as part of tours at branches, and 11 training sessions were held for compliance trustees.

Objectives execution status for 2018:

First International Bank

Explaining of and instilling the importance of compliance among the Bank's employees through:

- | | |
|--|------|
| • 11 basic courses shall be given by the Training Department | done |
| • 3 yearly lectures shall be given to the compliance trustees in the branches | done |
| • Lectures will be delivered at about 25 bank branches on the importance of compliance | done |
| • About 16 training sessions will be conducted for new compliance trustees at the branch and division level. | done |

Otsar Ha-Hayal

- | | |
|---|---------------------|
| • Implement the findings of compliance infrastructure survey | done |
| • Training: Processes aimed at increasing knowledge will be implemented taken regularly. Plans include 2 one-day seminars for compliance trustees (one seminar in a group framework and one at the bank), lectures in basic courses in the Training Department, and 12 lectures during visits to the branches | partially completed |
| • Instilling the compliance policy among the employees - Further instruction will be provided at periodic meetings with branch managers and employees about the importance of complying with the law, the bank's procedures, and the bank's ethical code. Keeping up-to-date on the bank's procedures and activity conducted according to them will be stressed | done |

Massad

- | | |
|---|-----------------|
| • Deepen knowledge among the employees through training courses, tutorials and knowledge tests, to increase awareness as part of an organizational infrastructure that encourages compliance | 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 |
| • A computer 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 | under execution |
| • Conduct inspections to identify risk focal points | done |
| • Innovation and technology will be promoted, and the risks incurred in the integration of new technologies and new products at the bank will be managed | done |

Objectives for 2019:

First International Bank

- Conduct training sessions on compliance and awareness of its importance as part of 11 courses to be held by the Group's Training Department.
- Hold training sessions on compliance and the awareness of its importance by visiting and holding training sessions in 25 branches.
- Hold 3 training days for branch compliance trustees.

Bank Massad

- Continue to deepen compliance-related knowledge among employees through training courses, tutorials 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.
- A computerized 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.
- Inspections will be conducted to identify risk focal points.
- Innovation and technology will be promoted, while managing the risks involved in the integration of new technologies by the Bank, in new products and for risk management purposes.
- Enhance the Group's interface for the purpose of cross fertilization through sharing and transferring knowledge and drawing lessons as part of the implementation of the Group's policy.



Ethics and anti-corruption

 The FIBI Group banks and non-bank subsidiaries have ethical codes. The underlying values of the ethical code are: Integrity, fairness, reliability, excellence, accountability and commitment, initiative and innovation, transparency and human dignity. The underlying values of the Code of Ethics which we opted to adopt constitute the moral basis of our business activity. 

The Code of Ethics, which embodies these values, is a moral identity card for each and every bank 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.
2. To present the values that guide our activity vis-à-vis customers, employees, and the outside environment.
3. To clarify how the values are implemented in day-to-day life through rules of conduct.
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 from each bank) is responsible for instilling the code, and provide advice and training in accordance with its values. The Chair of the Ethics Committee at First International Bank is the Head of the Resources Committee; in Bank Massad - the Head of the Banking Division; and in Bank Otsar Ha-Hayal - the Head of the Chief Accountant Division. The Bank's management appointed an ethics officer for each of the banks. The means available for requesting advice or reporting ethical issues are regularly advertised and available to all of the Group's employees. The Bank allows managers and employees to remain anonymous on submitting an inquiry. In addition, to enable employees to present to an objective and independent party cases in which there is suspicion of significant deviations from the bank's procedures regarding business conduct, integrity and financial reporting controls, the Group has appointed the Head of the Finance Department and Capital Markets in the auditing array to serve as the employee complaints supervisor in FIBI and Massad, and in Bank Otsar Ha-Hayal - the Head of the Auditing Department. The Head of the Resources Division, the supervisor of employee complaints and their counterparts at Bank Otsar Ha-Hayal are responsible for providing protection to employees who complain in order to ensure that their rights are not compromised as a result of filing the complaint.

The Group's content on ethics is always available to managers and employees via each bank's enterprise portal. In addition, all employees are informed about the content once a year. Furthermore, Group employees undergo an annual digital tutorial on the Code of Ethics (75% have completed the tutorial in 2018). Each bank chooses different additional channels for promoting and instilling ethics among its employees (the employment agreement, employee conferences, emails, etc.) Each new employee in the Group studies the Code of Ethics during onboarding, and each employee is required to read the code periodically (the period varies from one bank to another - and consists of between one and three years).

- In 2018, Bank Otsar Ha-Hayal received 5 ethics-related inquiries; no such inquiries were received by the other banks.
- In 2018, the Group identified one bribery and corruption incident. The employee involved in the event was suspended and procedures are underway for termination of his employment by the Bank.

 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. 

Upholding integrity

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:

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

The FIBI Group's employees undergo computerized training on ethics, compliance and risk management using tutorials. The Group has a wide range of tutorials in different areas, targeted at various employees. In most areas, training should be refreshed periodically (every one to three years), in accordance with the requirements in each such area. Among the areas in respect of which employees undergo training by way of tutorials are: Information security (93% of the relevant employees completed the tutorial), management of business conduct risk (94% of the relevant employees completed the tutorial), FATCA and money laundering risks (97% of the relevant employees completed the tutorial), and more.

The audits conducted by the banks' internal audit arrays also examine exposure to risks of embezzlement and fraud. The internal audit work plan is based on a systematic methodology of assessing various types of risk, including embezzlement and fraud. The Bank's employees are regarded as public officials for purposes of accepting gifts. The provisions of the criminal code forbidding acceptance of a bribe apply to them. Gifts and discounts beyond the reasonable discounts given by a customer or supplier are therefore liable to be considered a forbidden benefit, with all the relevant implications. The internal audit unit reviews information regarding suspicions of embezzlement and fraud, or other ethical incidents - both through the audits conducted as mentioned above, and through complaints that reach the relevant party in each bank in their capacity as supervisors of employee inquiries. If necessary, an audit report is written, which is sent to the bank manager for the purpose of taking corrective action against those responsible and the incident is reported to the board of directors' Audit Committee. The audit reports are reviewed by a dedicated committee headed by the Head of the Resources Division, with the participation of other members of management and senior executives. The committee issues a recommendation for disciplinary sanctions against employees who were found to be responsible for the deficiencies in audit reports.

The Risk Management Division regularly acts to improve the management and prevention of risks associated with integrity and conduct which do not meet the requirements of the Group's procedures. Before promoting any employee to a first managerial position, to the next managerial rank or to any position, or to a new managerial position (in the same rank) or to the position of a branch manager, the Human Resources Division asks for a "no objection" from the Chief Compliance Officer at the Risk Management Division and from the Internal Auditing Unit, in order to verify that there have been no incidents involving the person which are liable to prevent his/her promotion.



Preventing conflicts of interest

The FIBI Group applies a procedure for prevention of conflicts of interest; this procedure lists the dos and don'ts with regard to relations with customers and suppliers. Compliance with this procedure is mandatory for all Group employees. Pursuant to this procedure, as a general rule, it is forbidden to enter into personal transactions with customers and suppliers; such transactions are allowed only in exceptional cases. The Bank's Ethics Committee discusses exceptional cases, if any, assesses them and approves such transactions wherever possible. In addition, employees are required to report about customers who are related to them, and it is forbidden for those employees to handle any issues relating to these customers.

Matters pertaining to prevention of a conflict of interest are reported to the employees, and are revised as part of a procedure for employees. This procedure regulates the conditions under which transactions with a customer or supplier require disclosure and special authorization before being carried out. It also instructs the bank's employees concerning the prohibition on accepting gifts and benefits. Furthermore, the bank's employees are forbidden to handle and/or authorize transactions in accounts reported as belonging to their relatives. Every employee is responsible for declaring the existence or non-existence of accounts kept by his/her relatives at the bank in which he/she works.

