



**CORPORATE
RESPONSIBILITY
REPORT**

2018



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COMMITTED TO THE CUSTOMER

PROFESSIONALISM, SERVICE AND INNOVATION

Commitment to customers in crisis situation

The setting-up of an additional support team for customers in financial crisis

Commitment to innovation

Enlarging the fintech operations and the offering of new services and products for customers of Paybox, iCount, and Didi (the digital representative)

Commitment to service quality improvement

First place in the **Marketest** Index regarding customer experience in Israel

Intensification of the **dialogue with customers** and an increase of 9% in the number of followers on Facebook



5.6%

increase in customer service experience satisfaction



11.9%

reduction in the number of complaints and inquiries received



4.4%

reduction in the number of complaints regarding the quality of service

Commitment to a personally customized service

Digital workshops and training sessions for third age persons

Development and offer of banking products intended to advance designated populations

Advancement of small and minute businesses

increase of 9% in credit

A personally customized service for **freelance customers**



MAKING IT HAPPEN

INITIATIVE AND DETERMINATION, ACCEPTING RESPONSIBILITY AND HONORING OBLIGATIONS

Strengthening ethical aspects and corporate governance

Integration of a system for the monitoring of employee embezzlement intensifying the campaign against corruption

Integration of the code of ethics and employee instruction

Accepting environmental responsibility

Replacing the air conditioning systems by power saving **VRF** systems at fourteen Bank locations

Installing power saving **LED** light bulbs at 22 Bank locations



5.2%

decrease in electricity consumption



35.6%

decrease in paper consumption



7.6%

decrease in the carbon footprint



NIS 10.3

million in favor of energetic efficiency

THE DISCOUNT VALUES AND THEIR INTEGRATION INTO THE OPERATION OF THE BANK

DURING 2018, THE BANK ACTED TOWARDS THE INTEGRATION OF THE VALUES OF THE ORGANIZATION, ON THE BASIS OF THE "DISCOUNT SPIRIT" FORMED IN 2017



LEADING CHANGE

IDENTIFYING CHANGE AS AN OPPORTUNITY, DARING, CURIOSITY AND OPENNESS FOR NEW IDEAS

Leading social change



NIS 16.9

million investment in the community, an increase of 4.3% compared to 2017



Social **impact** investments by means of Discount Capital



105

scholarships granted to students of the Arab sector, within the framework of the "Sprint Discount" program, financed by MDB



Cooperation with Sprint Association developing and operating programs for the advancement of youth in risk situations in peripheral areas, leading to the reduction in gaps in the society



48.4%

increase in the number of volunteers

Leading narrowing gaps in society

Enlarging the operation of the TeleBank centers comprising employment centers in peripheral areas

A new wage agreement, which reduces gaps and strengthens the Bank's future generation

Leading an environmental change

NIS 822

million of "green" credit to solar projects advancing green energies



SUCCEEDING TOGETHER

CREATION OF COOPERATION AND KNOWLEDGE SHARING, ESTABLISHING TRUST, CONCERN AND HONOR

Sharing knowledge and advancing financial education



Activity with respect to **financial education for customers of all banks**, with the aim of advancing financial skills in the society

Nurturing of the human capital



Nurturing managers and the future generation – investment of an average of

38 instruction hours per manager, compared to **35 hours** in 2017



An increase in the number of participants in **welfare and leisure** programs

Formation of new **performance evaluation** processes for employees

Improvement in **internal services** between the different units

DISCOUNT BANK SUMMARIZED SUSTAINABILITY PERFORMANCE TABLE

Investors performance



SOCIAL

Field	Index	2018	2017	2016
Customers	Rate of justified complaints against the Bank	15.1%	13.6%	17.9%
	Justified complaints regarding customer privacy and data protection	6	4	2
	Complaints regarding product fairness	0	0	0
Employees ¹	Number of employees	5,343	5,502	5,529
	Ratio of unionized employees	89.3%	91.7%	91.0%
	Ratio of resigned employees	14.4%	13.0%	17.8%
	Ratio of female employees of the Bank	60.3%	59.7%	59.2%
	Ratio of female employees in executive positions	50%	49%	48%
	Ratio of employees belonging to the under-represented population in the labor market (Discount Bank)	8.4%	7.7%	4.2%
	Ratio of employees belonging to the under-represented population in the labor market (Discount Bank and the principal subsidiaries in Israel)	13.5%	12.6%	4.9% ²
	Average instruction hours per employee	37	39	34
Suppliers	Ratio of domestic suppliers	94.6%	95.3%	95.9%
Community	Investment in the community (in NIS millions)	16,900	16,200	17,200
	Ratio of volunteers at the Bank	22.5%	14.7%	21.7%
	Commitment for investment in Impact funds (in thousands of US dollars) ³	10,500	-	-

Notes: 1 The data does not include employees on unpaid leave and on maternity leave

2 Excluding Mercantile Discount Bank

3 Total commitments through Discount Capital within the framework of funds managing investments having a social impact alongside a financial return



ENVIRONMENTAL

Field	Index	2018	2017	2016
Carbon footprint	Volume of emission (in tons of CO ₂ e)	24,892	26,947	31,657
	Emission per square meter	0.17	0.18	0.2
Resources consumption	Electricity consumption (in Kw/h)	37,102,203	39,150,000	45,451,596
	Fuel consumption (in liters)	623,646	621,880	613,548
	Paper consumption (in tons)	263	408	539
Green credit	Credit to solar projects (in NIS millions)	822	884	736



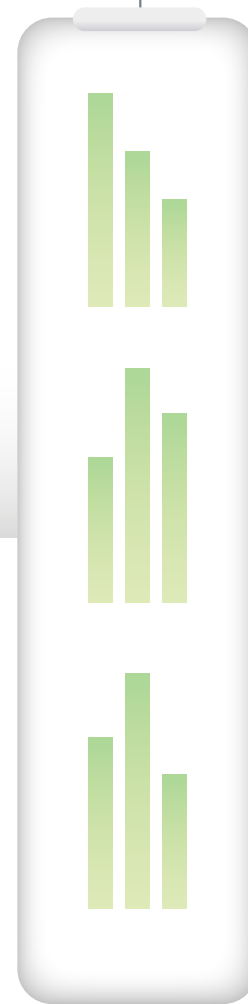
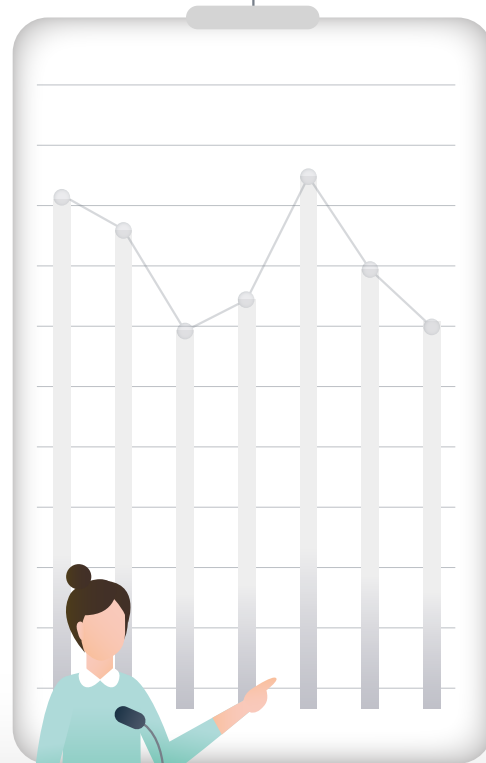
ECONOMIC – CORPORATE GOVERNANCE

Field	Index	2018	2017	2016
Economic performance	Economic value to stakeholders (in NIS millions) ¹	7,055	6,441	6,552
Board of Directors	Independence of the Board of Directors (ratio of external Directors)	69%	67%	71%
	Ratio of female Board members	23%	25%	29%
	Average tenure of Directors	2.46	4.24	4.01

Notes: 1 Operating and other expenses with the addition of provision for taxation and dividends

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GREETINGS FROM THE CHAIRMAN AND THE PRESIDENT & CEO

We are honored to present the Corporate Social Responsibility Report (“CSR Report”) of Discount Bank for 2018. The publication of the CSR Report reflects Discount Bank's deep commitment to the subject of social and environmental responsibility, including in matters of corporate governance. Discount Bank continues to act in accordance with the Vision that was formulated in 2017 so as to give its customers growth and financial stability over time, as well as adaptability to the changing world, while creating innovative banking models which provides an advanced service specifically tailored. At the beginning of this Report, we present the main social impacts of the Bank from the aspect of the “Discount Values”, which were drawn-up in conformance with the Bank's Vision and has since served as the Bank's organizational compass.

This is the eighth CSR Report published by Discount Bank. The Report includes the principal subsidiaries in Israel: ICC and Mercantile Discount Bank (MDB). In this Report, we are continuing the process of gradually integrating the subsidiary IDB Bank to the Report. In addition to this, we are continuing the process of testing and validating the policy and goals of some material topics. Over the coming years, we will continue with this process until all the topics defined as having high materiality have been covered. Furthermore, the Bank is presenting in this Report, for the first time, a summary of its sustainability performance in a manner that reflects the principal standards of the international sustainability and corporate responsibility rating agencies.

Within the framework of the Group's activity towards the creation of joint value for the customers, Discount Bank acts to develop and to offer banking products for the advancement of target populations, such as, small and minute businesses, freelancers, women who are victims of violence and students, while promoting access to and knowledge in the financial education field. MDB focuses on creating value for the non-Jewish customer population and for the Jewish ultra-orthodox (Haredi) customer population. During the last decade, MDB, jointly with the relevant government agencies, have developed expertise in extending credit to small and medium businesses by means of governmental funds for the support of businesses.

This year too, we continued to expand our activity in creating innovative and advanced solutions for our customers, and we have taken steps to improve our customer service indices. Where warranted by circumstances, we instigated measures to rehabilitate customers facing crisis situations, and concurrently, we continued to invest in the community through the “Sprint Discount” project and have begun promoting investments with social impacts through Discount Capital. This is taking place alongside the positive impact on the country's periphery resulting from the employment of various populations in the TeleBank service centers. Likewise, ICC entered into engagements in 2018 that are promoting competition in the sector. Also this year, we invested substantially in employee development and empowerment. The wage agreement drawn up in the latter part of 2018 is based on a shekel salary increment – a mechanism that



continues to reduce wage gaps and strengthens the next generation of Bank employees.

Within the scope of its social involvement and commitment, the Bank continues to take action to advance weak populations and encourage its employees to participate in activities for the community, thereby strengthening its social contribution as an organization and as individuals. In doing so, the Bank is furthering the time-honored tradition started by the Bank's founding generation, whereby the Bank has been involved in and engaged with Israel's society and its communal life. We have positioned the value of volunteering as a leading organizational value, and we encourage our employees to volunteer and contribute to the community. Such activity is carried out in correlation and conformity with the Bank's values as formulated within the framework of the “Discount Spirit”.

Looking to the future – we have decided that this year the Bank's budget for donations will be increased and at the same time we are looking for strategic investments that align with the “Discount Spirit”.

The Discount Group works determinedly and continually to strengthen aspects of corporate governance and the Group management, which supports the integration of risk management processes and aspects of fairness and decency within its ongoing endeavors.

In 2010, the Bank joined the United Nations Global Compact initiative. This Report constitutes also an annual update of this initiative in respect of 2018. In this respect, we reiterate the Bank's commitment to this initiative and to its ten principles.

Publication of the CSR Report was made alongside additional reporting frameworks: to the Maala Organization, to the VIGEO EIRIS research body and to the greenhouse gas emission reporting and recording center of the Israel Ministry of Environmental Protection. This reporting structure reflects the Bank and the Group's commitment for transparency and for broadening its activity in social responsibility areas, as well as the Bank's promise to continue working with its stakeholders in a fair and decent manner.

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

October 31, 2019

Shaul Kobrinsky
Chairman of the
Board of Directors

Lilach Asher-Topilsky
President & CEO

ABOUT THE REPORT

THE CSR REPORT IS AN EXPRESSION OF THE BANK'S COMMITMENT TO SOCIAL RESPONSIBILITY ISSUES AND OF THEIR IMPORTANCE AS PART OF THE DISCOUNT GROUP'S ORGANIZATIONAL CULTURE. THE REPORT IS INTENDED TO SERVE THE BANK'S STAKEHOLDERS AND TO ASSIST IN PROMOTING DIALOGUE, STRENGTHENING RELATIONSHIPS AND HEIGHTENING COOPERATION.



DISCOUNT'S EIGHTH CORPORATE SOCIAL RESPONSIBILITY REPORT¹

Against the background of developments regarding the issue of corporate responsibility reporting, and in view of the importance that the Supervisor of Banks attributes to the activity of banking corporations in this respect, the banking corporations heading the banking groups, in accordance with the Reporting to the Public Directives, are required to publish reports concerning corporate responsibility for a period of up to two years. In this respect, in 2005 (for 2003-2004), Discount Bank was the first bank in Israel to publish a CSR Report, and since 2014 the Bank has published a CSR Report annually, as an expression of its commitment to social responsibility issues, and it will continue to do so in the future.

This Report has been prepared in accordance with the GRI Standards: Comprehensive Option, and it reviews the Bank's processes in Israel. The report has successfully undergone the GRI Materiality Disclosure Service.

For the principal subsidiaries² in Israel –

¹ 102-45, 102-48, 102-49, 102-54.

² In order to reflect, to the stakeholders, the reporting position in these companies in a transparent and orderly manner, the Index contained in the Appendix to the Report assigned separate columns to MDB, ICC and IDB Bank. It should be noted that, in the sections that describe policy or work processes at Discount Bank, the description refers also to MDB and ICC, unless expressly stated otherwise. On the other hand, in view of the different environment in which IDB Bank operates, where the description refers to this subsidiary, this fact is expressly stated.

Mercantile Discount Bank ("MDB") and ICC – the reporting is at the "Core" reporting level, and as regards many topics, they are very near to the "Comprehensive" reporting level. Moreover and following on from the previous Report, we are continuing the process of including the subsidiary IDB Bank in the Report. This process is being implemented gradually in light of the differences in the regulatory, social and economic environment in which the companies in Israel operate, compared to the environment in which the New York subsidiary operates, and requires the exercise of considerable care in the inclusion of information about IDB Bank. Moreover, IDB Bank is in the midst of assimilating a complex and challenging strategic plan, which requires substantial management resources.

The CSR Report is not just a reporting framework, but a platform for ongoing dialogue between the corporation and its stakeholders and in the process of writing this Report, the Bank strives to describe with maximum transparency its activities in relation to topics that are of interest to its stakeholders.

The Report addresses, in the relevant contexts, the activities of the different divisions of the Bank, including the senior levels of management. The data presented in the Report were processed according to the reporting of the Discount Group's various units, striving to build a data base that will enable a comparison with data from past years. The calculation methods that are used have been noted in the places where the relevant data are presented. The Report does not contain any data that are in contradiction with the data presented in previous CSR Reports published by the Bank. In cases where previously published

data had been changed or corrected, this fact is expressly stated.