Inquiry mechanisms for employees

To enable employees to present to an objective and independent party cases in which there is suspicion of significant deviations from the bank's procedures regarding business conduct, integrity and financial reporting controls, the Group has appointed the Head of the Finance Department and Capital Markets in the auditing array to serve as the employee ombudsman at First International Bank, the Head of Human Resources at Bank Massad, and at Bank Otsar Ha-Hayal - the Head of the Auditing Department. The Head of the Resources Division, the supervisor of employee complaints and their counterparts at Bank Otsar Ha-Hayal are responsible for providing protection to employees who complain in order to ensure that their rights are not compromised as a result of filing the complaint.

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.

First International Bank's activity:

- Each year, towards the Jewish High Holidays, a desk calendar in the spirit of the ethical code is distributed to all employees. The calendar highlights First International Bank's new values and their significance.
- As part of the process of instilling the code and turning it into a daily guidance tool, a dilemmas booklet was written that describes how the underlying values of the Code of Ethics are reflected in everyday life. The booklet was distributed among all employees through the Code of Ethics portal. The dilemmas booklet was written with the support of Bank's employees, based on focus groups and round table discussions held on the topic.
- Over the course of the year, a process started of creating a digital tutorial for employees about the role of the employee complaints officer, in order to encourage employees to report ethics breaches and embezzlements.

Otsar Ha-Hayal's activity:

- Dedicated activity was held to teach the Code of Ethics to the Bank's new employees. Ethical issues that have arisen over the course of the year were dealt with by the relevant officers in accordance with the Bank's Code of Ethics.

Bank Massad's activity:

- All of the Bank's employees passed successfully the tutorial that dealt with professional ethics and the Code of Ethics.
- 50 executives, including all members of Bank's management, underwent a thorough individual training on ethics and corruption prevention.
- Executives of different managerial levels underwent general and dedicated training days on different ethics-related topics, including the differences between ethics and law in relationships with customers, and motives for unethical actions.

MATAF's activity:

- MATAF's Code of Ethics reflects the values that guide the Company's activities. These values include, inter alia, professionalism, mutual respect, transparency and openness, and are reflected in all of MATAF's relations. The Bank believes that ethics constitute a business advantage, and that it assists in choosing the right path in decision making on both business and interpersonal levels.
- In 2018, a refresher tutorial on the Code of Ethics was given to all employees.

Objectives execution status for 2018:

First International Bank	Done
A managers' kit will be created for ongoing implementation of the Code of Ethics	Postponed to 2019
Massad	Done
Computerized lessons based on the Code of Ethics and its values will be distributed to all employees	Done
Otsar Ha-Hayal	Done
Monitor the completion of the ethics tutorial by employees.	Done
The ethical dilemmas raised before the Ethics Committee will be disclosed and shared	Done

2019 objectives

First International Bank

Write a dedicated ethical dilemmas booklet for the trading rooms.

Massad

Distribute a document on ethics to all bank employees and executives.

Business continuity

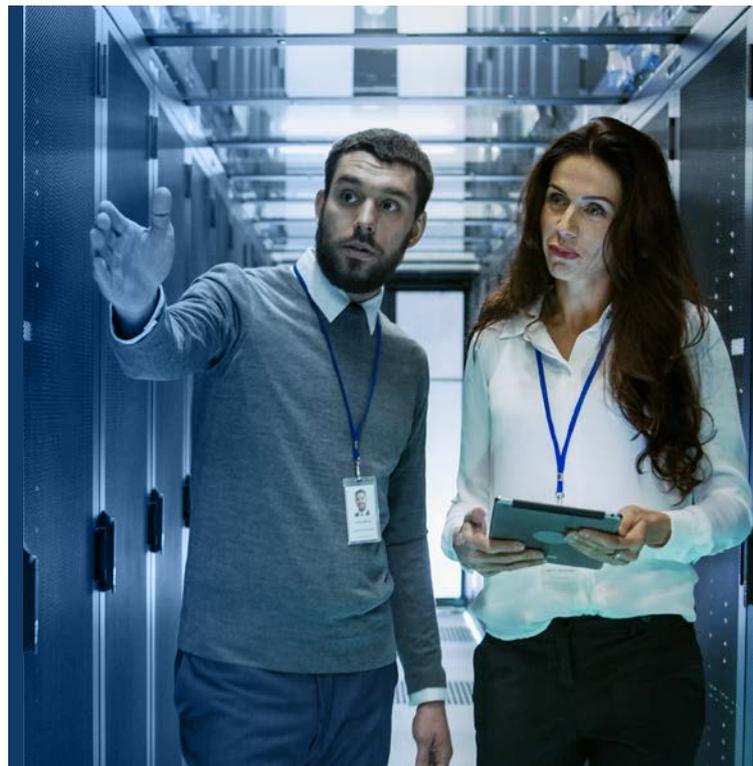
Preparation for business continuity is a critical factor in maintaining the bank's financial stability and its ability to survive and function, even in an emergency and under various disasters or failures. This preparation is mandated by the Bank's commitment to: providing service to its customers; preserving their assets and those of depositors and holders of the Bank's securities; providing a safe work environment to its employees under an emergency; and complying with the Proper Conduct of Banking Business Directive and the 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 Bank's management and Head of the Risk Management Division are responsible for coordinating the matter at the Group level. The Operational Risk Management Unit at the bank handles preparedness, which is comprised of a number of layers:

- A policy paper was return regarding business continuity, which is discussed and approved by the Bank's management once a year, and by the Bank's board of directors at least every two years.
- A framework document for managing business continuity was written which includes a description of appropriate technological infrastructures, drawing up and implementing comprehensive action plans and supporting procedures infrastructure. The document is discussed and approved by management at least once a year.
- A Business Impact Analysis (BIA) regarding business continuity will be held every three years or when material changes occur.
- Maintaining an ongoing process to improve preparedness for business continuity as part of the updated mapping of all critical activities and resources needed in an emergency, and updating emergency scenarios and the policy document accordingly.
- The Group's emergency action plans and emergency portfolios of the Group's unit are maintained on a regular basis.
- The Group has a Group-level emergency forum, chaired by the Head of the Risk Management Division, who coordinates business continuity for the entire the 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.



- Preparing a multi-year emergency drills plan, conducting drills that simulate various types of emergency, and holding training sessions.
- At times of emergency, the Bank operates a Group situation room, led by the Head of the Risk Management Division, which coordinates the transition to activity under emergency, the emergency routine, the transition back to normal routine, reporting and more for the entire the Group.

In July 2018, the FIBI Group approved a policy paper on business continuity, which defined the goals and objectives, how they are to be implemented; 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; and the work and reporting framework for business continuity management.

Objectives execution 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

Objectives for 2019:

- 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 actions taken by the Bank and its subsidiaries.
- Business continuity drills will be held in accordance with the set multi-year drills plan.
- A Business Impact Analysis (BIA) regarding business continuity will be held following the merger of Bank Otsar Ha-Hayal.





Our Circles of Influence



The Group takes care to cooperate with suppliers and service providers which comply with local and international laws. When contracting them, the Group takes into account service quality considerations and compliance with quality and reliability standards, past experience, experience in the sector, meeting the requirements, and the quality of the service or product, in addition to cost considerations. When selecting its suppliers, the Group also takes into account environmental and social aspects of suppliers' conduct. The procurement process at the Bank Group is transparent, and includes notifying the suppliers and bidders about the manner of conduct business with them.



Responsible supply chain

The FIBI Group scrupulously maintains fairness and accountability in its dealings with suppliers and service providers, and expects them to comply with certain managerial and social standards. The Group takes care to cooperate with suppliers and service providers which comply with local and international laws. When contracting them, the Group takes into account service quality considerations and compliance with quality and reliability standards, past experience, experience in the sector, meeting the requirements, and the quality of the service or product, in addition to cost considerations. When selecting its suppliers, the Group also takes into account environmental and social aspects of suppliers' conduct. The procurement process at the Bank Group is transparent, and includes notifying the suppliers and bidders about the manner of conduct business with them. Procurement is based on principles of fairness, integrity, maintaining employees' rights, and reciprocity. In 2019, the Bank's Responsible Procurement Policy was revised. The revised policy includes a detailed definition of the Bank's responsibility towards its suppliers, and its expectations and demands from suppliers, including, inter alia, in terms of corporate and social responsibility.

The Group strives to create reliable, long-term relationships with its suppliers, out the belief that these lead to true partnerships that provide long term business value for both parties. Such relationships are achieved by behaving responsibly and considerately and practicing true give and take with our suppliers.

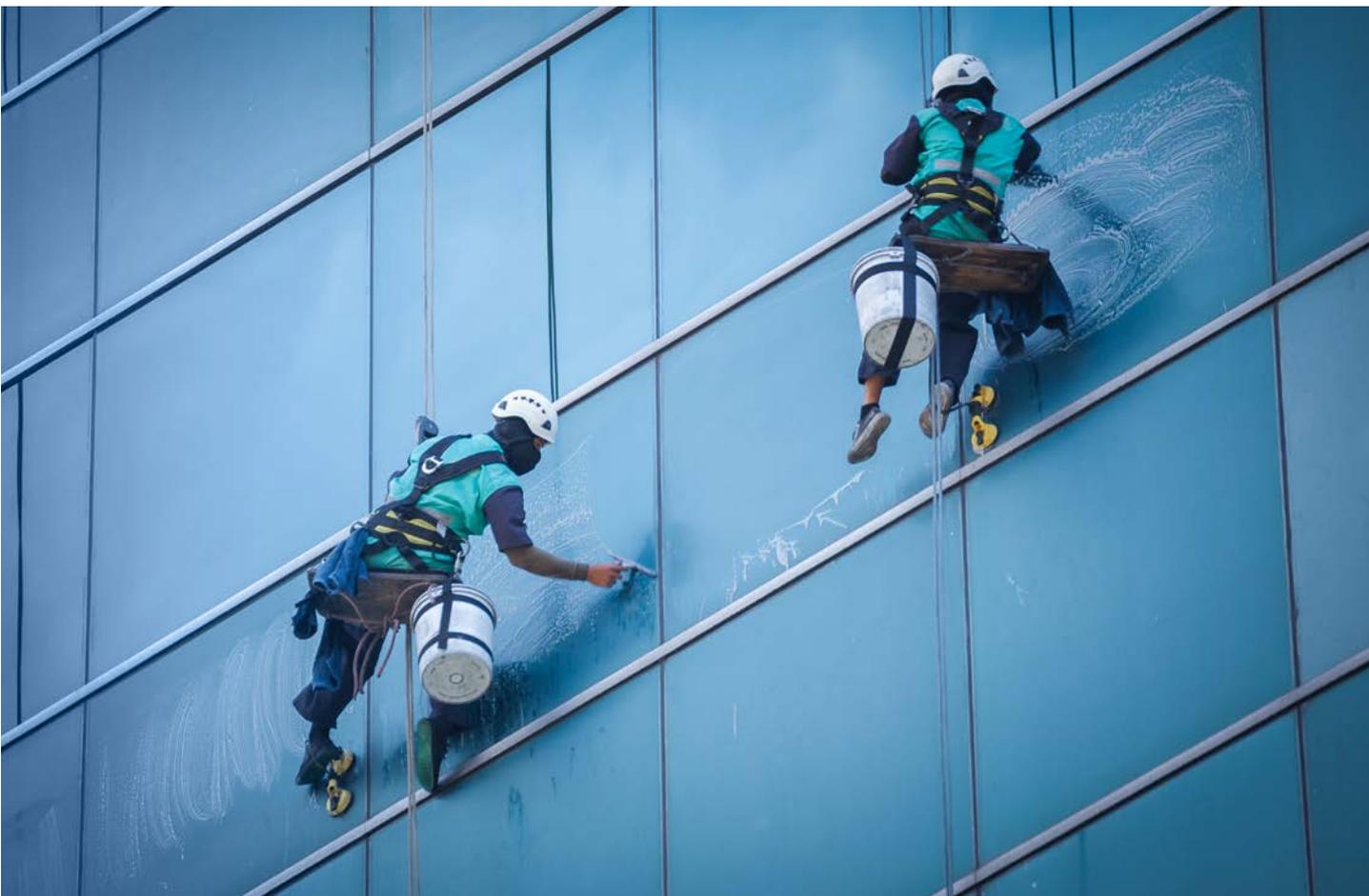
All of the Group's procurement activities are managed by the Group's Procurements Department, which is responsible for all procurement and the Group banks' interfaces with suppliers and bidders, in accordance with the Group's procurement procedure.

Procurement is divided into four main categories: Technological procurement, personnel-related procurement, general procurement, and procurement in the construction and real estate domain.

Proper procurement processes

Before signing any contract, the Group Procurement Department conducts a thorough review of the market and the bidders. This review is intended to allow the Procurement Department to choose 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 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 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.

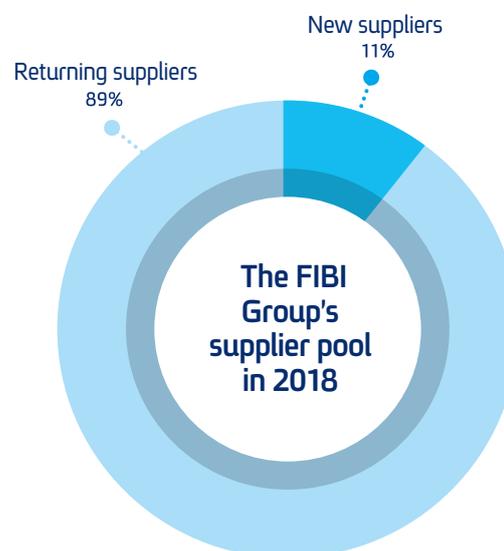
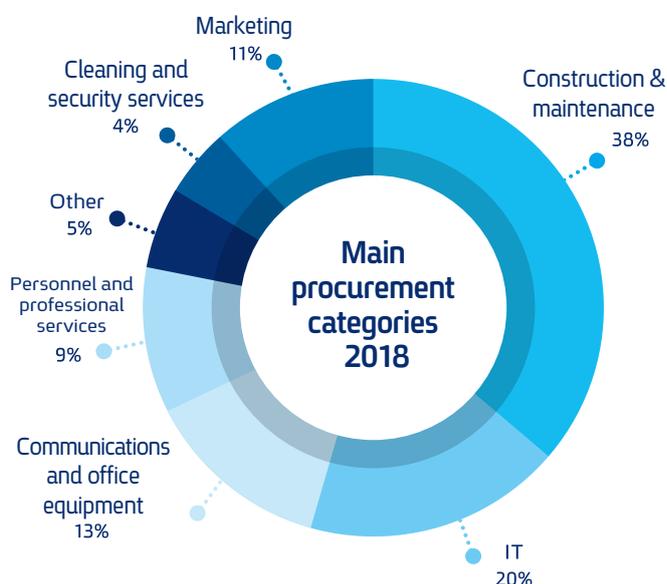
First International Bank takes pride in maintaining and encouraging competition in the economy. Therefore, under the Banks policy, the maximum contract period with a supplier is capped at 7 continuous years or 7 inconsecutive years over a 10-year period, except for extraordinary cases stipulated in the contracts procedure of the bank. This procedure encourages new suppliers to enter the market and supports their ability to grow. In addition, the Bank takes care to constantly work with new suppliers and service providers, which it considers 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.



The Group's supplier profile

The Bank Group has working relationships with a large number of suppliers across a wide range of procurement segments. The active suppliers database included approximately 2,662 suppliers in 2018, of which 317 were new suppliers with which the Bank did not previously work. The Group takes care to contract new suppliers and service providers on a regular basis, which it considers 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.

- There are four main types of procurement areas which together constitute about 80% of the Group's total annual purchases:
- Construction, real estate, building and property maintenance (38%).
- Computers, technology and communications infrastructures (20%).
- Printing, mailing, telephony, office supplies, archiving, and transport (13%).
- Personnel, training, professional and consultancy services (9%).