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

We at Discount believe that this Report will serve the variety of categories of our stakeholders (customers, employees, suppliers, shareholders, the community and environment), and will assist in promoting dialogue, intensifying relationships and heightening cooperation.

Compilation of the data and its validation were performed with the assistance of many functions at the Bank and at the principal subsidiaries. The final draft of the Report was examined and approved by members of the Bank's Management.

PUBLICATION OF THE REPORT

The CSR Report in Hebrew may be viewed on the Bank's website³ and in English on the Bank's Investor Relations page⁴, on the GRI's Sustainability Disclosure Database⁵ and on the GC website⁶. In addition, Bank employees may view the Report also on the employees' portal. In certain cases, the Report includes reference to details presented in the Bank's 2018 Annual Report and 2019 quarterly reports. These are available for perusal at the Bank's website – see above). (a translation into English of these reports is to be found on the Investor Relations page, see above). The reports are available for perusal (in

³ www.discountbank.co.il

⁴ www.discountbank.co.il/IR

⁵ <http://database.globalreporting.org>

⁶ <http://www.unglobalcompact.org/participant/12568-Israel-Discount-Bank-Ltd>

Hebrew) also on the "Magna"⁷ website of the Israel Securities Authority and on the "Maya"⁸ website of the Tel-Aviv Stock Exchange Ltd.

In certain cases, the Report refers to the reports of MDB and of ICC. These reports in Hebrew are available on the website of MDB⁹ and on the website of ICC¹⁰ (in English – annual reports only).

MANAGING SOCIAL RESPONSIBILITY AT DISCOUNT

→ The Bank has a social responsibility director appointed by the Bank's Management. The appointment is intended



to strengthen the management of the social responsibility field at the Bank and reflects the importance attributed by the Bank to this subject. The director's task is to intensify the social responsibility awareness of Bank employees, as well as of its stakeholders, and to formulate plans of action to achieve the goals designated for this area. The director reports to the head of the Human Resources and Properties Division, who is in charge of managing social responsibility at the Bank. The Bank's principal subsidiaries in Israel, MDB and ICC, have social responsibility directors who report to the Head of Human Resources and Administration Division and to the CEO of ICC, respectively. At IDB Bank, a Community Development Officer has been appointed for the purpose of handling matters relating to the Community Reinvestment Act ("CRA"). This officer is responsible for administering IDB Bank's community development program and for ensuring that this bank meets the procedural requirements of the CRA.

DIALOGUE WITH STAKEHOLDERS¹¹

→ Corporate social responsibility reporting rests on the approach that, in addition to its shareholders, the corporation must be accountable to the society and the environment in which it operates, and that it must broaden its dialogue and cooperation with all categories of its stakeholders. A "stakeholder" is anyone that Discount Group influences or is influenced by: customers, employees, shareholders, the community, the environment and suppliers, and even

contracted workers (who are referred to in the "Responsible Procurement" Chapter).

Promoting an open discourse with the Bank's stakeholders, including involving them in the process of mapping the material topics, is done with the aim of creating a better understanding of the needs and wishes of all the stakeholders and to adapt the Bank's conduct and its policy in a way that will respond in an optimal manner to these needs. The dialogue platforms are numerous and varied, and include inter alia, "round table" meetings, surveys, conferences and discussions in accordance with the character of each stakeholder.

THE PROCESS OF IDENTIFYING THE MATERIAL TOPICS¹²

→ Material topics are defined as topics having economic, environmental and social aspects where the organization has a substantial impact on its stakeholders or where the organization itself is impacted by them. Within the framework of the preparations for the 2018 Corporate Social Responsibility Report, and in accordance with the requirements of the GRI-SRS Standard according to which this Report is being written, the Bank had conducted a process for validating and updating the material topics, which defines the corporate responsibility topics to be reported and at what scope and order of importance.

The process of validating the materiality matrix was carried out as a follow-up to the process of identifying the material topics that were identified in the 2017 Report, while validating and updating the methodology



that was employed in two main spheres: that of the stakeholders and that of the Bank.

The first sphere: identifying and updating the topics that are material to the Bank's stakeholders for 2018. Firstly, the review of the material topics was broadened in line with the requirements of the examining bodies in the field of sustainability and corporate responsibility. The topics were also correlated with the material topics for the banking sector, alongside focused testing of these topics in relation to their relevance to the Bank's activity. This process was conducted for the Bank by the sustainability and corporate responsibility group at BDO Consulting. The examining bodies that were reviewed are Bloomberg, FTSE, MSCI and Maala. Subsequently, a review was conducted of the stakeholders' positions with regard to the identified material topics: a sample of customers, employees, suppliers, socio-environmental organizations and the professional community in the corporate responsibility area. This positions review was conducted using dedicated questionnaires, with each questionnaire including various statements from the world of corporate responsibility on topics that were identified as being material. The review participants were asked to rank each topic according to its level of importance to the reporting in the Bank's Report. The questions were rated on a scale of 1-5 (with 1 being the lowest rating, and 5 being the highest). As part

7 <https://www.magna.isa.gov.il/details.aspx?reference=2014-01-017514&file=2&id=01160>

8 http://maya.tase.co.il/bursa/report.asp?report_cd=885621

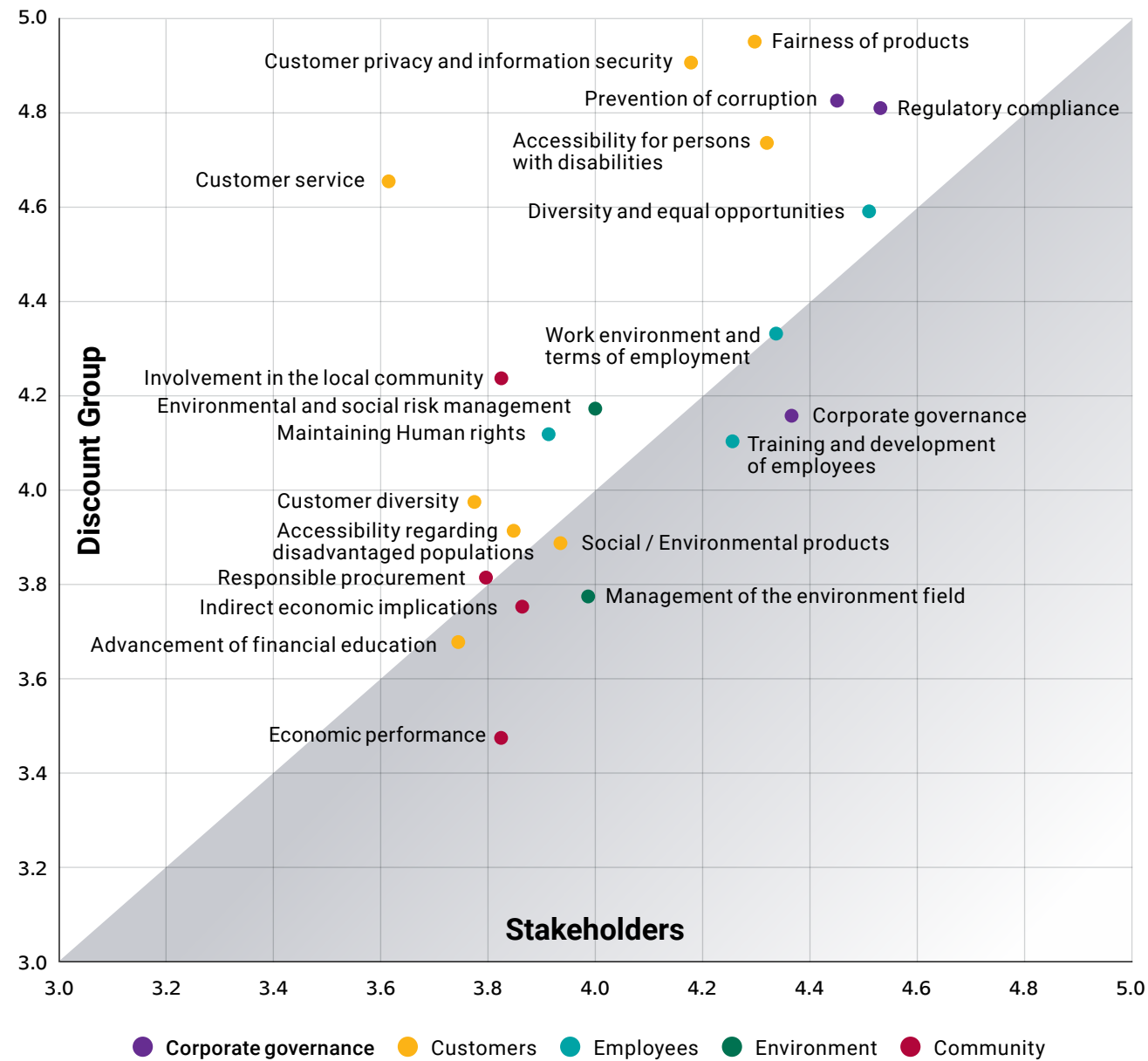
9 <http://www.mercantile.co.il/MB/private/about-mercantile/financial-reports/annual-reports>

10 <http://www.cal-online.co.il/he-il/Cal/CalServices/about/pages/financialReports>

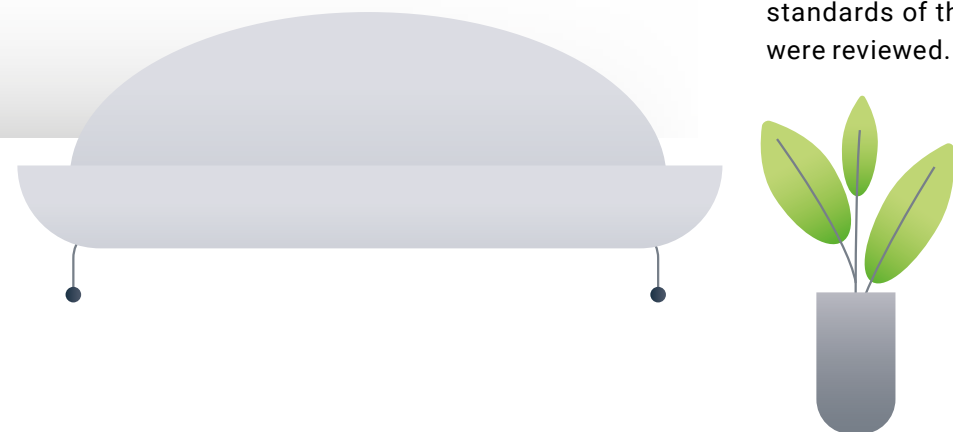
11 102-40, 102-42, 102-43, 102-44

12 102-46

THE MATERIAL TOPICS MATRIX



of the updating of the methodology that took place in 2018, weightings were given to the stakeholders' positions against the standards of the examining bodies that were reviewed.



MATERIAL TOPICS - REPORTING BOUNDARIES¹³

A material topic in the Report	The GRI topic	Limit of the impact
Regulatory compliance	Socio-Economic Compliance	Within the organization
Prevention of corruption	Anti-corruption	Within the organization
Fairness of products	Marketing and Labeling	Within and outside the organization
Diversity and equal opportunity	Non-Discrimination Diversity and Equal Opportunity	Within the organization
Customer privacy and information security	Customer Privacy	Within the organization
Accessibility for persons with disabilities	Accessibility	Within the organization
Work environment and conditions of employment	Employment Labor-Management Relations Occupational Health and Safety	Within the organization
Corporate governance	Corporate Governance	Within the organization
Training and development of employees	Training and Education	Within the organization
The customer experience (customer service)	-	Within and outside the organization

The second sphere: identifying the topics that are material for the Bank. Like the stakeholders' review, a review of positions was conducted among the Management and the Board of Directors of the Bank and of its principal subsidiaries in Israel – ICC and MDB.

At the end of the process, the Bank updated the order of importance of the material topics as obtained from the weightings of the stakeholders' positions on the one hand and the positions of the Managements and the Boards of Directors on the other. The outcome of the process is the identification of the ten most material topics for the reporting. Consequently, and due to the greater importance of the topic, the reporting in the Report has been expanded with regard to "Accessibility for Persons with Disabilities" in the "Customers" Chapter.

REPORTING TO THE GLOBAL COMPACT

The Bank joined the United Nation Global Compact initiative in September 2010 and since then submits an annual progress report regarding the Bank's social and environmental activities. This report, as well as previous CSR Reports, constitutes an annual progress report in respect of each of the years in the period 2013-2018 respectively. An Appendix to this Report includes an index comprising a cross-reference table between reportable items in accordance with the Global Compact initiative and their reference in this Report.

ASSURANCE EXAMINATION

→ The Bank's CSR Report has undergone an assurance examination by an outside, objective body - The Center for Quality Assurance of CSR Reporting that operates within the framework of the CSR Institute at the College of Law and Business - which determined that Discount Bank meets the requirements In Accordance with the GRI Standards: Comprehensive option. The Report presents fairly Discount Bank's activities for the given period. Furthermore, the Report is balanced and properly presents Discount Bank's activities in the various material topics, both for activity in Israel's financial segment and also for the Bank itself.

QUALITY ASSURANCE STATEMENT: DISCOUNT BANK - 2018 CORPORATE SOCIAL RESPONSIBILITY REPORT

Introduction

The Corporate Social Responsibility Institute is an independent public body that works to promote the concept of Corporate Social Responsibility. The Institute operates within the framework of the **College of Law and Business**, which is a private college (recognized by the Council for Higher Education) for the study of law and business administration. The Institute's work includes, inter alia, the convening of professional meetings, the writing of reports, research and market surveys, the "conversion" into Hebrew of applied methodologies from the rest of the world, etc. In August 2019, Discount Bank requested that the Institute instigate a quality assurance process with respect to its 2018 corporate social responsibility report.

It is hereby declared that the Institute

receives a payment to cover the time it invests in this process. Furthermore, it should be noted that neither the Institute nor Mr. Liad Ortar (who performed the work) has any consultative business relationship with Discount Bank and that the quality assurance process was conducted independently and without bias. In the framework of the quality assurance process, a draft of the report was examined, comments were made and this quality assurance statement was drafted.

Work approach

→ The object of the quality assurance process for the corporate social responsibility reports is, first and foremost, to improve the quality of the reporting products by means of providing professional feedback. As part of the process, it is examined whether the report adequately complies with three central principles:

- 1. Inclusiveness** – relating fully to the topics arising from the reporting process itself and from the reporting entities, as well as the inclusion of a wide range of stakeholders' in the reporting.
- 2. Materiality** – relating to the topics that are material to the Company's operations.
- 3. Responsiveness** – reporting regarding topics raised by the stakeholders.

Findings

This is the eighth report published by the Bank. It joins the trend of sustainability reporting adopted by the whole of the Israeli banking sector, with this being in conformity with the requirements of the Supervisor of Banks. The report adopts the latest reporting standards of the GRI and the SRS, while complying with the broad reporting framework known as "Comprehensive option",

one of the two in accordance options. I hereby declare that Discount Bank is indeed in compliance with the scope of disclosure and reporting requested at this level and is demonstrated compliance with the three principles presented above.