In 2018, the Group contracted 17 manpower suppliers for cleaning and security services (13 cleaning suppliers and four security service suppliers) with a total of 182 workers (excluding workers employed by the management companies of the Group's office facilities). The Bank does not contract manpower suppliers in other areas. Manpower suppliers constitute 0.64% of all active suppliers in the FIBI Group.

Prioritizing social suppliers:

The Procurement Department's goal is to increase the volume of procurement from social suppliers, such as NGOs and social businesses, environmentally friendly suppliers, small suppliers, suppliers from outlying areas, etc.

Prioritizing domestic procurement:

The FIBI Group regards prioritizing Israeli suppliers as important, and encourages Israeli achievement and production as much as possible. The vast majority of the Group's suppliers are Israeli. Only 52 suppliers, amounting to approximately 2% of all our suppliers and service providers are foreign businesses and companies.

Prioritizing small suppliers:

As part of FIBI Group's support for small and mid-sized businesses, its Procurement Department prioritizes working with small suppliers (a small supplier is one whose scope of activity with the Bank does not exceed NIS 100 thousand). Such prioritizing - which not only significantly reduces the Group's procurement risks, but also supports small Israeli businesses - is done by giving priority ranking to such businesses when assessing suppliers' quotes, given that the terms and other criteria offered by such suppliers are similar to those offered by other suppliers. In addition, in certain cases, the Group will opt to divide procurement for a certain area of activity between several suppliers, in order to enable business collaboration with more small and mid-sized businesses. In 2018, the Bank worked with 1,508 small suppliers, constituting more than 50% of its active suppliers. 94 of the new suppliers with whom the Bank started to work in 2018 are small suppliers.

 The vast majority of the Group's suppliers are Israeli. 

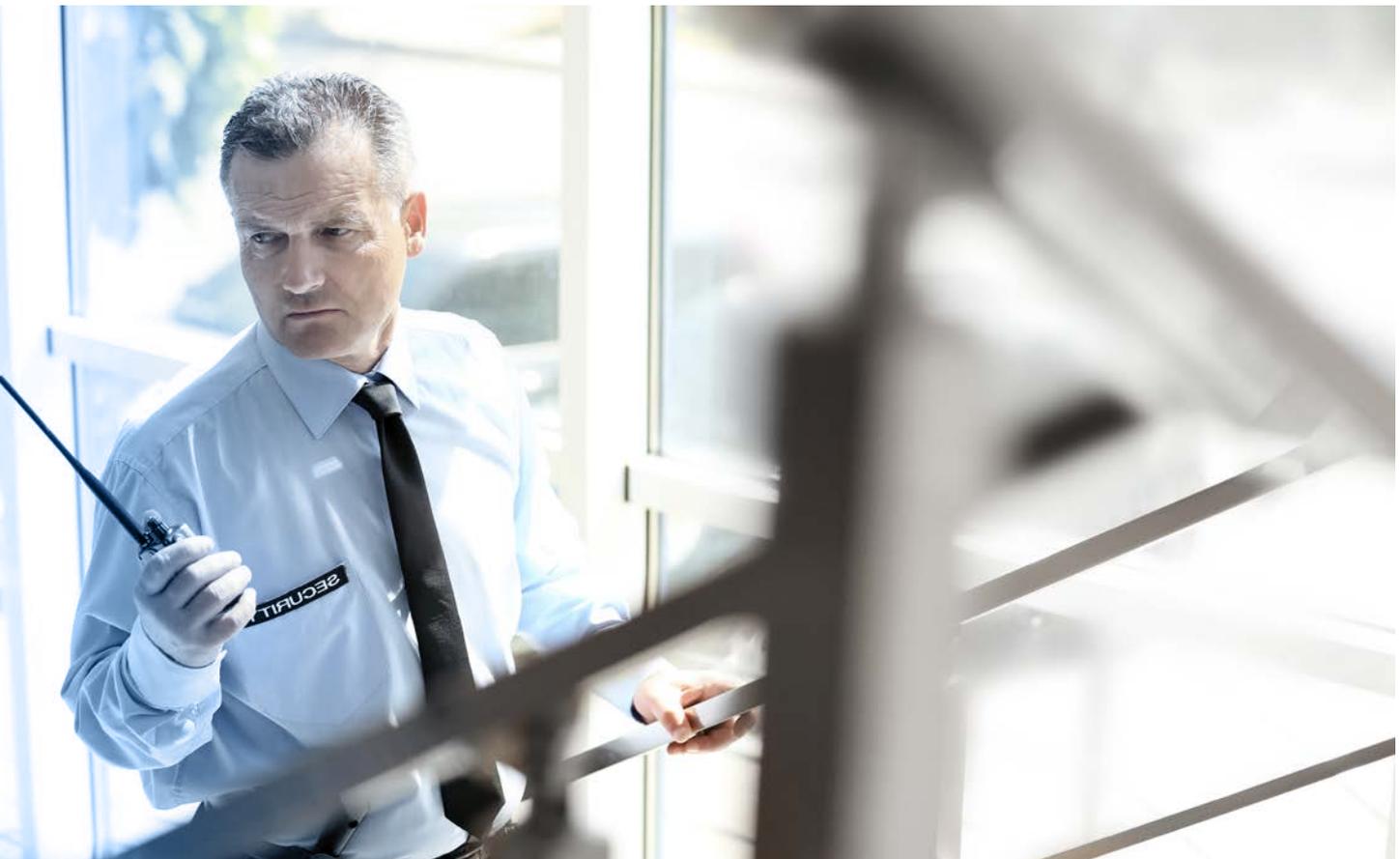
Protecting the rights of contract workers:

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 manpower 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.

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 a notice or complaint about the terms of their employment. Inquiries may be submitted to the Procurement Department both in writing and by phone. In addition, under the procedure, when a complaint is received by the Group Procurements Department, notice is sent about it to the relevant supplier, and subsequent clarification in, and handling of the matter on any complaint is carried out according to the timetable prescribed by 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, under the work procedure, the Group ensures that employment practices of all cleaning and security contractors are periodically checked by a qualified salary inspector. As part of this review, the Group ensures that contractor employees' rights are not violated by their employers, and that contractors comply with labor laws and the applicable expansion orders; the review also includes a sample inspection of pay slips.

No. of complaints againts contractors in 2013-2018





During 2018, six complaints were submitted about terms and conditions of employment by contractors. All complaints were examined and four were found to be justified. The complaints were checked with the contractors, and all complaints were handled to the satisfaction of the complainants.

Dialogue with suppliers:

The FIBI Group's procurement team maintains an ongoing dialogue with suppliers and is meticulous about providing them with professional information and tools for making their work more efficient. The Group holds personal meetings for making the work environment more responsible and managing risks. In addition, the Bank conducts supplier conferences on a regular basis. The purpose of these conferences is to increase awareness and create a connection between the procurement staff and the suppliers. In 2018, the Bank held one supplier conference, which dealt with cyber and information security risks in the supply chain. The conference was held in collaboration with the Bank's information security professionals (the Information Security Department in MATAF). During the conference, external and professional speakers delivered to suppliers professional, theoretical and practical content relating to different aspects of information security. The conference allowed direct dialogue between the various suppliers and between suppliers and the Group's Procurement Department.

 As part of its activity, the FIBI Group arranges the payment schedules with suppliers upon first contracting them, taking into account the financial capabilities of small suppliers with limited credit. The Bank therefore strives to pay its suppliers as soon as possible once it received the invoice. 

Payment policy:

As part of its activity, the FIBI Group arranges the payment schedules with suppliers upon first contracting them, taking into account the financial capabilities of small suppliers with limited credit. The Bank therefore strives to pay its suppliers as soon as possible once it received the invoice, and in any case no later than 45 days after receipt of the invoice. Furthermore, the FIBI group shows empathy and support for suppliers in times of crisis, exercising judgment.



Managing environmental aspects of the Group's activity

 The FIBI Group owns numerous buildings that consume substantial amounts of power and a fleet of vehicles that consume fuel. Efficient and economical management is both environmentally and economically important. 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 FIBI Group are aware of environmental occurrences at both the global and local level. Climate change is likely to affect all spheres of life, large population groups, and the diversity of species. 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 could impact the Group's business environment, its customers, and its financial stability. As a financial concern providing services at the domestic 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 operation 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 power.

The FIBI Group owns numerous buildings that consume substantial amounts of power and a fleet of vehicles that consume fuel. Efficient and economical management is both environmentally and economically important. 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 according to 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 spends 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 array is the body responsible for the Group's energy management. Logistics 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 2018, about 80% of the 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.

Power consumption by the FIBI Group*

	2018	2017	2016	2015	2014	2013
Power consumption (kWh)	16,425,227	17,121,671.95	24,029,960	27,110,604	25,013,696	26,165,505
Area (m ²)	83,975	89,234	120,308	131,271	77,375	76,375
Power consumption (kWh per m ²) - (energy intensity)	195.6	191.87	199.74	206.52	323.28	342.6

FIBI Group buildings

New buildings

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).

Existing buildings

- 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, remote 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
- Customers are encouraged to receive regular updates and statements through digital channels, instead of by ordinary mail and paper.

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 optimize paper consumption, the FIBI Group offers its customers to receive mail through the banks' application or website, according to the 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:

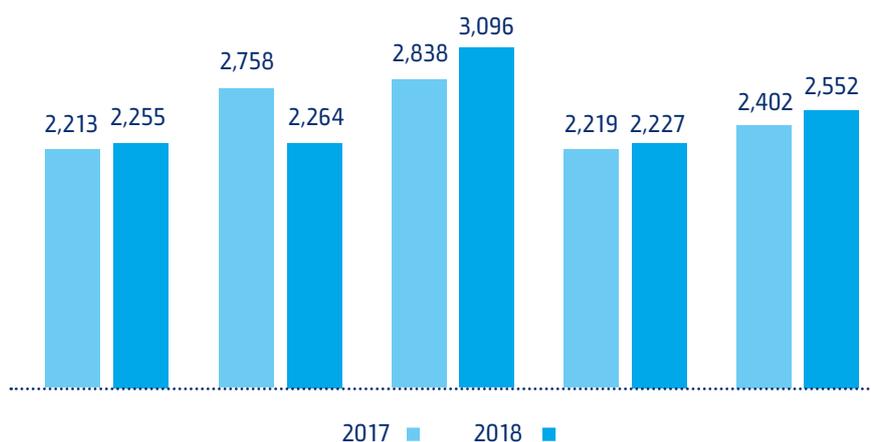
Besides power, another component of the FIBI Group's energy consumption is fuel, which is consumed by the Group's vehicle fleet. The FIBI Group's vehicle fleet is mainly based on gasoline-powered sedans. To reduce air pollution from car emissions and increase fuel consumption efficiency, the Group is 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 2018 was as follows:

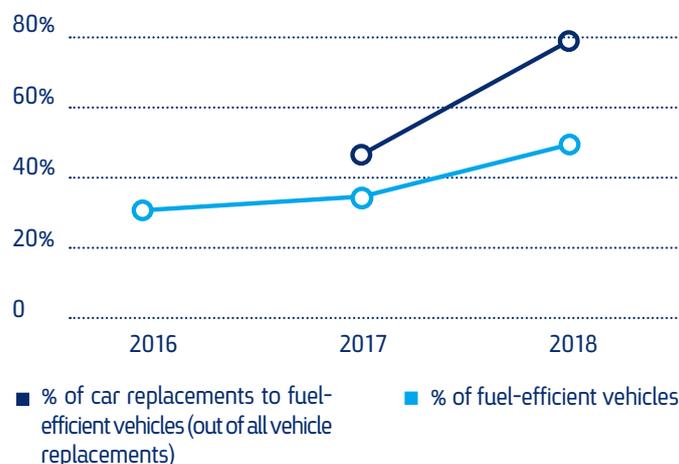
- In 2018, the Group's fleet had 414 vehicles, 50% of which were fuel-efficient (with an engine smaller than 1400 cc and/or a turbo TSI engine).
- In 2018, the Group's vehicles consumed 1,057 thousand liters of fuel. It should be noted that during the last quarter of 2018, the number of cars comprising the Group's fleet has decreased due to retirement arrangements; therefore, the fuel consumption is expected to decrease in 2019.
- In 2018, 80% 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 vehicle and fuel data¹²

Comparison of average annual fuel consumption per vehicle by the Group, 2017-2018

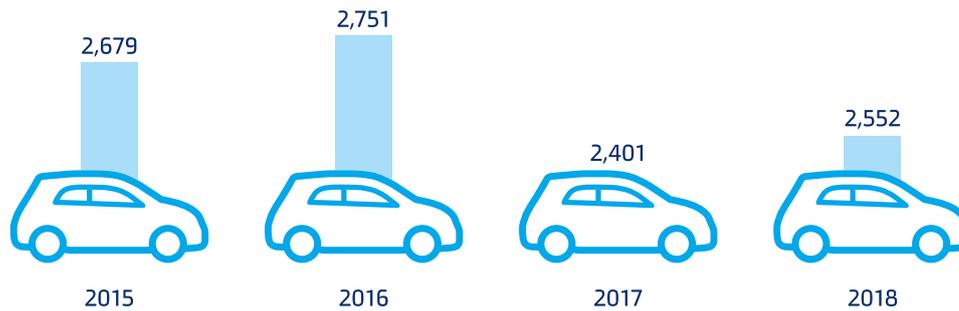


% of fuel-efficient vehicles in 2016-2018



12. In the 2017 report, U-Bank data were reported together with MATAF data, and in the 2018 report, U-Bank data were reported together with First International Bank data.

Average annual fuel consumption 2015-2018



Waste Recycling

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



General mixed office waste



Paper waste (including cardboard)



Computer equipment 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.

As a rule, 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 2018, 482.94 tons of paper and cardboard were recycled.

Similarly, nearly all the toner consumed by the Group, about 84%, was collected and sent for recycling. In 2018, the FIBI Group consumed 8,053 kgs of toners. This constitutes a year-on-year reduction of more than 12% in toner consumption. Some of the toners consumed by the Group are recycled ones, while others are not, with preference for recycled toners. During the year, 6,711 toner units were purchased, of which only 1,074 were original toners (only 16%). The reduction in toner consumption is due to the use of original toners with a relatively high capacity for printing 30,000 pages each.

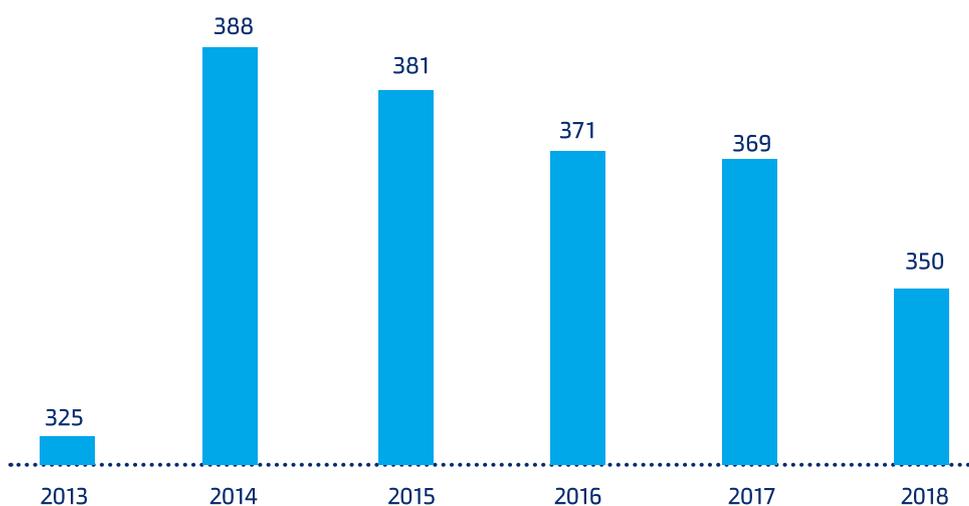
Computer equipment waste, electronic products waste and appliances waste, including: magnetic storage devices, batteries, computer equipment and peripherals, appliances, and communications equipment, are centrally collected by the Group Procurement Department and sent for handling by a certified party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