This report, the eighth of its kind, continues to show a trend of noteworthy professional development. In particular, I wish to note the enlargement of the consultation process with stakeholders and the inclusion of new groups in this significant process.

Remarks regarding the report:

Presentation of quantitative data regarding the materiality matrix – in the reported year, Discount Bank has made an important step in the process of forming the material issues to be reported by moving to the gathering and presentation of data in a quantitative format, based upon the methodological gathering of data from stakeholders. This is a significant step in improving the reporting product and the ability to compare later on one report to another, assuming that the measurement methodology would be maintained as is. In view of this move, presentation of the graphic product as a table showing the weighted average mark for each issue is warranted. Indeed, this tool would not make it possible to relate the level of importance to the Bank or to the stakeholders; nevertheless, it would provide an orderly list of marks and make it possible to understand which are the most material issues for reporting, and which issues are less material.

Intensifying the impact measurement based on the SDG's – The connection made by Discount Bank to the sustainability goals is important and in line with the global trend regarding sustainability reports. The primary connection presented in earlier reports was only the first step, and it is to be expected that future reports would include the required continuing steps.

These steps examine at a higher focus level, the performance indices relating to each goal and the presentation of the impact of the reporting organization in the light of these measurable indices.

**Congratulations on your good work,
Liad Ortar**

**The Corporate
Social Responsibility Institute**

Manager of the Corporate Social
Responsibility Institute
The College of Law and Business

October 2019

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182
BRANCHES IN
ISRAEL

NIS
9,020 MILLION
THE TOTAL ECONOMIC VALUE
PRODUCED BY THE GROUP

NIS
789 MILLION
PROVISION FOR
TAXES IN 2018

GROUP PROFILE AND FINANCIAL DATA

THE ECONOMIC VALUE PRODUCED BY THE DISCOUNT GROUP RESULTS FROM ITS BEING A LARGE ECONOMIC ENTITY, ONE OF THE FIVE MAJOR BANKING GROUPS IN ISRAEL, WHICH OFFERS ITS CUSTOMERS COMPREHENSIVE BANKING SERVICES IN ALL AREAS OF FINANCIAL ACTIVITY.



DISCOUNT BANK

GENERAL OVERVIEW

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

The Bank was established by the late Mr. Leon Recanati in the name of "Eretz Yisrael Discount Bank Ltd.", in cooperation with the founders, the late Mr. Joseph Albo and the late Mr. Moise Carasso. The offices of the Bank and its first branch office were at first located at No. 39, Yehuda Halevi Street in Tel Aviv. In 1939 the offices of the Bank were relocated to No. 27, Yehuda Halevi Street and in the fullness of time were transferred to 23 Yehuda Halevi street, the site on which the Discount Tower is situated today, in which most of the Head Office units of the Bank are located.

During the years of its operation the Bank has developed a chain of branches and a wide variety of commercial banking activities in all banking spheres. As from December 3, 2013, the Bank turned into a bank having no core controlling interest and is subject to the instructions applying to banking corporation having no core controlling interest, in accordance with the Banking Act (Legislation amendments), 2012.

DOMESTIC OPERATIONS

The Discount Group grants its customers comprehensive banking services in all areas of financial activity, through 182¹⁴ branches in Israel, (106 branches of the Bank and 76 branches of Mercantile Discount Bank Ltd.) direct banking and digital banking.

¹⁴ The number of branches as of December 31, 2018.

The Bank offers services to different segments of customers: households, small and minute businesses, private banking customers, medium and large business (for details as to the definition of the segments see page 224 of the 2018 Annual Report; for details regarding the distribution of operations according to the main segments of operation see pages 228-240 of the 2018 Annual Report; for details regarding the distribution of operations according to geographical areas see page 240 of the 2018 Annual Report). The Bank has a banking subsidiary in Israel - Mercantile Discount Bank Ltd. (hereinafter: "MDB") - a commercial bank serving customers in all fields of financial activity.

The activities in Israel include additional fields of operation, including:

- > **Credit cards** - The Bank controls "Israel Credit Cards Ltd." (hereinafter: "ICC") and "Diners Club Israel Ltd." (hereinafter: "Diners", a company wholly owned and controlled by ICC), which issue and market "VISA", "Diners" and "MasterCard" credit cards, both for domestic and overseas use;
- > **Securities portfolio management** -

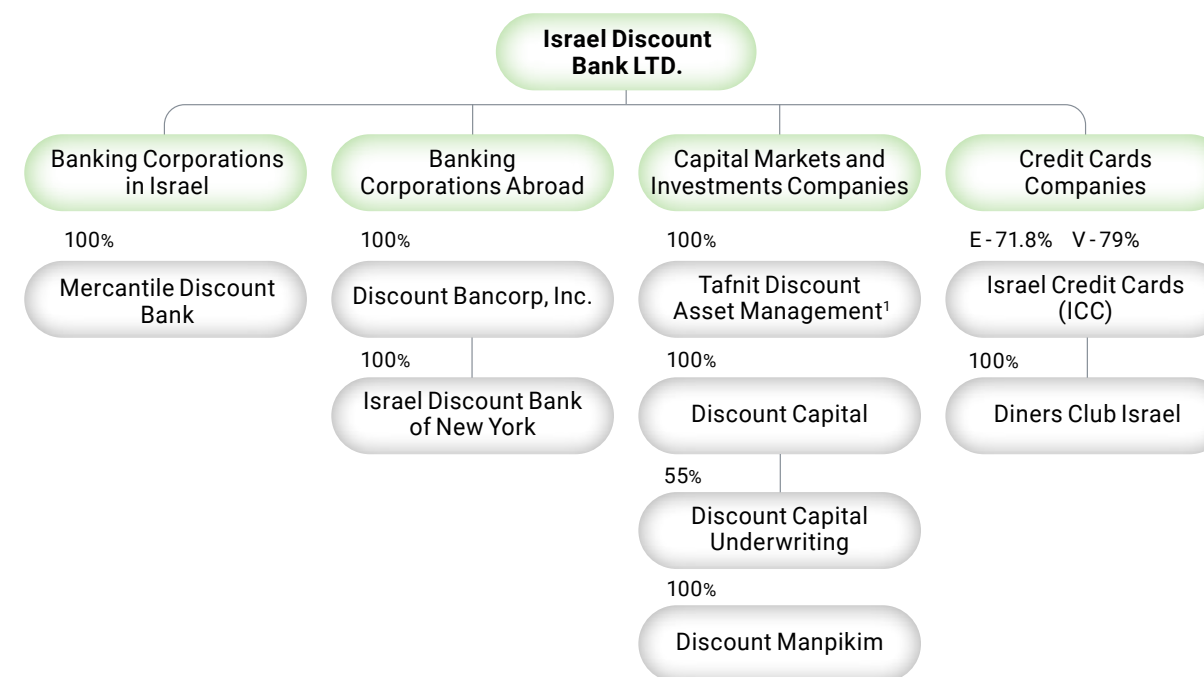
the subsidiary, Tafnit Discount Asset Management Ltd. (hereinafter: "Tafnit") which manages securities investment portfolios for private customers, corporations, not-for-profit organizations and institutional bodies;

- > **Non-financial investments and underwriting** - the subsidiary "Discount Capital Ltd." is engaged in investments in companies, in private equity funds, in venture capital funds, in the investment banking field, as well as in initiating and assisting public offerings and private company, through a subsidiary.

INTERNATIONAL ACTIVITY

The international activity of the Discount Group is conducted by a subsidiary company in the United States, IDB Bank, which is the largest of the Israeli banks operating abroad, and at the present time operates branches in the New York area, Florida and in California. This bank has representative offices in Latin America and in Israel. The international activity is characterized by business-commercial banking and private banking.

DISCOUNT GROUP HOLDINGS STRUCTURE¹⁵



^{Notes:} 1 Directly and Indirectly.

¹⁵ 102-45

GOALS AND BUSINESS STRATEGY

The updated strategic plan

→ The Bank is engaged in realizing the vision of the Bank in accordance with its multiannual strategic plan that was approved in 2014 and updated in 2016 and in 2018 in accordance with market developments. The strict implementation in recent years of the strategic plan led the Bank to a consistent and continuous track of improvement in profitability and in return on equity, in volumes which support both the most outstanding growth of the credit portfolio, in the targeted segments in particular, and in the distribution of dividends, starting with the first quarter of 2018, and all this while maintaining and even improving capital adequacy. At the same time, the Bank has achieved a quantum leap in its digital capabilities, which positions it in the forefront of technology and user experience in the banking sector.

The updated strategic plan is based on a leading goal: **leading in the Bank's customer satisfaction by means of customer adapted banking**, and comprises three principal layers:

1. Continuing growth and efficiency

This layer represents a continuation of the original strategic plan from 2014, which includes the following tiers:

- A. Efficiency and stringent management of expenses.
- B. Customer focused growth.
- C. Assimilating a change supporting organizational culture.
- D. Focus and reducing non-core-business activities.

2. Transformation in traditional banking

In order to prepare for the expected significant changes in the banking field, which stem from regulation, technology, customer expectations and competition image, the Bank defined in 2018, as part of the refreshing of the strategic plan, a new retail operating model to be implemented

gradually during the course of the coming years.

3. Development of Innovative Banking Models

The Bank is developing and putting to the test a number of solutions and innovative banking models, with a view of expanding to new customer populations and to additional platforms and services, as part of the value offer by the Bank. For additional information, see the 2018 annual report (pp. 14-15).

DIALOGUE WITH THE INVESTORS

→ The first and principal layer of communication with investors in securities of the Bank is the layer of regulatory reports - reports in accordance with instructions and guidelines of the Supervisor of Banks and in accordance with the provisions of the Securities Act and the Regulations under it. These reports include annual, quarterly and immediate reports.

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

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

PRINCIPAL OPERATIONS AND CENTRAL EVENTS DURING 2018

→ 2018 was the fourth year of operation implementing the strategic plan announced by the Discount Group in August 2014. In 2018, the Group continued to implement its multiannual strategic plan, comprised of its three layers: continued growth and efficiency, transformation in traditional banking and development of innovative banking models and continuing establishing the capital, technological and human infrastructure that will enable future growth.

The data for the year 2018 indicates the continuing growth momentum and the significant improvement in the performance of the Bank and the Group, even exceeding the outline of the multiannual strategic plan. The credit portfolio continued to grow, inter alia, in the light of the growth in the retail segment, with a focus on the mortgages segment and the large businesses segment.

The activity of the Group during 2018 comprised a direct continuation of its activity in 2017, this in accordance with the strategic plan of the Group and within the framework of the implementation thereof. The management of the capital of the Group is strict. The Group's financial base continues to be solid. The Common Equity Tier 1 ratio amounts to 10.24% and the liquidity coverage ratio amounts to 124.8%. This is the capital infrastructure that allows the Group to continue growing.

The challenges and central issues in 2018 were:

Issuance of bonds (Series "M" and Series "N") - Through its subsidiary Discount Manpikim Ltd. (hereinafter: "Manpikim"), the Bank completed on December 24, 2018, the issuance of bonds in two new series bearing a fixed non-linked shekel interest rate, in a total amount of NIS 1,493 million. The move of raising this debt capital was part of the multiannual financing strategy intended to expand and diversify the Bank's financing sources mix.

A new wage agreement at the Bank - On January 9, 2019, the Bank's Board of Directors approved the wage agreement for the years 2019-2021, reached after intensive negotiations conducted in the preceding months between the Bank's Management and the heads of the representative committee of the employees and representatives of the Federation of Labor.

This agreement follows the previous wage agreement, signed in November 2016 (see the 2016 annual report, p.21), which together form a breakthrough in the field of the compensation method in the banking sector. The wage increment mechanism stated in the new agreement is also based on a shekel



amount of wage increment and not on a wage increment denominated in percentage. This mechanism continues to reduce the wage differentials and strengthens the future generation of the Bank's employees. The agreement was signed on February 21, 2019. For further details, see the 2018 annual report (p. 317).

The continuation of the uncompromising implementation of the strategic plan - with the refreshment of the strategy, the project map has been updated, so that as of the end of 2018, the Group is conducting 25 strategic projects. The Change Management formed in 2014, continues to lead the coordination of the change programs, assist in their realization, monitor and control their progress and report to Management and the Board of Directors. The monitoring and control over the progress of the strategic projects is conducted by a unique implementation mechanism, which includes financial and other goals attached to each project. Furthermore, a periodic follow-up in respect of the progress of the projects is performed by several circles – project managers, head of the Change Management, members of Management in charge of the projects and Management itself in full.

THE GROWTH AND IMPROVEMENT MOMENTUM IN THE BANK AND GROUP PERFORMANCE CONTINUES, AND THE BANK IS CONTINUING ITS TRANSFORMATION IN TRADITIONAL BANKING WHILE DEVELOPING NEW BANKING MODELS AND PROMOTING INNOVATION IN THE FIELD OF FINTECH.

The strategic teams at the Bank and at the subsidiary companies had acted and continue to act vigorously in the strict implementation of the many projects emanating from the strategic plan, including the business focusing on growth, in the credit field in particular, among the targeted populations, as defined by the strategic plan, the change

in the organizational culture, improvement of the infrastructure, improvement of customer experience and advancement of innovation aspects.

The implementation of efficiency measures also continues, including the "Lean" processes, basing the activity of the banking service center, reducing the floor space being used by the Bank, including the merger of branches and the continuing vacating and sale of buildings (used by branches and the head office), as well as additional measures leading to direct savings in Bank expenses.

The administrative focusing on and the improvement in the Group's management processes continues, inter alia, by way of strategic guidance with a cross-group outlook, utilization of business and operational synergies, including from the aspect of strategic projects, digital preparations, preparations with respect to regulation and more.

The "Discount Spirit" – The "discount spirit" is composed of the vision, the values and the code of ethics. A widespread move was made in 2018 for the integration of the "Discount spirit". Also integrated was the code of ethics, which was formed in the framework of the "Discount spirit" and was approved at the beginning of 2018. For additional details, see the Chapter "The Discount Spirit" below.

Fintech and Innovation - The Bank adjusts itself to the changing world and is active in creating innovative banking models that would provide customers with advanced service modified to their needs. Within this framework, the Bank continued the moves for the development and advancement of cooperation agreements signed by the Bank in 2017 with the fintech companies "PayBox" and "iCount". Moreover, the Bank continues to

innovate and add smart insights to "Didi" - the digital assistant in the Discount application - which helps in the smart management of the bank account. The service is based on advanced analytic capabilities and artificial intelligence. For additional details see "Innovation" in the Chapter "Customers" below.