Below is the FIBI Group's paper consumption in 2013-2018 (in kgs):

Type of paper	2018	2017	2016	2015	2014	2013
A4 photo-copy paper	339,890	359,923	360,173	368,578	376,000	316,000
Stationery	1,507	1,477	1,713	2,610	2,310	2,016
Brown envelopes	6,627	5,662	5,527	5,967	4,891	3,701
White envelopes	2,238	2,692	3,610	4,160	4,806	3,320
Total (kg)	350,262	369,753	371,022	381,315	388,007	325,037

The consistent decrease in paper consumption over the years stems, inter alia, from the digitization processes that Group's banks undergo, and in particular the transition into online forms in many of the forms used by banks.

Total Paper Consumption (tons) 2013-2018



The FIBI Group's waste recycling activity was as follows:

	2018	2017	2016	2015	2014	2013
Paper (tons)	482.94	509.1	580.3	528.9	541	583.9
Archive clearance (tons)	163.16	162.9	272	254	254	283
Toners (kg)	6,764	8,651	9,989	**9,482	8,192	-
Electronic and magnetic storage (kg)	1,910	500	5,372	3,568	2,261	1,393

In addition to the central recycling activity, the Group works to increase employees' awareness to recycling and its importance. In this context, the different offices within the Group's banks recycle various types of waste. This involves positioning of recycling facilities and bins for various types of waste, which will then be recycled. Among the materials that Bank's employees are encouraged to recycle are plastic bottles and packaging, glass and batteries.





Carbon footprint

With the understanding that global warming and climate change cause huge damage to our planet, the FIBI Group monitors the main aspects of its activity that impact this phenomenon, and strives to moderate this 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.

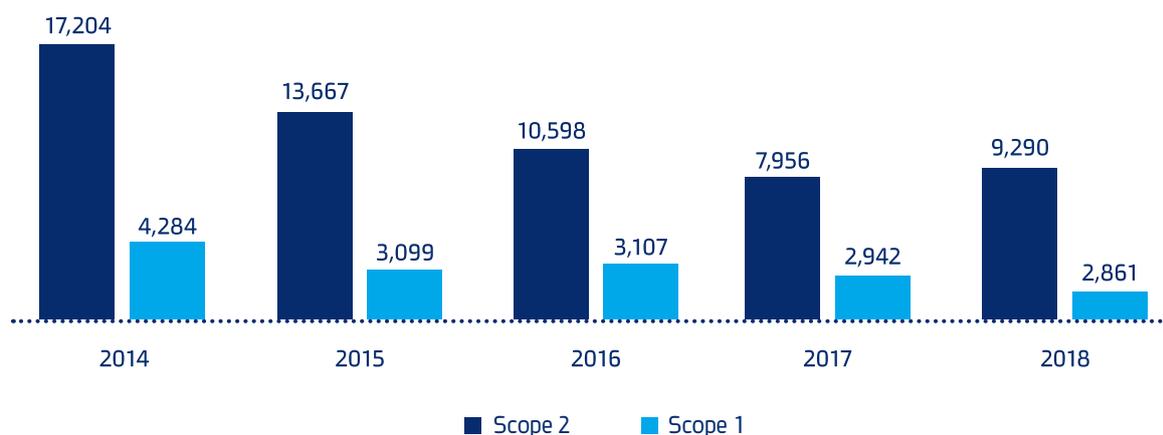
Dealing with climate change and reducing emissions at source is undertaken as part of the energy conservation plan, green building, use of fuel-efficient vehicles, and the purchase of electricity from private power producers which generate power by natural gas (that has lower greenhouse gas emissions compared with the fuel mix used by Israel Electric Corporation). In this framework, for example, the Group took steps such as transitioning to consumption of energy generated from gas, and applying green building principles to the Bank's main headquarters in Rothschild Boulevard in Tel Aviv and the MATAF building (First International Bank's building was even hailed by the Ministry of Environmental Protection as the first green office building in Israel).

The FIBI Group's total carbon footprint in 2018 was 12,151 tons CO₂eq.

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The FIBI Group's carbon footprint in 2014-2018 (in tons CO2eq)



In 2018, the greenhouse gas emissions intensity stood at 0.151 tons CO2eq per m². This figure represents a 32% increase over the 2017 figure, which was 0.122 tons CO2eq per m².

2018 Objectives execution status:

Power	
• The Group plans to have an external company examine the its power bills and evaluate the feasibility of reducing consumption and costs.	Done
Paper consumption	
• Continue to reduce the use of all types of paper.	Done
• Boost the use of online forms.	
• Increase digital activity, which will reduce use of paper.	
Fuel consumption	
• Reevaluate the use of hybrid vehicles and increase use of fuel-efficient vehicles.	Postponed to 2019
Waste recycling	
• Boost use of digital channels and reduce use of toners.	Done

2019 objectives:

- Reduce paper consumption by 3% in relation to 2018.
- Reduce the use of checkbooks by 5% by switching to digital payment means.
- Evaluate introduction of hybrid vehicles to the vehicle fleet.
- Continue to expand the use of fuel-efficient vehicles.
- Reduce the use of toners by 5% through boosting the use of digital channels.

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. The forum is engaged, inter alia, with issues of significant environmental impact (such as reducing the consumption of consumable resources). Any employee may submit to the Forum any idea whose implementation may result in future savings to the Bank's activity, with the savings quantifiable in the future, even if it has no practical short-term effect. In 2018, the Process Streamlining Forum received 250 suggestions for streamlining concerning a range of banking and operational activities. The forum's activities have led, inter alia, to the decrease in the number of printers and the amount of paper used by the Bank, as a result of a recommendation to use a digital format of certain forms instead of hard copies, as well as recommendations to maintain certain types of information solely as soft copies without any additional hard copies.



Investment in the community

 The FIBI Group considers itself committed to active community involvement, with an emphasis on employee involvement, in line with the vision, strategy, and values of the Group and in line with its broad economic impact and leadership in the business world.



The Group's community activity is diverse and extensive, including regular strategic cooperation with social organizations. It includes social involvement and volunteer activity, in addition to monetary donations. The Group does not donate money or cash equivalents to political parties, politicians, or political institutions.

Several years ago - as part of our community outreach efforts - the FIBI Group established steering committee, which includes the Chairman of the Board of Directors, two members of the Board and additional officeholders responsible for community outreach,

in an effort to closely monitor, direct, initiate and formulate the Group-wide community outreach policy and activities. The banks' donation policy is approved once a year by their boards of directors.

The Group regards support for teenagers and children at risk as an extremely important tool for their growth, and for equal opportunity in Israeli society. We invest in this population group through education, personal guidance, mentoring, promoting a healthy way of life, welfare, and assistance to teenagers and children with special needs and population groups at risk. From time to time, the FIBI Group also invests in other areas.

The Group conducts a continuous dialogue with the community and the various volunteer organizations it supports. Every community program is drawn up after the NGO's needs are clarified. The character and method of the investment and its goals is developed in cooperation with the organization.

Furthermore, as part of their selection process, the NGO or social entity are asked to present their activity and means of measuring their effectiveness. At the same time an evaluation is made of whether the short-term and long-term objectives are being achieved.

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The Group banks' community outreach activities are carried out in two main areas:

Donation policy:

Joint projects include monetary investment by the Group and involvement by its employees.

Donations policy:

The Group banks' donations policies (the main social focal points of which are outlined above) are approved annually by each bank's board of directors. First International Bank's management, through the Bank's Resource Division, is responsible for managing the donations budget. Bank Otsar Ha-Hayal manages its donations budget separately from the rest of the Group through its Human Resources Department. The two banks have a donation 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. Assistance is provided to the numerous 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.

Banks in the FIBI Group donated a total of NIS 3.08 million in 2018. Among the principal entities and ventures to whom the FIBI Group donated in 2018 are the Unistream NGO (NIS 350,000), the Fathers and Sons on the Playing Field program (NIS 250,000), the Fidel NGO (NIS 150,000), the Educating for Excellence NGO (NIS 150,000), the Derech Erech venture (NIS 200,000), the Yozmot Atid NGO (NIS 140,000), the Economic Empowerment for Women NGO (NIS 120,000), and others. In the past five years, the FIBI

Group donated a total of NIS 14.5 million to the community, excluding sponsorships for various entities and initiatives (such as "Israel's Leading Teacher").

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, and the bank increases that donation (in accordance with the program's definitions). The venture is designed to promote joint and empowering donations.

Over the past few years, thousands of FIBI's employees have invested thousands of hours volunteering in a range of activities at the expense of working hours.

Financial investment:

A donations campaign - The group donated NIS 350,000 in this framework, in addition to the employees' donation.

Technological products of monetary value are donated:

The FIBI Group also donates equipment, such as: collecting necessities for the needy, donations of equipment, etc. Bank Massad has been a strategic partner in the "Laptop for Every Teacher" program for over 7 years. The venture is run by the Athena Fund with additional partners. 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 2018, the Fund gave out tablet computers to 3,000 teachers.

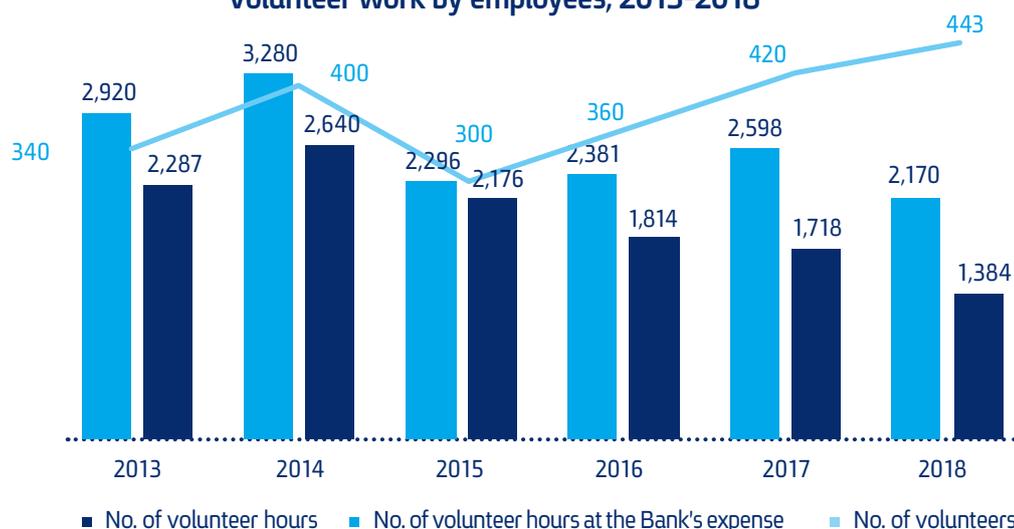
Volunteer work by employees:

In 2018, 443 employees of the FIBI Group - which constitute around 10% of the Group's total number of employees (a 5% increase over the previous year) volunteered, contributing 2,170 volunteer hours to the community, of which 1,384 hours (about 64%) were at the Group's expense.

 The Group conducts a continuous dialogue with the community and the various volunteer organizations it supports. Every community program is drawn up after the NGO's needs are clarified. The character and method of the investment and its goals is developed in cooperation with the organization.



Volunteer work by employees, 2013-2018



The following is a summary of the banks' activity for youth and the periphery:

01

The flagship program is "We Believe in You"

The FIBI Group's main social involvement program is "We Believe in You," in cooperation with "Matan - Investing in the Community". The program's goal is to integrate them into society through educational and social programs designed to empower them and provide them with tools for leadership, business and social entrepreneurship, and financial literacy. This is combined with ecological and athletic tools in order to reinforce values with a feeling of capability, a positive self-image, and a stronger inter-generational connection (among children and teenagers at risk and disadvantaged population groups in general).

As part of the "We Believe in You" program, the Bank also strives to promote women entrepreneurs. This activity is carried out in collaboration with three external NGOs. Collaboration with each NGO was carried out for different groups:

- The Economic Empowerment of Women NGO - 4 entrepreneurship courses participated by 70 women in Rishon LeZion, Tel Aviv, Kafr Kanna and Beit Shemesh.
- The Yozmot Atid NGO - 8 entrepreneurship courses participated by 175 women in Beit She'an, Kiryat Bialik, Bnei Brak, Rishon LeZion, Tel Aviv, Bat Yam and Haifa.
- The Jasmine NGO - operating the Zinuk program in Haifa, participated by 20 women.

02

Unistream

The Unistream NGO promotes social leadership by exposing youth and young people from disadvantaged backgrounds to the business-entrepreneurship world. The NGO trains youth from disadvantaged populations and the periphery to become part of the business world, and educates them for social responsibility, leadership and youth empowerment. As part of this NGO's activities, youth develop business ventures and establish startup companies with close support of businesspeople, entrepreneurs and mentors. As a result of these activities, participants acquire entrepreneurship skills and soft and leadership skills as well as high standards of excellence, which enable them to fulfill their potential and recalibrate their lives and give back to their communities, as thriving members of society.

In 2018, the Bank supported 128 youths in four Unistream centers across the country:

- The Yemin Orde youth village (Haifa) - Two groups operate in this center comprising 25 sixteen-year-olds, and 16 seventeen-year-olds. This is the second year the center has been active, and there has been a significant improvement in the participants' level - both as a group and individually.
- Neve Michael boarding school (Pardes Hannah) - Two groups operate in this center, comprising 22 highly motivated youths.
- Alumim Boarding School (Kfar Saba) - The center comprises 10 fifteen-year-olds.
- Netivot - Three groups operate in this center - a total of 55 youths.

03

Machshava Tova

This is an organization striving to minimize social gaps by providing opportunities for technological training to youth from Israel's social and geographical periphery. The training programs leverage teenagers' interest in and attraction to technology in order to integrate them into learning programs designed to open for them employment opportunities by training and qualifying them in various trades, such as IT technicians, mobile phone technicians, web developers and app developers. The program aims to promote youth at risk by enhancing their self confidence and self esteem, to enable them to forge a better future for themselves. The program provides youth with high-level tools and skills, which foster their sense of self worth, and allow them to recognize their potential. As part of the program, youth are exposed to high-demand technological fields, and acquire tools and knowledge that enrich their content world, develop their personal capabilities, and encourage the development of technological and entrepreneurial thinking.

As part of the organization's activity, the Bank focuses on supporting two professional training programs, which feature mobile phone technician and computer technician training.

- The mobile phone technician program is highly attractive to youth in terms of the employment prospects it provides. As part of the program, youths learn about hardware and software design of mobile phones, and how to handle and fix various malfunctions. The program includes 60 hours, at the end of which the students are qualified as internal technicians (Grade A and B).
- The computer technician training provides youth with practical tools in the fields of hardware and software, including operating systems, maintenance, identifying and fixing malfunctions and knowledge on computer networks. The program includes 130 hours, at the end of which youth are qualified by the Cisco Academy.

In 2018, startup courses were launched in collaboration with the FIBI Group in six youth villages and boarding schools across the country; 58 youths were qualified as computer technicians or mobile phone technicians in those programs.

04

Technological education in the Kedma youth village

The Kedma youth village is an educational-therapeutic boarding school accommodating 100 youth at risk who were excluded from various educational institutions, and for whom the institution constitutes a "last chance". Kedma gives youth a warm home, while providing an adequate response to their physical, social and emotional needs, aiming to help them undergo transformation, personal growth, and meaningful and positive success experiences.