Additional Issues

➤ **Change in the organizational structure** - a new division was established in 2018, the Digital and Data Division, with the aim of creating an overall insight regarding the digital, data and innovation worlds, in order to increase the management focus on this subject. In addition, the Subsidiaries Division was turned into a Group Management and Regulation Division, with the matters being the responsibility of the Division being changed accordingly;

➤ **Signing of an agreement with LeumiCard** - is a central part of the implementation of the Strum Act, a joint issuance agreement was signed on March 29, 2019, between the Bank and LeumiCard, which is based upon the business understandings reached by the parties. In accordance with the agreement, the Bank issues credit cards together with LeumiCard as from February 2019 (the date of application of the duty imposed by the Act to conduct issuance operations by means of more than one operating company);

➤ **2018 retirement plan** - during the reported period, the Bank's Management has diligently worked on an additional retirement plan. For additional details, see the 2018 annual report (pp. 21-22);

➤ The Bank and the Group companies continue to devote and invest considerable managerial efforts and attention to the preparations required to deal with leading and developing risks, including business model risk, manpower and qualification risks, model risks, privacy protection and fairness aspects. This, alongside the

continuing preparations and upgrading of the infrastructure supporting the digital preparations and preparations with respect to data protection and cyber aspects;

➤ **"Discount Campus"** - preparations for the construction of the Discount Campus continued in the reported period. For additional details, see the 2018 Annual Report (p. 308), and the Chapter "Green Discount" below.

MERCANTILE DISCOUNT BANK

GENERAL OVERVIEW

Mercantile Discount Bank ("MDB") celebrated in 2018 100 years of operation.



The financial activity in Israel of the banking institutions that served as the basis for the foundation of MDB began in 1918, with the conquest of Palestine by the British, when the Anglo-Egyptian Bank, operating at the time in Egypt, established three branches: in Jerusalem, in Jaffa and in Haifa. Later on, in 1921, a fourth branch was opened in Nazareth. In 1925, "Barclays Bank DCO" (a bank owned by the British Bank "Barclays Bank" which provided financial services to the authorities all over the British Empire) acquired the shares of the Anglo-Egyptian Bank, thus turning it into a part of the Barclays Bank Group. In 1971, "Barclays Bank DCO" changed its name into "Barclays Bank International".

Mercantile Discount Bank (MDB) was incorporated in October 1971, by Barclays Bank International of England (hereinafter: "Barclays Bank") and by the Discount Group, under the name of: "Barclays Discount Bank Ltd."

Soon after its incorporation on December 7, 1971, MDB acquired all the assets and



liabilities of the Barclays Bank branches in Israel (by that time some 40 Barclays Bank branches had been in operation in the State of Israel).

On February 28, 1993, following the acquisition by Discount Bank of all the interests of Barclays Bank in MDB, the Bank changed its name into "Mercantile Discount". The Bank is defined as a "banking corporation" under the Banking Act (Licensing), 1981, and it holds a banking license under the said Act. MDB is a private company that is wholly owned and controlled by Discount Bank. The larger part of the Head Office of MDB is located in the "Yovel" Tower in Tel Aviv while another part is located in the city of Holon.

MDB is engaged in financial commercial activity and provides services to all operating segments, including: diverse credit activity and foreign trade and currency and foreign currency services. In the mortgage loan field, MDB offers its customers services through mortgage centers operating within the branches. The bank specializes in business, from small and minute businesses to commercial businesses, in all sectors of the economy, and in providing services to the Arab population and to the ultra-orthodox Jewish customer population ((for additional details, see pp. 61-62 and pp. 311-330 of the Hebrew version of the 2018 Annual



16 Number of branches as of December 31, 2018

Report of this company)). In the course of the last decade, the bank, in cooperation with relevant governmental agencies, developed expertise in the granting of credit to small and middle market businesses by means of governmental funds supporting businesses. The bank provides to its customers, among other things, divers services regarding their securities operations through a wide layout of consultants located at the bank branches and markets credit cards offered by ICC and Diners club.

Furthermore, MDB has international relations with brokers, enabling customers to transact business also on foreign securities markets. The Bank offers its customers an array of online banking services by means of the telephone and the interactive internet website.

This comprehensive framework of operation enables MDB to provide to its customers the full range of banking and financial solutions and grant them professional service of the highest level, through diverse communication lines for all banking products prevailing in the market, adapted to the specific needs of the customers. The said services are provided through a countrywide network of branches, numbering 76¹⁶ branches.

THE STRATEGIC PLAN OF MERCANTILE DISCOUNT BANK

The Board of Directors of MDB approved in 2015 a strategic plan for the years 2016-2020. The plan contains two main lines of action: the one - expansion of retail operations (households and small businesses), within the framework of which, MDB is intended to focus on designated sections of the population, in respect of which this bank has many years of experience in the granting of banking services matching their unique needs. The other - streamlining operations by means of strict management of operating expenses and improvement in income structure.

2016 plan - The Board of Directors of MDB approved in the second half of 2016, a strategic plan, prepared by Management of MDB with the assistance of external consultants. The plan is intended to intensify the activity in the retail segment, including the focusing on designated segments of population, in respect of which the bank has acquired over many years specialization in providing banking services, as regard to both households and small businesses.

PRINCIPAL ACTIVITIES AND EVENTS AT MERCANTILE DISCOUNT BANK IN 2018

The year 2018 was the fourth work year for the implementation of the strategic plan of MDB.

Two noteworthy developments took place in 2018:

The signing of a wage agreement for the years 2019-2023 - This agreement includes, inter alia, the termination of linkage to changes in the wage terms applying to Bank Leumi employees, starting with the year 2019. This agreement was signed following the conduct of fair and professional negotiations that may greatly contribute to labor relations at MDB, as well as to ability of MDB to grow and face the challenges of the business environment in general and the competition in the banking sector in particular.

Acquisition of Municipal Bank - On November 13, 2018, MDB signed a merger agreement with Municipal Bank (formerly – Dexia Bank). Within the framework of the agreement, and subject to the fulfillment of the conditions precedent stated therein, including confirmations by the Bank of Israel and by the Competition Commissioner, Municipal Bank will merge with and into MDB. The merger is expected to expand the growth centers of MDB to additional fields of operation and would comprise an important layer in its future growth. For additional details, see the report for the second quarter of 2019 (p. 120).

ISRAEL CREDIT CARDS LTD. ("ICC")

GENERAL OVERVIEW

Cal. ICC was incorporated in 1979 as a private company under the Companies Act. The company is engaged in credit card operations and in the development of payment solutions and financial products. ICC is considered an "auxiliary corporation" under the Banking Act (Licensing), 1981. Discount Bank holds 71.8% of the equity rights and 79% of the voting rights in ICC. The First International Bank of Israel Ltd. holds the rest of the rights in ICC. The company offices are located in Givataim.

The main two lines of business of ICC are the issue of credit cards and the clearing of transactions made by credit cards (for additional details, see pp. 34-36 of the Hebrew version of the 2018 Annual Report of this company).

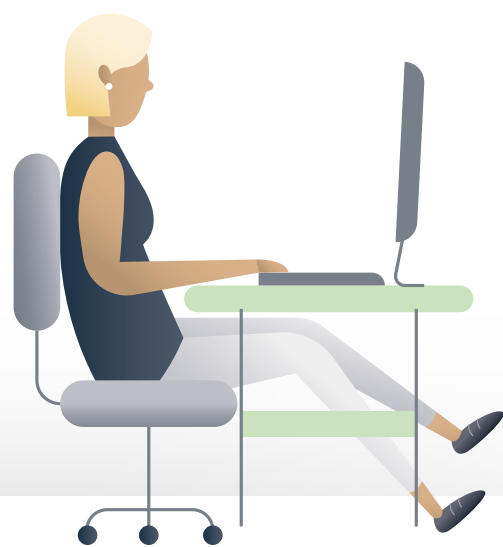
ICC FOCUSED IN 2018 ON IMPROVING AND STRENGTHENING EXISTING COOPERATIONS ALONGSIDE THE CREATION OF NEW LONG-TERM COOPERATIONS

The income of ICC is composed mostly of commission fees on the operation of credit cards and on the providing of payment solutions, as well as from credit financing income paid by its customers: credit card holders and trading houses. ICC has several subsidiary companies and one affiliate, through which it provides to customers a part of its services, including: Diners Club Israel Ltd. (franchise holder of the global Diners Club chain, which is engaged in the issue, marketing and operation of "Diners" credit cards, valid in Israel and abroad), C. A. L (financing) Ltd. (operates as the financial arm of the company for the purpose of providing

credit to holders of the company's credit cards), Diners Finance Ltd. (engaged in financing the credit for a part of Diners credit cards), Iatzil Finance Ltd. (engaged in providing financing services to trading houses through the discounting of "VISA", "MasterCard", "Diners", "American Express" and "IsraCard" credit card vouchers) and ICC Deposits Ltd. - all of which are wholly owned subsidiaries of ICC.

In addition, ICC has a 20% stake in the share capital of Shlomo C.A.L Ltd. (a company providing credit to private individuals interested in purchasing new vehicles by leasing transactions), and a 10% stake in the share capital of Casponet Ltd. (which is engaged in installing and operating of cash withdrawal machines at trading houses).

ICC issues, markets and operates directly "VISA", "Diners" and "MasterCard" credit cards, valid in Israel and abroad, and is also engaged in joint issue agreements with banks participating in the arrangement. ICC is also engaged in the clearing of transactions made by "VISA", "Diners" and "MasterCard" credit cards, valid in Israel and abroad, as well as by the "IsraCard" brand (in Israel only).



THE STRATEGIC PLAN OF ICC

➔ On May 23, 2017, the Board of Directors of the company approved the strategic plan for the years 2017-2021. The formed plan, with the assistance of external consultants, took into consideration the changes expected to take place in the credit card market, in view of the enactment of the Increase in Competition and the Reduction in Centralization in the Banking Market in Israel Act, 2017. For additional details, see the 2018 annual report of ICC (pp. 18-20 of the Hebrew version).

PRINCIPAL OPERATIONS AND EVENTS AT ICC IN 2018

➔ The financial and banking world has experienced immense changes that change the business model and the image of the financial world. ICC, similarly to its competitors is facing complex market challenges, among which are: the intensification of competition in the market in view of the rise in the number of financial entities offering credit, of customer clubs as well as the development of means of payment serving as an alternative to credit cards. Alongside all these, Regulation is tightening creating a new reality for ICC, such as the outline for a reduced cross-commission and the implementation of the Credit Data Act, 2016.

In view of these challenges, ICC focused in 2018 on improving and expanding its customer base, by strengthening existing cooperations alongside the creation of new long-term cooperations.

Attention and considerable resources have been devoted to the introduction into the market of the "Shufersal" Club and to the renewal of the cooperation with El Al Company regarding the FlyCard Club. For additional details, see the 2018 Annual Report (p. 290).

Moreover, as part of the preparations

for the implementation of the Increase in Competition and Reduction in Centralization in the Banking Market in Israel (Legislation Amendments) Act, 2018 (the "Strum Act"), ICC signed operating and issuance agreements with Bank Leumi and Hapoalim Bank. The joint issuance operation started in February 2019, having an additional significant potential increase of the customer base of ICC.


In 2018, ICC continued the growth trend in credit granted to the private sector, while establishing an infrastructure for the expansion in credit products for existing and new customers adapted to their needs, and while strictly maintaining fairness and decency in sales alongside educated risk management.

In the clearing and payment solution field ICC acted to expand its product basket, while making them accessible through direct lines of communication, in order to make the granting of credit and the clearing processes at the trading houses more efficient. In this respect, the successful operation of GAMA as a coordinator should be noted. This, within the framework of an agreement signed with GAMA last year, which is considered a forefront in this area in the credit card field. Likewise, ICC has introduced the cooperation with "Alipay" Company and signed an agreement with "Tencent", the Chinese technology giant, within the framework of which ICC will provide in Israel settlement services for "WeChat", the largest digital purse in the world.

Alongside all this, ICC acted to strengthen its technological infrastructure, conducting a line of long-term infrastructure projects with a focus on the upgrading of the core systems, which are intended to increase its ability to offer innovative solutions and optimal response for its customers.

IDB BANK

GENERAL OVERVIEW

 Israel Discount Bank of New York also known by its registered service mark, "IDB Bank", is a full service commercial bank licensed by the State of New York and a member of the Federal Deposit Insurance Corporation (FDIC). IDB Bank's liquidity and capital ratios are strong and it is ranked by Crain's New York Business as one of the largest commercial banks in the New York area. IDB Bank is a wholly owned subsidiary of Israel Discount Bank Limited, (IDB Ltd.).

THE YEAR 2018 WAS THE FIRST YEAR IN WHICH IDB BANK MADE A STRATEGIC CHANGE EFFORT OVER THE WHOLE YEAR. ELEVEN STRATEGIC PROGRAMS WERE CONDUCTED

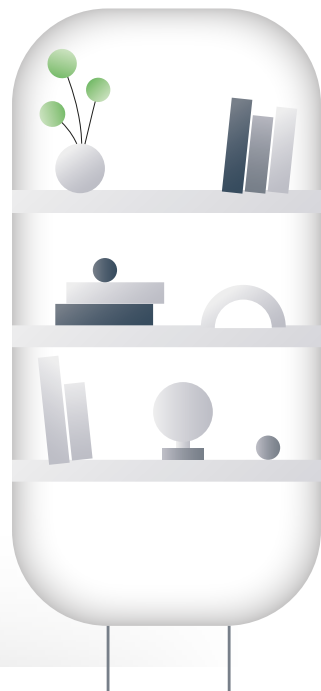
IDB Ltd. began its operations in New York City in 1949, when it established a representative office. At that time there were only a few employees and limited contact with the public. In 1962, IDB Ltd. became one of the first foreign banks to open a branch in New York when the New York State banking law was changed to allow foreign banks to operate branches in the city. In 1967, Israel Discount Bank Ltd. acquired the Hias Immigrant Bank and changed the name to IDB Trust Company, an FDIC-insured banking institution. Ultimately, in 1980, the branch's assets were transferred to the renamed, wholly-owned IDB Ltd. subsidiary, Israel Discount Bank of New York ("IDB NY"). IDB NY also took over a major portion of the western hemisphere banking operations of its Tel-Aviv parent. Subsequently, the Bank took on more contemporary nomenclature with the registered service mark "IDB Bank." In March 2000, IDB Bank became a wholly-

owned subsidiary of Discount Bancorp, Inc., a Delaware holding company formed to hold its shares.

IDB Bank provides domestic and international, personal and commercial banking services to its U.S. and foreign clientele through its main office in Manhattan, branches in Staten Island, Brooklyn, and Short Hills, NJ, in addition to branches in Beverly Hills and Downtown Los Angeles, California; and Aventura, Florida. IDB Bank also maintains an International Banking Facility at its main office; and representative offices in Chile, Israel, Mexico, Peru and Uruguay.

IDB Capital Corp. is the Bank's broker-dealer, and a wholly owned subsidiary of IDB Bank.

IDB Bank specializes in the following areas: U.S. Private Banking, International Private Banking, Middle Market Lending, Asset Based Lending, Commercial Real Estate Lending, Trademark Financing, Factoring, Trade and Finance (Import, Export and Standby Letters of Credit, Documentary Collections, Bankers' Acceptances).



IDB Bank's broad range of banking services include Personal and Business accounts, Cash Management, Checking Accounts, Money Market Savings Accounts, U.S. Dollar and Foreign Currency Time Deposits, Credit Cards, ATM/Debit Cards (for personal accounts), Safe Deposit Boxes (New York main office only), Online Banking, Money Transfers, Lockbox Facilities, Safekeeping and Custody of Securities, Money Orders and Direct Deposit of Social Security and other recurring payments.