The FIBI Group took part in the formation of a new technological study program in the youth village - the robotics program. The objectives of the educational program are training the employees so that they will be able to find employment in a technologically advanced world; personal empowerment and a sense of capability; creating employment prospects with Intel.

The program was launched in 2018 for two age groups, each of which comprises 15 students. In the group comprising of 16-year-olds, students study robotics, manual and computer-assisted drafting, 3D printing, physics and materials and electronics; students also get to know the work environment in a high-tech facility. In the group comprising of 15-year-olds, students study introductory courses in robotics and programming.

05

Educating for Excellence

The FIBI Group supported Educating for Excellence's center in the Givat Olga neighborhood in Hadera. The program supports 47 children with 12 students serving as their guides.

06

Fidel

Operating an educational program for social integration of youth of Ethiopian descent. The program provides youth with educational and social tools that will allow them to integrate into Israeli society; the program strengthens their sense of identity and belonging, enhances their drive to excel in their schoolwork, and cultivates leadership skills. The FIBI Group supports the activities of youth centers in Ramla and Lod. The youth centers offer a warm home for youth living in close-by neighborhoods, with the aim of offering youth family-like support, mitigating risky behaviors and assisting personal development. In total, 234 youths took part in activities that were supported by the Group.

The following is a summary of the banks' activities in the domains of art, culture, and health:

01

"Fathers and Sons on the Playing Field" groups

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.

2018 results

- The activity included support for 25 groups across Israel - from Kiryat Shmona in the north to Sapir Regional Council in the south. A total of 600 participants, youth and fathers, participated in the activity.
- All of the communities in which the program's activity was conducted cited its importance and success and asked that it be continued next year. Some of them also asked to increase the number of groups.

- The fathers participating in the activity were grateful and very appreciative of its contribution to their relationship with their sons and the more profound understanding they gained of their role as fathers.

02

Collaboration with the Nachum Gutman Museum & the Yeladim

Fair Chance for Children NGO - Holding workshops for children and youth at-risk from boarding schools.

During the year, eight boarding schools from across the country participated in the program. There were 16 groups in which approximately 240 children participated.

03

The Zoharim Village

This youth village caters to youth from the Ultra-Orthodox sector, who are excluded from mainstream Ultra-Orthodox schools. The village gives these youth a warm home, guidance and life skills so that they become honest citizens who contribute to Israeli society. The FIBI Group donated to the village a sports and combat fitness complex benefiting all 110 students in the village. The Bank also held experiential activities with youth and volunteers from the Bank.

Following is a description of the Group's participation in initiatives, involvement, and investment in additional domains:

The Group launched a project to donate food packages to needy families ahead of the holidays. The activity, which included Group employees, was held towards Passover and Rosh Hashana, in cooperation with NGO Pitchon Lev.

Masa Israeli ("Israeli Journey") for wounded IDF soldiers - Masa Israeli is a national venture, which aims to enhance Israeli values and the national-social resilience of the State of Israel. Activities are participated by Bank volunteers and soldiers who were wounded during the course of their military service. In 2018, two journeys, participated by 30 IDF wounded soldiers took place.

Koolulam - as part of events held to mark the Israel's 70th anniversary as an independent state, the Bank held a musical event for employees in collaboration with the Koolulam venture, that seeks to bring together people from all walks of Israeli society through music. The event - held by the Bank at Hanger 11 in Tel Aviv - hosted youth groups, women entrepreneurs, wounded IDF soldiers and others, who take part in the social projects supported by the Bank together with Bank's employees. Through a shared musical creation, participants sing and play together, experiencing an emotional and immediate bond to one another, and a sense of personal and community empowerment.

Involvement in the community by MATAF:

This is the third year in which MATAF employees volunteer at the Na'Amat high school and Technological College in Rishon LeZion. The high school caters to youth from underprivileged backgrounds that were excluded from other schools. The school aims to allow students to realize their personal potential; it serves as the "last chance high school" for these students. 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 the school's graduates into technological IDF units has had a huge impact on the next chapters of their lives; it enables them to gain high quality, relevant professional experience in a highly demanded field. MATAF employees support students' academic work in English, math and telecommunications. Furthermore, MATAF's employees provide students with technological guidance and mentoring aimed at assisting them in their projects, delivering lectures, working in an advanced virtual environment, and more.

In addition to MATAF employees' ongoing activities with students, during the summer holiday, MATAF hosted a training day for 50 of the school's teachers. Our contents were integrated into the training day, in coordination with the principal, in order to expose teachers to the business and high-tech worlds, and provide them with practical tools that will assist students' integration into the job market.

Measuring the Group's social impact

Some of the programs supported by the Group measure their impact, assess their effectiveness, and take steps to constantly improve based on such measurements. Thus, for example, the Machshava Tova NGO has in place ongoing assessment and measurement processes. The NGO has a dedicated measurement coordinator, who produces an assessment and measurement report on a regular basis. The technological program in the Kedma youth village also has in place a measurement and assessment processes designed to assess the program's effectiveness and the improvement in the students' sense of capability. Measurement is carried out in collaboration with experts from the Ben Gurion University.

The Group also carries out ongoing monitoring of impact data received from the programs and of data it collects independently. The Group uses measurement and reporting means, assessment of the activity on the ground, setting of targets and data analysis in order to maximize its impact on society.

Objectives execution status for 2018:

Expand 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 organization, "Investing in the Community".	Done
Expand the circle of social support for business entrepreneurship for women and launch new joint projects in this area with the aim of helping women attain financial independence.	Done
Continue support for other social causes related to the Group, and for other disadvantaged population groups.	Done
Conduct a comprehensive survey to assess the compatibility and needs of the Group's employees vis-a-vis the requested volunteer activity.	Under execution

Objectives for 2019:

- Expand 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 organization, "Investing in the Community".
- Expand the social support given to women entrepreneurs in their journey to economic independence in collaboration with NGO partners working with the Group to promote women in the business world (including, inter alia, by holding women's conferences, and by mentoring of and providing business support to women entrepreneurs, who are supported by the Group; such mentoring is provided by women executives employed by the Group).
- Professional training for youth at risk
- Conduct a volunteer conference.
- Merge Bank Otsar Ha-Hayal's community activity and community outreach functions.
- The FIBI Group will continue the expansion of employee volunteering through the various programs and encourage employees' involvement in the community.

External Assurance and Disclosure



GRI Content Index¹³

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.

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External Assurance:

The First International Bank Group, 2018 Corporate 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 for law and business management (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 2019, the FIBI Group asked the Institute to perform quality assurance on its 2018 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 Mr. Liad Ortar (who performed the work) have business relationships with the FIBI Group and that the quality assurance process was independent. As part of the assurance process, a draft of the report was reviewed and comments were forwarded to the preparers of the report.

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:

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

Findings

This is the FIBI Group's sixth published CSR report. It is in line with the entire local banking sector's adoption of CSR reporting, as required by the Banking Supervision Department. The company has adopted the Global Reporting Initiative's (GRI) new reporting guidelines, the GRI Standards, complying with the Comprehensive reporting requirements. 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.

I would like to comment the following:

- Scheduling - in last year's assurance, I mentioned the issue of the publishing timing. This year, once again, we in late 2019 and only now is the 2018 report being published. I would like to reiterate the great importance in seeking to synchronize, as far as possible, the date of publication of the annual financial statements and the non-financial report.
- Performance indicators for Sustainable Development Goals (SDGs) - the UN's Sustainable Development Goals consist of a series of 17 goals, 169 targets and 232 performance indicators. During the past year, the Government of Israel released its State Progress Report on these indicators, and it is therefore appropriate to continue to boost reference to this methodology in corporate social responsibility reports rather than only make reference to the goals, but also to examine the social and environmental impact of the corporation through these global performance indicators.

Sincerely,

Liad Ortar

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

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