Through its broker-dealer subsidiary, IDB Capital Corp, IDB Bank is able to offer investment products such as U.S. Government and Agency Securities, Corporate Stocks & Bonds, Offshore and Domestic Mutual Funds and Capital Market Instruments. Furthermore, IDB Capital Corp can customize a bond portfolio to the customer's specifications (subject to availability and prevailing rates), starting with an investment of 500,000 US\$.

THE STRATEGIC PLAN OF IDB BANK

In December 2017, the Board of Directors of IDB Bank approved a five-year strategic plan for the years 2018-2022. The plan is based upon growth while intensifying the old established personal relationship of IDB Bank with its customers, in selected segments in which the bank has expertise and many years of experience, as well as leveraging the position of IDB Bank as the largest Israeli owned bank in the United States.

PRINCIPAL ACTIVITIES OF IDB BANK IN 2018

The year 2018 was the first year in which IDB Bank made a strategic change effort over the whole year. Eleven

strategic programs were conducted:

1. **Commercial banking** – turning into leaders in the segments of operation of the bank
2. **Private banking in the US** – development of a full range of private banking products
3. **International private banking** – growth in changing scenery
4. **Business in Israel** – full leverage of the position of the bank as the largest Israeli owned bank in the United States
5. **Coverage model and sales processes** – getting organized for sales
6. **Enlarging the product range** – intensifying relations of the bank
7. **Improvement of operations** – efficiency in order to enable sales
8. **Modernization of the information technology** – preparing the bank for the future
9. **Optimizing investments and finance** – supporting the full financing needs while maintaining maximum profitability
10. **Performance and system management culture** – accepting responsibility
11. **Human resources, payroll and change management** – an organization of persons having a high level of skill and a culture of change

The monitoring and reporting of the projects are conducted locally to the SMT, to the Board of Directors of IDB Bank and to Israel by the head of staff of the strategic change. All projects have been conducted in accordance with the program, and optimization of the investments and finance was successfully completed in the second half of 2018, following the achievement of the determined goals. The other programs are continuing also during 2019, in accordance with the plan.

During 2018, no material changes were made to the framework of the regulation of IDB Bank or to external frameworks relevant to it.

MEMBERSHIP OF ORGANIZATIONS AND EXTERNAL INITIATIVES

The Bank is a member of various organizations. Among the prominent organizations in which the Bank takes an active role on a current basis, may be mentioned **Maala Organization** - an umbrella organization of the leading companies operating in the Israeli market, which promotes corporate responsibility issues and develops standards for responsible management in Israel, the **Union of Banks** – an umbrella organization for all banks operating in Israel, the aim of which is to maintain an effective dialogue regarding systemic issues with governmental agencies, as well as with the public and private environment, and the **Israeli Marketing Union** – a union of companies that market and advertise in all lines of industry, services and other sectors. In addition, the Bank joined the **Global Compact** initiative of the United Nations (see below). IDB is also a member of the Union of Banks and of the Israeli Marketing Union. ICC is a member of the Israeli Marketing Union.

In addition, social responsibility issues are reported by the Bank to the following entities and initiatives:



Reporting to investors by means of "Vigeo Eiris" and "FTSE4Good"

Analysis for investors in ESG issues, which examine corporate responsibility performance. In June 2019, FTSE4Good informed of the ratification of Discount Bank as a participant in its indices series.



Reporting to the Ministry of Environmental Protection regarding emission of greenhouse gases

a comprehensive annual report, which at the present time is submitted voluntarily, reviewing the emission of greenhouse gases by the Bank and measures taken to reduce it. A report in respect of 2018 was submitted in September, 2019.



UN Global Compact

a strategic policy initiative by corporations which have committed to accept, support and apply within the framework of their area of influence, a set of basic values regarding human rights, standards for work and environment conditions and combating corruption. The social responsibility reporting since the year 2013, comprises progress reporting for the relevant years.

SOCIAL RESPONSIBILITY RATINGS

"Maala" rating for 2018 - In June 2019, "Maala" published its rating for 2018. The Bank has been rated in the Platinum Plus category (awarded to companies with an absolute score of over 90). The rating is based on criteria detailed in a number of central areas of corporate responsibility. The rating allows the rated companies to be included in the Maala Index on the Tel Aviv Stock Exchange.

ICC was included for the third consecutive year in platinum rating.

BDI rating - the best companies to work for

The rating examines what is important for employees, what are their expectations from the work place and what are the most desirable places to work for. In 2018, the Bank is positioned in the 16th place in the rating and ICC is positioned in the 28th place.

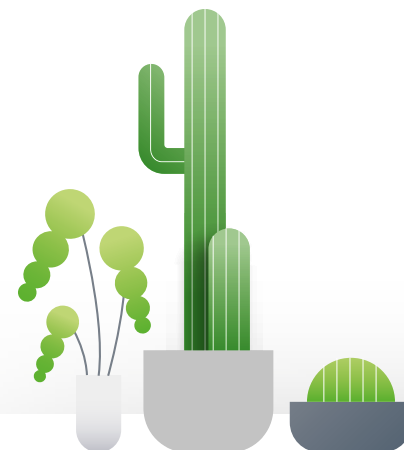
BDI Code - A business leadership index rating approximately 500 companies in the market. In 2018, the Bank was awarded the 19th place in the rating. In 2018, MDB was positioned in the 130th place in the rating and ICC in the 109th place.

IDB Bank - Currently, IDB Bank's overall Community Reinvestment Act ("CRA") ratings are as follows:

- > "Outstanding" by the Federal Deposit Insurance Corporation ("FDIC") - CRA Performance Evaluation performed as of June 6, 2017, and the report was issued on August 31, 2017.
- > "Outstanding" by the New York State Department of Financial Services ("NYSDFS") - CRA Performance Evaluation was performed as of December 31, 2016, and the report was issued on April 5, 2018.

The above ratings are the same as the prior 2014 FDIC and 2013 NYSDFS CRA examination ratings.

Mercantile Discount Bank - The banks'



friendliness to small and middle market businesses Index – The Small and Middle Market Businesses Agency at the Ministry of Economy and Industry publishes this Index twice yearly. The rating weighs four parameters: volume of credit, cost of credit, commission charged and review by financial consultants. The Index published in respect of the 2018 reports, placed MDB in second place in the banking system.

COMMENDATIONS AND PRIZES

DISCOUNT BANK

The computer excellence competition for 2018 - In 2018, the Bank won nine awards in the 2018 IT Awards Competition, granted for technological projects implemented during the year. This was in addition to winning the "Champion of Champions" title for the third consecutive year. The four categories, in which the Bank won the nine awards are:

- > Digital transformation and innovation;
- > Data (Data analysis, analytics, AI, BIG DATA and BI);
- > Domination and control, data protection and cyber;
- > Creation of differentiation and obtaining competitive advantage, improvement of business processes and "Chat BOT".

In 2018, Discount Bank reached the first place in the "customer experience" category of the prestigious British competition – Financial Innovation Awards 2018 – conducted by the London Institute of Banking & Finance, held in London. The prize was awarded to the Bank for the integrated service of "Didi" (the digital assistant on the application), customer insight and correspondence with a bank officer.

Discount Bank also reached the first place in the 2018 international competition for digital innovation EMEA Gartner Eye on

Innovation (the Europe, Middle East and Africa Region), conducted within the framework of the annual convention held by the Gartner Company. Discount Bank was one of nine contestants who reached the final stage in the financial industry innovation field, and won the prestigious prize for the structured service system on the Discount Application, which succeeds in the synergic integration of artificial intelligence (AI) mechanisms with human response.

Discount Bank was named in 2018 as a superbrand in Israel - for the sixth consecutive year. The aim of the International Superbrands Organization is to identify and name in each country the brands that have demonstrated brand and marketing excellence in the local market. The Organization is active in some seventy countries around the world. Since 2008, the Organization is also active in Israel.

ICC

Superbrand in Israel - ICC was also nominated in 2018 as a "Superbrand" in Israel, for the ninth year in a row.

Excellence in computers - ICC won this year six awards for excellence in computers for 2018, within the framework of the competition of the "People and Computers" Group, 2018 IT Awards, in respect of the following projects: "Real time retrieval of the secret code"; "the meaning behind the text" project; establishment of a new Flash Data Center project; credit monitoring project; "Cal2deliver" project; "Digital dashboard" project.

Ms. Irena Fortnik, VP Technologies and Operations at ICC, has been chosen as the excelling CIO in the "role model imitated" category for 2018.



IDB BANK

The American advertising corporation Crain's New York Business, exposes women worthy of note in the banking and financial industry. On March 15, 2019, Crain's New York announced the winning women worthy of note in the banking and financial industries, among whom were:

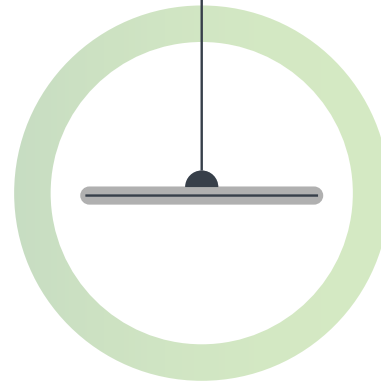
- > Lisa Baum, EVP and Chief in charge of loan activity at IDB Bank;
- > Andrea Kantor, SVP Head of the Banking Group for health services, education and not-for-profit organizations at IDB Bank.

Women at the top echelon of banking elected by the Los Angeles Business Journal – the paper announced the women elected winning esteem for outstanding leadership, knowledge, qualifications and achievements in the banking field, among whom were: Kuwan Kim, Senior VP and regional manager of IDB Bank in California.

DISCOUNT BANK AND THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS

→ 193 member states of the United Nations adopted in September 2015 the new agenda for the sustainable development towards the year 2030, by means of determination of the global goals for sustainable development – **(the Sustainable Development Goals (SDS's))**.

An analysis of the corporate social responsibility aspects activity of Discount



Bank found five goals being most relevant to the operations of the Bank, which are set out below according to their relevancy to the Bank's activities. The Bank's efforts for the advancement of these goals are extensively described in the relevant parts of this report.



GOAL NO. 8: EMPLOYMENT FAIRNESS AND ECONOMIC GROWTH

Meaning of the goal for Discount Bank: As part of its business activity, the Bank contributes to the growth of the economy and the society in Israel.

The Bank aspires to be the best bank for its customers, enabling economic growth and financial stability over a long period of time, by providing adapted, professional and fair banking services.

The Bank diligently maintains its employees' dignity, proper labor relations and employee rights, in accordance with the law and labor agreements.

The activity at the Bank:

Promotion of small and minute businesses - one of the strategic focus points of the Bank is the small and minute businesses segment. The Bank assists these

businesses in various ways, among which, promoting convenient solutions for management of business (such as - iCount) and development of a designated and adapted service for freelancers;

"Family program" - a program enhancing the financial power of customers having family ties who hold different accounts with the Bank, by focusing on the needs of the customer and his family, turning them into a single financial group enjoying a variety of singular services and benefits, in accordance with the combined data of the participants in the program;

Financial education - making the financial language accessible to all age ranges, inter alia, by increasing the awareness and importance of long-term savings, sensible financial conduct, investment channels in the pension savings field and more.

"Impact investments" – investments creating an impact, social impact in the ultra-orthodox (Haredi) sector by means of the subsidiary Discount Capital.

MDB focuses on the granting of unique banking services and on the creation of value for customer populations with specific needs, including the non-Jewish population and the ultra-orthodox population.



GOAL NO. 10: REDUCING INEQUALITY

Meaning of the goal for Discount Bank: The Bank views with importance the diversification in employment, while offering employment opportunities to populations in the community which are under-represented in the labor market.

The activity at the Bank:

Customers in a financial crisis – measures for the rehabilitation of customers in financial

crisis, in relevant cases, with the aim of assisting them to revert to normal activity;

Prevention of discrimination – opposition to discrimination of any kind whatsoever, and application of this principle when hiring employees, promoting them and determining their employment terms;

Employment of populations which are under-represented in the labor market - Employment of handicapped persons, persons of Ethiopian origin and ultra-orthodox (Haredi) women, employment of persons with special needs and employment in the summer months of youth having vision deficiencies;

Promotion of peripheral areas – expansion of the activity of the telephone call centers (TeleBank), comprising employment centers in peripheral areas for different populations, including populations under-represented in the labor market;

ICC operates a service and sales center in Ashdod.

Employment of persons belonging to minority population groups - MDB is one of the largest employers of persons belonging to minority population groups;

"Sprint Discount" - cooperation with the "Sprint for the Future" Association, which develops and operates programs for the advancement of youth at risk in peripheral areas, with a view of reducing social gaps and increasing social mobility by means of education and knowledge;

THE DEVELOPMENT GOALS INCLUDE 17 GOALS COVERING A WIDE RANGE OF SUSTAINABILITY ISSUES. AN ANALYSIS OF THE CORPORATE SOCIAL RESPONSIBILITY ASPECTS ACTIVITY OF DISCOUNT BANK, FOUND FIVE GOALS BEING MOST RELEVANT TO THE OPERATIONS OF THE BANK.

Granting donations and sponsorships – coordination of human and financial resources in activities in aid of children and youth at risk and distress situations, conducted mainly in the education and knowledge fields, for the leverage of personal and social success of the said target populations;

Increasing competition – ICC has conducted "competition raising" moves, both by engagements regarding the joint issuance with Bank Leumi and with Bank Hapoalim, and by engagements in the field of customer clubs (Shufersal and FlyCard).



GOAL NO. 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE

Meaning of the goal for Discount Bank:

Within the framework of its strategic plan, the Bank aims at implementing technological means which will intensify customer experience, and aspires to lead the personal and humane service experience, based on listening to and understanding the customers' needs, while creating innovative and clear solutions.

The activity at the Bank:

"Fintech and innovation" - The creation of innovative banking models intended to provide customers with advanced services adapted to their needs. In doing so the Bank invests in several innovative initiatives in the fintech and innovation fields, such as iCount, PayBox, and "Didi" the digital representative;

Promotion of environmental credit - extending credit to the solar energy field;

Sponsorships in the environment field.



GOAL NO. 4: QUALITY EDUCATION

Meaning of the goal for Discount Bank:

Seeing the education field as a generator of personal and social success of the individual, and activity promoting quality education and learning opportunities.

The activity at the Bank:

"Sprint Discount" program - the flagship program of the Bank for the advancement of education and knowledge in geographical and social peripheral areas;

Assistance to students - the Bank and MDB offer students a variety of finance solutions designed to respond to their special needs. MDB operates a unique program for the promotion of higher education in the minority population groups.



GOAL NO. 16: PEACE, JUSTICE AND STRONG INSTITUTIONS

Meaning of the goal for Discount Bank:

The Bank holds the funds and financial assets of its customers. In such operations, the most basic condition for conducting business is the confidence that the customers show towards the Bank.

Accordingly, Discount Bank diligently maintains the rules of ethics and conducts its business in a legal and fair manner, abiding by the provisions of the law and regulations in its operations, and acts to combat bribery and corruption.

The activity at the Bank:

Ethical Code - based upon the Bank's vision and values and comprises a compass for the employees, directing them towards proper, ethical and appropriate conduct; The principal subsidiaries have a code of ethics of their own;

Corporate governance code - application of the "best practice" policy with respect to corporate governance; the code is based upon the provisions of the law and regulations applying to the Bank in this field; the principal subsidiaries have also adopted a corporate governance code;

Avoiding conflict of interests within the Board of Directors - in addition to abiding by proper conduct of banking business directives, the corporate governance code of the Discount Group states that the Board of Directors shall determine a policy and

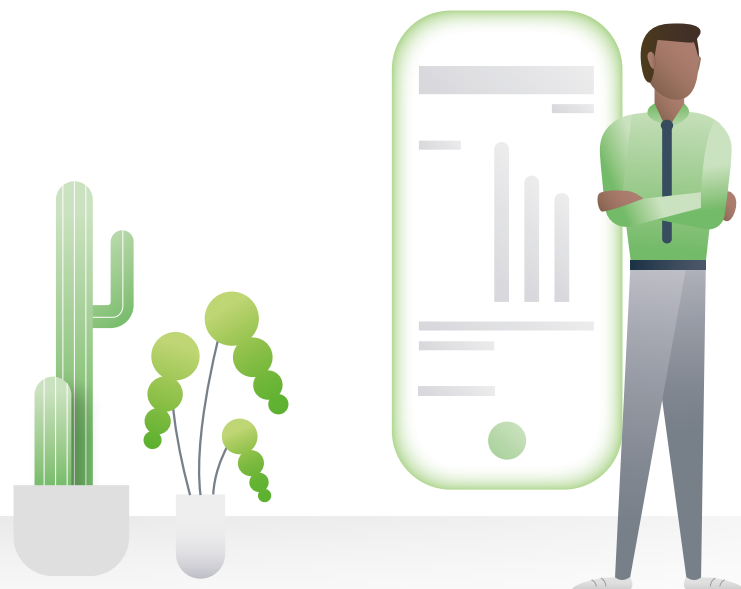
rules for the treatment of conflict of interests designed to protect the Bank from improper or illegal operations;

"Whistle blower" mechanism - a "hot line" has been established at the Internal Audit Division for the handling of anonymous calls in respect of suspicion of fraud and embezzlement, improper accounting treatment, non-compliance with the provisions of the law or material deviations from the Bank's procedures. Furthermore, a circular in this matter has been published to the employees, in which it is clarified that the Bank's Management shall not allow any action taken against employees who bona fide had submitted complaints. A similar mechanism operates at the principal subsidiaries.

CONTRIBUTING TO THE ECONOMY

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

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



THE ECONOMIC VALUE CREATED BY THE DISCOUNT GROUP

	2018	2017	2016	
	In NIS million			
Economic values	The total economic value produced by the Group ¹	9,020	⁷ 8,325	⁷ 7,967
	Total economic value distributed by the Group to its stakeholders ²	7,055	^{8,7} 6,441	^{8,7} 6,552
	Total retained economic value ³	1,965	1,884	1,441
	Provision for taxes on income from ordinary operations	789	747	741
Employees	Number of Group employees ⁶	9,407	9,374	9,401
	Salaries and related expenses	2,851	⁸ 3,204	⁸ 3,169
Customers	Number of branches in Israel ^{4,6}	182	188	200
	Credit to the public ⁶	167,078	150,868	142,904
	Of which: housing loans ⁶	32,924	28,893	25,764
	Credit to small and minute businesses ⁶	33,595	30,825	29,124
Suppliers and community	Payment to suppliers	1,389	1,457	1,264
	Purchase in Israel	94.6%	95.3%	95.9%
	Contributions and investments in the community ⁵	16.9	16.2	17.1

Notes:

- 1 Interest income, net (interest income less interest expenses) together with non-interest income (non-interest financing income, commissions and other income).
- 2 Operating and other expenses (including among other: salaries and related expenses, municipal tax, donations and community investments) with the addition of provisions for taxes and dividends.
- 3 The difference between the economic value produced by the Group and the economic value distributed by the Group.
- 4 Branches of Discount Bank and branches of MDB.
- 5 The volume of monetary donations and indirect investments having a monetary value.
- 6 Data as of December 31, of each of the years.
- 7 Reclassified - see Note 1 C 5 to the financial statements as of December 31, 2018 (p.117).
- 8 Reclassified - see Note 1 C 6 (3) to the financial statements as of December 31, 2018 (p.118).

Financial data of MDB and of ICC are presented in their annual reports for 2018, available on their respective Internet websites. Financial data of the Discount Group is presented in the 2018 annual report of Discount Bank, which is available on the Bank's website.

Data regarding the activity of the Discount Group by operating segments are presented in the 2018 Annual Report (pp. 224-243). Data regarding the activity of the Discount Group by geographical areas are presented

in the 2018 Annual Report (p.240). Data regarding the distribution of the overall credit risk of the Discount Group according to economic sectors are presented in the 2018 Annual Report (pp. 61-62).

INDIRECT ECONOMIC IMPACTS

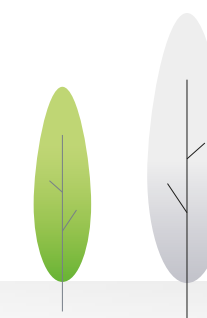
→ The Discount Group is acting towards promoting various benefits in favor of the public. Among the services in favor of the public may be mentioned the extensive activity with regard to financial education (see chapter "Customers" below).

Moreover, some of the Group's measures in the field of employee recruitment are intended for the empowerment of certain populations and to increase their participation in the labor market. The Group acts to promote employment in peripheral areas and promote the employment of women from the ultra-orthodox sector (see Chapter "Employees" below), as well as employment of special needs personnel (see chapter "Discount for the Community" below). MDB is one of the largest employers in the Arab sector.

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

An additional indirect impact worth mentioning is the Bank's investment in its flag ship project in the field of contribution to the community - "Sprint Discount". The project focuses on the advancement of youth at risk in peripheral areas with a view of reducing social gaps and increasing social economic leadership by means of education and knowledge.

דיסקונט



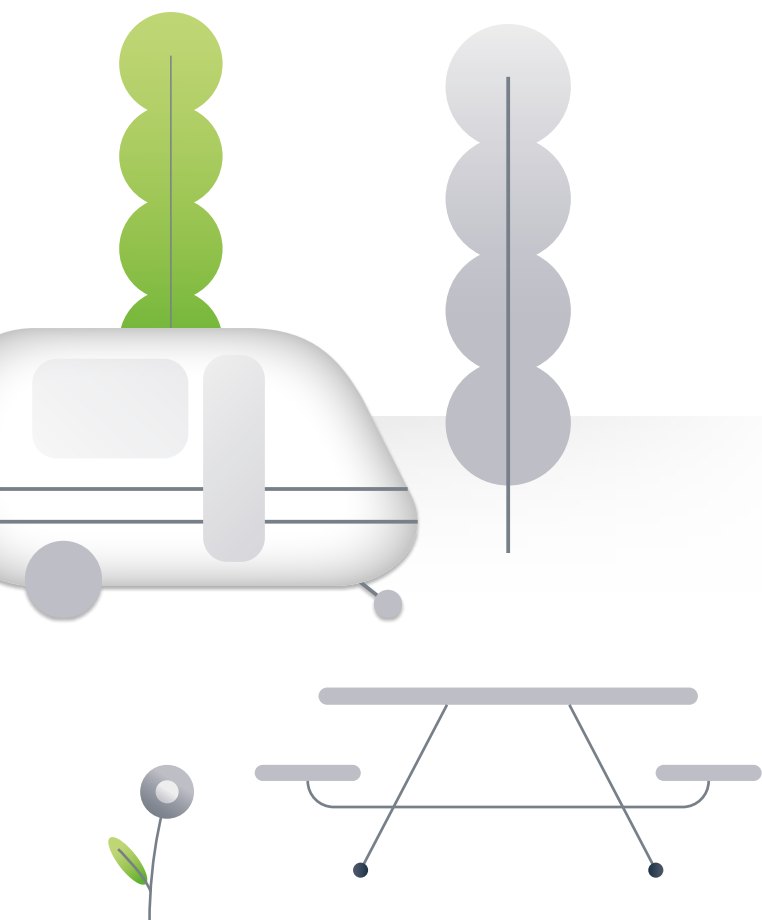
03 DISCOUNT SPIRIT

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DISCOUNT SPIRIT

THE DISCOUNT SPIRIT INCORPORATES THE VISION, VALUES, RULES OF CONDUCT AND THE CODE OF ETHICS, WHICH GUIDE THE OPERATIONS OF DISCOUNT BANK ON ITS WAY TO BECOME THE BEST BANK FOR ITS CUSTOMERS.



FORMATION AND INTEGRATION OF THE "DISCOUNT SPIRIT"

→ In the beginning of 2017, with the passing of two and a half years since the beginning of the implementation of the strategic plan, which outlines the activity in all the core fields of operation and supporting fields of Discount Bank's operations, the need was found for outlining the organization's spirit, in order to create a change-supporting organizational culture, that would assist the organization in succeeding to reach its business goals, with this process being complementary to the Bank's strategy. The Bank's Management decided to begin a process for the formation of the "Discount Spirit", which consists of three tiers:

- > **Formation of a vision;**
- > **Formation of values and conduct rules;**
- > **Formation of a Code of Ethics.**

The vision of the Bank was formed and approved in the first quarter of 2017. All members of the Bank's senior forum participated in this process. In the first quarter of 2018, the Bank completed the move for the formation of the Bank's values, principles of conduct and the Code of Ethics. Some 400 managers participated in the move for the formation of the "Discount spirit".

The integration of the vision into the Bank in 2018 included four main lines of action:

> **Management** - determining policies and making value directed decisions, providing "role models", monitoring and control;

> **Managers** - responsible for the integration in the field, in the branches and in the Head Office units;

> **Core processes and strategic projects** - tuning all processes and projects in order to reflect the new values;

> **Internal communication** - creation of an activity for the delivery of messages encouraging integration all over the Bank, mainly by means of two communication platforms: "FaceBank" the organizational portal and "Morning Magazine" issue, which includes different articles from all units of the Bank.

Measures were taken during 2018 for the integration and implementation of the "Discount Spirit" in the strategic projects that the Bank is leading, in organizational development processes, including performance evaluation, training programs, and the way in which outstanding employees are selected. Furthermore, a separate plan was formed for integrating the Code of Ethics, the aim of which is to raise awareness regarding the Bank's new Code and to make employees familiar with it so as to form a basis and platform for resolving the ethical dilemmas that arise in the workplace.

The integration of the "Discount Spirit" was carried out through additional organizational measures, such as: new employee absorption, position-orientated training, and so forth. These measures were taken in order to create an organizational culture supportive of change, that aligns with the Discount Group's strategy and its business goals.

VISION, VALUES AND EVERYTHING IN BETWEEN

OUR VISION

→ **We at Discount believe** that it is up to us to make our customers choose us anew every day. We understand that, in order for this to happen, we need to create

added value and shape our customers' experience at every point of contact with the Bank.

We are eager to provide service and committed to do so at the highest professional standards, from a sincere and true desire to work in our customers' best interests.

It is important to us that we create value over time for all our stakeholders. The way we treat our customers, colleagues, partners and suppliers is how we would have them treat us: with fairness and integrity, consideration and respect.

WE SHALL ENDEAVOR TO BECOME THE BEST BANK FOR ITS CUSTOMERS, PERMITTING OVER A PERIOD OF TIME, GROWTH AND FINANCIAL SOLIDITY BY MEANS OF ADAPTED, PROFESSIONAL AND FAIR BANKING.

As a financial organization, we are committed to work diligently in order to be deserving of the public's trust. Beyond compliance with all laws and binding procedures, all our deeds and actions are conducted transparently and fairly so as to fulfill the Bank's commitment to create and encourage economic and social growth.

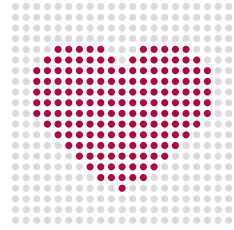
It is important to us to feel proud of our workplace and to this end we encourage a challenging, supportive and pleasant work environment. We believe in the people who work with us and invest in strengthening them.

All of us together – the Bank's Management, the managers and the staff – are committed to continuing to promote the Bank's momentum of change, and the continued future growth and success of the Discount Group is the goal we constantly see before us.

We at Discount are committed to the customer, leading change, making it happen and succeeding together.

OUR VALUES

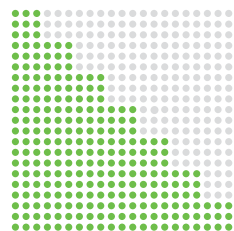
Committed to the customer



- > We guarantee a professional and speedy response
- > We customize innovative solutions
- > We provide a convenient, available and transparent service
- > We confer an exceptional service experience

We are aware of our customers' changing needs and think from their perspective in order to provide them with a professional and speedy response with explicit added value. We endeavor on tailoring innovative solutions to the customer's needs and provide them an exceptional service experience, with emphasis on availability, simplicity, convenience and transparency.

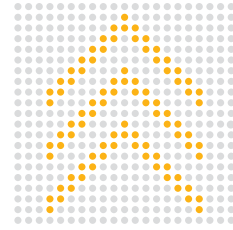
Succeeding together



- > We cooperate and share knowledge
- > We establish a trust relationship
- > We are considerate and respectful

We cooperate, share knowledge, consult and think together, thereby creating a multiplier effect. We establish a trust relationship and relate to each and every person eye to eye, with consideration and with respect, in order to create a work environment that is supportive, positive and challenging and an atmosphere that encourages personal and professional development.

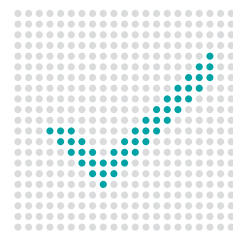
Leading change



- > We see change as an opportunity
- > We are curious and daring
- > We are open to new ideas

We identify change as a growth opportunity and display a constant curiosity for learning and self-development. We dare to go beyond our comfort zone, to break out of known boundaries and to adopt new ideas. We display flexibility and act speedily and diligently in order to adapt our operations to the changing world.

Making it happen



- > We are innovative and determined
- > We take overall responsibility
- > We stand by our commitments

We work with enthusiasm and determination to achieve added value and results to the highest standards. We take responsibility for our work from A to Z and display diligence, initiative and resourcefulness in order to achieve our objectives. We stand by our commitments and strive to surpass expectations.

VISION AND VALUES AT THE PRINCIPAL SUBSIDIARIES

The principal subsidiaries have adopted the vision and values appropriate to each such company's character and activity¹⁷

THE VALUES OF MERCANTILE DISCOUNT BANK

MDB operates in accordance with values incorporated in three layers: human, organizational and inter-personal.

THE ICC VISION

ICC aspires to realize the dreams, needs and wishes of its customers with gratification and responsibility, at any time and at any place. In accordance with this vision, which is being implemented with professional integrity, innovation and courtesy, the communication language of ICC is in the spirit of the slogan of "ICC- what is good for me", and is based

on a customer-orientated organizational infrastructure that enables a dialog between the company and its customers.

ICC offers its customers an array of sophisticated financial tools and off-banking credit products, through development of the data world as a platform that enables it to better understand its customers' needs and desires. As part of its attitude to leveraging innovative technologies so as to empower the customer, ICC is leading an ongoing process of digital transformation that emphasizes giving the customer added value and developing new service channels aimed at providing the customer with fast, efficient and accessible service.

IDB BANK – OUR VISION

It's not **what** we offer; it's **how** we offer it. With us, it's **personal**.

We dedicate ourselves to providing quality service, personalized attention and innovative products that further the success of our clients. We merge time-honored tradition with cutting-edge technology to create a secure, productive environment where long-term, multigenerational relationships can grow.



¹⁷ For further details about the values of the principal subsidiaries in Israel, see the Corporate Social Responsibility Report for 2017, p. 49.

THE CODE OF ETHICS

At the beginning of 2018 a new Code of Ethics was approved at Discount Bank. The new Code of Ethics was drawn up as part of the process of forming the "Discount Spirit", which is the organization's ethical and behavioral basis in building the desired organizational culture within the organization. The Code of Ethics relates to moral and ethical behavior and primarily to values of fairness, honesty, respect and transparency in its ongoing conduct vis-à-vis various categories of stakeholders, the principal of which are employees, customers, the business environment and the community.

The Code of Ethics was drawn up in a process that included examining the codes of ethics of other financial bodies in Israel and abroad, examining the Bank's existing Code of Ethics, an in-depth examination of the standards that have

been developed in this field, and which emphasizes social and environmental responsibility, preventing bribery and corruption and protecting the complaining worker on ethics issues, the existing regulation and the requirements coming from social bodies.

The Bank's Board of Directors and Management see great importance in the absorption of the Code and in turning it into an integral part of the culture of the organization. Following the drafting of the Code, a plan for its methodical deployment was drawn up, so as to ensure that the Code would be deployed effectively within the organization.

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

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

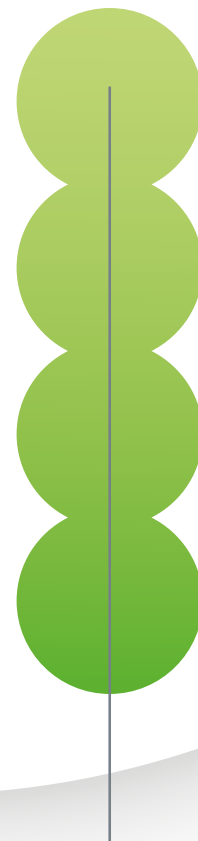
The absorption processes integrate courseware, the designated Intranet site, which contains a collection of dilemmas and extended information regarding organizational ethics, integration of ethical dilemmas with professional and managerial qualification processes, as well as examining and updating the core organizational processes in the fields of human resources, customer experience, supplier management, etc. – all in the spirit of the Code of Ethics.

Thus, as part of the Code of Ethics' absorption process in 2018, meetings were held at forums of managers at

different levels within the organization, for the purpose of launching the updated code of ethics; A dedicated booklet accompanying a kit was distributed to managers which contained guidelines for running team meetings aimed at raising awareness and at providing tools to identify and deal with ethical dilemmas; Learning material on this topic was also distributed together with a "Read and Sign" document. Concurrently, the Ethics Committee, which is charged with handling ethical dilemmas, convened in order to draw-up an assimilation plan and monitor the plan's actual implementation.

The reporting mechanisms are an anonymous telephone line and forms addressed to the Ethics Committee also for consulting purposes. No approaches were made to the Committee in 2018.

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



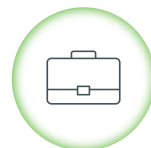
REPORTING AND CONSULTATION CHANNELS



The Ethics Committee, with an approach via the organizational portal



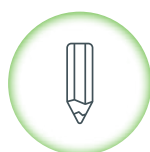
Voice mail for making an approach anonymously:
03-9438811



The direct and indirect managers



Supervision and control bodies, including the internal audit function and the compliance and enforcement array



The Ethics Officer, Ms. Yafit Gheriani
tel: 03-5145536
fax: 076-8890418
email: Yafit.gheriani@dbank.co.il

GOALS

FUTURE GOALS

Discount

As a goal for 2019, the Bank has set itself the task of continuing to integrate the values of the "Discount Spirit" among the managers, with emphasis on leadership in a changing workplace and a digital environment.



THE CODE OF ETHICS OF THE PRINCIPAL SUBSIDIARIES

MERCANTILE DISCOUNT BANK

MDB's Code of Ethics reflects the leading values of the Bank. The officer in charge of ethics at MDB is a member of Management, Ms. Liat Friedman - VP Head of Human Resources and Administration Division.

The Code of Ethics, which was launched at the end of 2016, continued to be integrated during 2018 along four routes:

Training - as part of their position training, new bankers receive training on the Code of Ethics and its importance. Furthermore, a discussion is held regarding ethical dilemmas. The members of the Ethics Committee and the learning partners received a refresher course on leading discussions on ethical dilemmas and held discussions on this topic at conventions for managers, following which the branch managers led discussions with their staff (approx. 100 discussions).

Structure and processes - the Ethics Committee held three meetings in 2018 at which it formulated solutions to ethical dilemmas that had arisen in the field and discussed the deepening of the absorption.

Channeling - solutions formulated to ethical dilemmas by the Ethics Committee were published on the employees' portal.

Control - the Ethics Committee has monitored the conducting of the

discussions at the branches with the assistance of the learning partners and the regional management.

ICC

The officer in charge of Ethics at ICC is Mr. Barak Nardi, a member of Management - Deputy CEO and Head of the Strategy and Resources Division. The Code of Ethics of ICC was approved in 2014.

New employees engaged by the company receive an information manual concerning ICC's Code of Ethics as part of the process of inducting a new employee. With the aid of a learning program, they are required to study the rules and ways to act when facing dilemmas that arise in the organization; they also have to sign that they have read and understood the principles of the Code of Ethics. Furthermore, once in every two years all company employees must undergo compulsory learning in the matter by way of interactive learning.

The Code of Ethics of ICC is available to the employees on the organizational portal of the company and the general public is able to view it on the Internet website of the company.

IDB BANK

IDB Bank's Code of Conduct is undergoes each year a process of validation and approval by the Risk Committee of the Board of Directors and is subsequently ratified by the Board of Directors. It was last approved in March 2019. All employees and directors annually acknowledge that they have read and understood the standards and principles contained in the Code of Conduct. Every new employee is given a copy of the Code of Conduct. The Code of Conduct is administered by the Office of General Counsel in partnership with Human Resources, and is available on the Bank's intranet for all employees to access.

04 THE CUSTOMERS

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482

THOUSAND ACTIVE SUBSCRIBERS TO THE ONLINE SERVICES

50

THOUSAND CUSTOMER SURVEYS

84%

CUSTOMERS SATISFIED WITH THE LAST SERVICE RECEIVED AT THE BRANCH (SCORE OF 9-10)

86,650

FACEBOOK FOLLOWERS

ABOUT

10.5

MILLION US\$ COMMITMENT FOR IMPACT INVESTMENTS THROUGH DISCOUNT CAPITAL

33,595

MILLION NIS THE VOLUME OF CREDIT EXTENDED TO SMALL BUSINESSES

THE CUSTOMERS

THE BANK ASPIRES TO BE A LEADER IN THE EXPERIENCE OF PERSONAL AND PEOPLE-ORIENTED SERVICE, BASED ON LISTENING TO AND UNDERSTANDING CUSTOMER NEEDS, WHILE CREATING CLEAR AND INNOVATIVE SOLUTIONS AND STRIVES TO CREATE VALUE FOR ITS CUSTOMERS



POLICY

The vision of Discount Bank: "We shall endeavor to become the best Bank for its customers, permitting over a period of time, growth and financial solidity by means of adapted, professional and fair banking."

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

Within the framework of assimilating the vision, the Bank adjusts to the changing world and creates innovative banking models providing customers with an advanced service tailored to their needs. Inter alia in this respect, the Bank has invested in several innovative initiatives in the fintech and innovation fields. The Bank works to integrate a culture of service and insists on processes of learning lessons in connection with customer relations and dealing with customer inquiries.

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

Discount Bank works toward promoting fairness and decency in service - values that constitute an integral part of the ongoing business activity - inter alia, by promoting transparency and by providing full disclosure to customers, including the information that has to be provided to customers regarding the banking products and services offered to them.

Conduct of the service is based on the following principles:

- > **Focus on the customer** - specialization according to segments (customer arenas) instead of products - providing appropriate services and products in accordance with the characteristics and unique requirements of each segment;
- > **One stop shop** - a comprehensive service to the customer at one service point;
- > **Team service** - provides a response for a more comprehensive service at one address at the branch;
- > **Multi-channel** - enables the customer to perform banking operations everywhere, at any time, in every channel and individually customized;
- > **Expert banking** - provision of various professional services in the credit and investment sectors, including customizing the product to customers' needs and requirements;
- > **Service initiative** - forecasting customer needs and adaptation of product and services;
- > **The integration of standards for handling customer inquiries** and the continued reduction in complaints;
- > **Easy and convenient communication with the Bank's customers** through emails to the banker.

A system supporting customer focused marketing was integrated at the Bank's service layouts. This system places the customer at the center and customizes the products according to his needs and preferences.

THE SCALING DOWN OF THE BRANCH LAYOUT

Within the strategic program of the Discount Group, it has been decided to reduce real estate areas held by the Bank and the Group, among other things, in view of the reduction of the labor force. In view of the aforesaid, a downward trend is evident in the amount of real estate space used by the Bank (see the 2018 Annual Report, p. 309).

The following branches and extensions were shut down in 2018: the Ramat Aviv in Tel Aviv Branch, the Neighborhood B Extension in Ashdod, the HaTikvah Neighborhood Branch in Tel Aviv, the Tel Ganim Branch in Ramat Gan and the Daniel Branch in Bat Yam. Also, the Tel Aviv Collections Center was relocated to another, existing property of the Bank.

In 2018, the Bank discontinued the provision of teller services at 13 branches. Within the framework of the preparations for discontinuing the teller services, clear guidelines have been prepared intended to ensure measures which would reduce, as far as possible, the inconvenience caused by the discontinuation of the service. Included in the above, the branches at which teller services had been discontinued would have on duty, for a period of three months, a banker who would instruct customers having difficulty in using the online services and also would enable customers to reach nearby branches where teller services are available.

MDB continues its operations and disposition in accordance with the outlined strategy.

INNOVATION

The Bank adapts itself to the changing world and acts to create innovative banking models, which will provide its customers with a sophisticated service suited to their needs.

Among the goals of the Bank's strategic plan, is the goal of the implementation of technological means and intensifying the customer experience. Among the measures taken in this field may be noted the establishment of the Digital and Data Division, within the framework of which the Digital Wing, a Fintech and Innovation Unit, a PayBox Application Management Unit and a CDO (Chief Digital Officer) Subdivision.

The Digital Wing leads the solutions concept in three principal content spheres - direct channels, the CRM and customer concept and current account. The Wing is responsible for charting the course through the world of content, for planning the customer's future travels, for upgrading the bankers' work environment and aligning it with the changing reality, and for the deployment of innovative tools, services and solutions aimed at improving the customer experience and customers' satisfaction.

THE BANK ADAPTS ITSELF TO THE CHANGING WORLD AND ACTS TO CREATE INNOVATIVE BANKING MODELS, WHICH WILL PROVIDE ITS CUSTOMERS WITH A SOPHISTICATED SERVICE SUITED TO THEIR NEEDS

The Fintech and Innovation Unit acts for the creation of cooperation with fintech companies and the integration thereof in value offers to customers, as part of the banking work environment and of the systems of the Bank.

The PayBox Unit is working to expand the Bank's payments activity by means of the application and the website.

ADVANCED INITIATIVES IN THE FINTECH FIELD

PayBox

A payments application allowing the easy transfer of funds. It is possible also to transfer funds directly to a contact person, or alternatively send a payment request and collectively collect funds.

➔ In April 2017, the Bank entered into an agreement with a startup company in the fintech field by the name of PayBox Payment Solutions Ltd. ("the company"). The company has developed a cellular phone application and a designated Internet website under the PayBox brand name, which facilitates the transfer of funds between private individuals, as well as the

collective collection of funds for a defined purpose by means of establishing a closed group for this purpose. The Bank has acquired an exclusive license from the company for the operation of the application and website in Israel, as well as several assets and services that enable the application and website to be operated independently.

The technological changes required for the application's operation by the Bank have been developed in the product.

During 2018, the Bank continued to expand payment activity under the PayBox brand name by means of the application and website with customers of all banks in Israel.

iCount

The first technological-business application in the banking sector in Israel, which implements an open banking concept into an interface with third parties. It is implemented using one of the world's most advanced Application Programming Interface (API) platforms, which enables a secured link based on a global standard.

➔ In August 2017, the Bank entered into a cooperation agreement with a fintech technology company which has developed a system for the management of accounts and cash flows for small and medium businesses, operating by means of an Internet website and mobile application under the "iCount" brand name.

In accordance with a signed agreement, Discount Bank and MDB let their business customers securely connect their business account with the iCount accounting system, and thereby let them benefit from advanced business management tools.



Access permissions to an account within the iCount service - as part of the "Open Bank" strategy and collaborations between Discount Bank and the systems and websites of third parties that provide banking services to businesses - the Bank has launched, for the first time in Israel, a development based on API infrastructure. With the aid of this infrastructure, customers of the Bank that use the iCount system are able to grant this system access permissions by digital means, and thereby receive on the iCount system information regarding balances from their account with the Bank.

"DIDI" - a digital representative in the application
DIDI, which constitutes a breakthrough and is the leading BOT in the Israeli banking system.

➔ In December 2017, the Bank began the gradual roll out of a new service for customers using the banking application, which enables them to correspond and converse with a digital representative on the application by the name of DIDI. DIDI offers a unique and innovative way for digital banking activity, thus changing the way in which customers use the application. The conversation with DIDI is held in an open language and is based on advanced artificial intelligence, which - on the one hand - enables the text input by the customer to be deciphered and - on the other hand - enables a smart, self-learning robot to hold a conversation. DIDI is able to provide customers with information regarding their accounts, to refer to executing banking transactions, to assist customers in getting oriented with the application and to bring up insights based on artificial intelligence regarding important events that have taken place on the account.

The service is unique and groundbreaking for the Israeli banking industry and, during 2018, additional types of insights were added to Didi's capabilities, which assist the customer in the smart conduct of financial activity.

The customer service that Discount Bank operates within the framework of the sophisticated initiatives in the fintech fields is also available to MDB's customers.

DIRECT CHANNELS

➔ The Bank is constantly working to provide its customers with an advanced experience regarding its direct channels. The Bank strives to continuously enhance the range of services it provides, while emphasizing a user-friendly service and - above all else - an exceptional customer experience.

At the end of 2018, the Bank had approx. 482 thousand active subscribers to the online services.

At the end of 2018, MDB had approx. 266 thousand active subscribers to the online services.

In 2018, services and products were developed and made available to customers on the business website, the private customers application, the Internet website for private customers, the capital market world and in the customers' communications with the banker, the availability of general information and accessibility - all while placing emphasis on the customer experience and functionality. For further details, see the 2018 Annual Report (pp. 356-359).

Most of the customer services that Discount Bank operates within the framework of the direct channels is also available to MDB's customers.

TECHNOLOGICAL ACCESSIBILITY FOR THE OLDER POPULATION

➔ The Bank is working copiously in order to help different populations, including the older population, in the integration of the correct and safe use of online services. This, due to the belief in the advantages that such services may bring to these populations (availability of the

service, time saving, unique experience, etc.) and the understanding of the difficulties that accompany the changes in the manner of use of the services and the adoption of new technologies.

Within this framework, the Bank invests considerable efforts in the planning and design of the interfaces and the digital processes, while especially emphasizing the simplicity of the processes, their intuitiveness and the language in which they are presented.

The Bank operates in two principal channels:

- > **The digital channel** - In 2017, the Bank introduced "Didi" - the digital representative on the Bank's application, which, inter alia, provides a response also to the needs of the older population (see above). The Bank considers, that accessibility to the various digital services by means of "Didi" removes a central block existing at the present time with respect to the use of digital services by a part of the said population. All this, alongside the continued communication - content and clips - describing new products and services available online, at the branches and in the different media.
- > **The service channel** - At each branch where teller services are being discontinued, the Bank places a banker whose job is to assist customers in obtaining service by means of the automatic machines, with special attention to the older customer population, and to instruct them in the use of the mobile application and of the operations website, in order to make it easier for customers to execute their transactions through these channels.

Customers over eighty years of age are entitled to preference in line for service. This is brought to the attention of the public by relevant signs and by video clips on LCD screens at the branches. At the beginning of

2019, the deployment of "preference in line" was completed and this is also reflected in the line management system.

SERVICES AND PRODUCTS FOR THE ADVANCEMENT OF POPULATIONS

Alongside the diverse financial services which the Bank provides to all classes of customers, it develops designated services for specific populations, such as small businesses, minority populations, students, etc.

The Bank is aware of the changing needs of its customers and acts to provide a professional response having added value. Discount Bank is one of the large financial corporations and has a considerable impact on the economy; therefore, it is active in advancing the different populations, while diligently adapting solutions to their unique needs.

DISCOUNT - THE BANK FOR THE FAMILY

Discount is the first bank in Israel to market a unique program that grants special benefits to customers who are family members - "the Family Program".

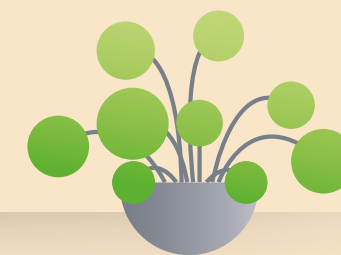
The Bank offers its customers a unique program, which is designed for existing and new customers who are related to one another. The idea is to connect several customers who are related to one another having different accounts, to the "Family Program" in the Bank's systems, and thus provide financial strength to the family cell. The program allows the utilization of the family's power and grants family members benefits having financial values

INNOVATION IS ICC

In 2018, ICC continued to lead the process of digital transformation and in modifying its assets and products to the challenges of the digital revolution, including the introduction of new products and services. As part of its approach to focusing on the customer, the company has been working on developing a data world as a platform that will enable it to better understand the needs of its customers and their wishes, through personal and unique customization.

Among the main services that ICC offers its customers are the following:

- > **An online loan process** - immediate, within 3 minutes!
- > **Blocking a card** that has been lost or stolen and replacing a defective card directly via the application;
- > **Voice search** via the Cal4U wallet application;
- > **Online secret code viewing** on digital assets;
- > **Blocking standing orders** and transferring them from one card to another;
- > **Fast and simple transaction search** according to a large number of criteria;
- > **Accessibility to the chat service** directly from the website or from the application;



- > **Implementation of the "Mobile First" concept**, while making the websites of the company accessible in a responsive version adapted to the size of the screen of the user;
- > **"Vocal visual" answering service** used as a supporting tool in conversations with the service centers;
- > **Integration of designated tools** supporting the customer in the digital assets, including an advanced search in the company's websites;
- > **An innovative payment through the Cal4U application** for the purchase of digital vouchers that can be used in a variety of chains in different sectors: fashion, beauty, leisure and food.

All the above have been added to the services introduced in prior years, and have been improved during the year, such as:

- > **Ordering a credit card online** - development and integration of a designated service for the ordering of a credit card online, both on the desktop platform and on the mobile platform;
- > **Online credit products** - access to credit products for private and business customers by means of all digital platforms in general and by the mobile platform in particular;
- > **Transfer of funds by means of the mobile phone** - integration of a service for the real-time transfer of funds between customers of ICC;
- > **Personal design for the credit card** - a designated digital asset enabling ICC card holders to personally design their credit card - a service only available in Israel.

From the viewpoint of ICC, the digital means offer to a customer an innovative user experience, which links the execution of a transaction, the receipt of information and the world of benefits in a simple and easy fashion.

in accordance with the benefit program chosen by them.

The connection to the family group grants the family members participating in the program, benefits, and everything, of course, while strictly maintaining bank confidentiality so that none of the parties joining the program share or are involved in the accounts of the other family members.

THE BANK OFFERS ITS CUSTOMERS A UNIQUE PROGRAM, WHICH CONNECTS A NUMBER OF CUSTOMERS WITH DIFFERENT ACCOUNTS, WHO HAVE A FAMILY CONNECTION, THEREBY GIVING THE FAMILY UNIT FINANCIAL STRENGTH

The principal products of the family program are:

- > **Exemption from commission on money transfers** in Israeli currency between accounts of the family members participating in the program;
- > **"Family plus"** - offsetting interest on overdrawn accounts against the accounts of the other family members. The program allows the customer to enjoy the setting off of interest charged on their overdraft so long as one or more family members participating in this benefit has at that time a credit balance on their current account, in accordance with the principles of the program;
- > **"2go key" card** - a rechargeable card in the name of the child provides parent security and control over expenses, starting from the age of fourteen. An exemption from card fees for customers participating in the family program;
- > **Saving for higher education** - monthly savings for fifteen years with a gift from Discount Bank of a full year's deposits;
- > **Family loan** - all-purpose loans at preferential terms for members of the family program;
- > **Family deposit** - shekel deposits at preferential terms for members of the program;

- > **Business Family** - the program grants benefits to customers that manage their business account, private account and accounts of family members at Discount Bank.

PROMOTION OF SMALL AND MINUTE BUSINESSES

Within the framework of the strategic plan, the small and minute businesses segment has been defined as one of the focus segments, on which the Group is to focus, as a central growth engine. In the activity in 2018, emphasis was placed on the automatization of credit processes in the small business segment, among customers having a debt of less than NIS 1 million. Furthermore, the focus on the segment continued, with an emphasis on increasing the activity with existing customers, attracting new business customers and the basing of growth upon improving the models for the rating of business customers as a supporting tool for the granting of credit.

The services provided to these customers include:

- > **Service to small and medium businesses** - The Bank's customers that are small and medium businesses obtain services commensurate to their volume of operations, this in order to provide professional service appropriate to the customer's characteristics. Customers having a volume of operations of up to NIS 15 million and indebtedness of up to NIS 4-5 million, obtain services from the business banking teams at the Bank's branches. Customers having higher volumes of operations and indebtedness than those stated above obtain services from the Bank's business centers.
- > **Small business funds** - Since 2012, Discount Bank has operated from its own resources credit models for the financing of funds for small businesses. The fund is designed for Bank customers with revenue turnover of up to NIS 15 million. Different classes of funds exist in

accordance with customer needs (business development/ investment in machinery and equipment). The balance of credit in the funds as of December 31, 2018 - NIS 115 million (December 31, 2017 - NIS 165 million).

- > **Business credit card** - The Bank offers a "business key" credit card to its customers. This card provides business owners with a unique service through the use of a "key-type" credit card, which enables them to receive a variety of benefits on the products and services appropriate to the business customer and its activity.
- > **SMS business packages** - A package that allows extension of current account services. Receiving messages regarding the following matters are available: notice in advance as to the termination of a guarantee, outstanding balance of guarantees relating to the account, collection of post-dated checks (balance and payments), checks serving as collateral (balance, payments and shortage vis-à-vis the defined amount), order of check books, dishonored checks, etc.
- > **"Business +" website and application** - An application and designated website for business customers that present comprehensive data regarding the accounts of the business and allow

customers to transact business independently, directly from their place of business.

FREELANCER SERVICE

Discount Bank introduced in 2017 a new service for freelancers, which includes a personally adapted benefit plan and innovative digital services.

Approximately 300 thousand freelancers conduct business in Israel, comprising 7.6% of the total workforce in the market. A study made by the Deloitte Research Company found that the number of freelancers in the local labor market grew by 33% in the years 2009-2014. Despite the growth in this labor market segment with its particular needs, there exists in Israel no organization that incorporates and provides support to freelancers.

With a view of identifying the target population, the Bank had conducted a study focused on the targeted population, its needs and difficulties prevalent in this field. The idea behind the plan being offered by the Bank to freelancers provides a response to the principal requirement of the group - lack of economic certainty, and the difficulty that arises from the payment terms of "current month plus" prevailing in the Israeli market.

In order to face these challenges, Discount Bank has established a unique term package for freelancers, which has solutions and tracks adapted to their needs. Thus, for example, the package offers a bridging loan, "current plus on our account", in an amount of up to NIS 30 thousand at an attractive interest rate, granted against future cash inflows, in order to allow the customer to conduct an ordinary manner of life with no debts while awaiting payment for his work. The Bank also offers a credit facility in an amount of up to twice the average salary recorded in the previous half year, pension savings, assistance with marketing and with constructing a business plan, and additional benefits - such as a business organization loan, exemption from various fees, and so forth.



CUSTOMERS IN A FINANCIAL CRISIS

> **Households and small businesses** - As part of the Banking Division's Collections Wing, a special-purpose team was established in 2018 to coordinate the collection procedures with households and small businesses, prior to embarking on legal proceedings. In May 2018, use began to be made of a lawyer as early as the stage of sending a warning letter to customers and prior to instigating legal proceedings, with the aim of reaching an arrangement with the customers at a stage where it is still possible to rehabilitate their activity and return to stable operations. Furthermore, the team initiates from time to time - almost every quarter - special collections that include, in appropriate cases, an easing of debt repayment terms, in accordance with the economic position of the debtor, aimed at the rehabilitation of the debtor and giving him a second chance. Concurrently, the team works in cooperation with other parties such as: the "Needy Debtor" Department at the Law Enforcement and Collection Authority, the Legal Aid Bureau at the Ministry of Justice, etc.

a broad and comprehensive service that includes the whole range of business services that the Bank offers its customers, taking an overall perspective of their business needs and providing close, fair and professional support. The Bank extends to such customers a unique service that is based on communication and understanding the business' needs at the time of crisis, with the primary aim of these efforts being the customer's successful rehabilitation. The company's success returning to normal business operations creates added value for the company as a source of self-generated profit and for the economy as a whole as a source of livelihood for numerous families, while at the same time creating value for the Bank as a result of the customer's healthy and varied business activity.

ECONOMIC STRENGTHENING FOR FEMALE VICTIMS OF VIOLENCE

→ In recent years it has become more widely understood that the population in shelters for female victims of violence, who have mostly been forced to flee their homes without any support and resources, lacks the means to survive and manage from a financial aspect. These women's economic dependence on their abusive husband/partner could continue or even intensify, sometimes even leading to their returning home - even though this is not actually what they want.

In view of this and as part of the Banking Supervision Department's desire to promote the economic independence of women, it was decided to support female victims of violence staying in shelters and halfway homes. To this end, the "Banking Availability" Covenant was drawn up in January 2016 with the aim of assisting female victims of violence to embark on a new and independent economic path. Partnering in this initiative are: the Association of Banks in Israel, the banks and credit card companies in Israel, the Banking Supervision Department, the shelters for female victims of violence, and social organizations. Since

the covenant's inception through the end of 2018, more than 600 female victims of violence have to date received assistance from the banking corporations.

Discount Bank has appointed the manager of mortgage public inquiries to be the coordinator for this topic and has strengthened its personal connection with the shelters that look after female victims of violence. The women are assisted by suggesting relevant financial advice in accordance with the special circumstances of each individual case. Within the framework of these activities, the Bank cooperates with the social workers at the shelters in providing whatever support is needed to the women staying in the shelter.

When the Bank is contacted by the shelter via the social worker, the coordinator acts in cooperation with the Debt Monitoring Unit, with the branch management and with other relevant units and the case is examined with the aim of assisting and preventing any deterioration in the woman's situation. Together they go over the account printouts, check whether there are standing orders or direct debits that, owing to the woman being in the shelter, are superfluous, examine whether there are outstanding loans and whether assistance can be provided by easing the repayment schedule, and so forth.

Along with this, the "Banking Availability" Covenant calls for the banks to provide

financial education at the shelters through the "Banks Adopt a Shelter" program. The volunteers from the Bank work on broadening the financial knowledge of the women and on providing personal support to the women staying in the shelter.

DISCOUNT BANK HAS APPOINTED THE MANAGER OF MORTGAGE PUBLIC INQUIRIES TO BE THE COORDINATOR FOR THIS TOPIC AND HAS STRENGTHENED ITS PERSONAL CONNECTION WITH THE SHELTERS THAT LOOK AFTER FEMALE VICTIMS OF VIOLENCE

In June 2019, the Banking Supervision Department and the Association of Banks in Israel, in conjunction with the banks and the credit card companies began implementing a pilot project that expands the application of the "Banking Availability" Covenant, which deals with providing assistance to female victims of violence staying in shelters and halfway homes, whereby it will be possible to provide support to both female and male victims of violence that are not in shelters and halfway homes, but have contacted centers for the treatment of family abuse that are run by the Ministry of Labor and Welfare. There are currently 103 such centers in Israel to which some 1,000 men and women turn for help each year.

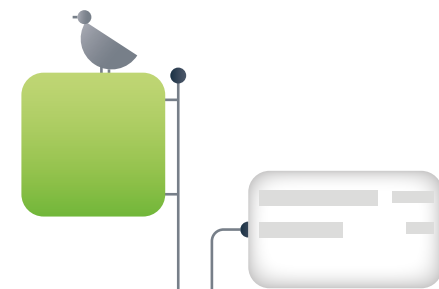
MDB is also a partner in the Covenant and in its associated endeavors and provides a personal and humane response to women who contact it. As part of the aforesaid, MDB partners financial education activity and women's empowerment for female victims of violence in the Arab sector. ICC assists women and provides a personal and rapid response, while helping them to utilize in full their financial rights.

MORE SUITABLE FOR STUDENTS

→ With the aim of making higher education accessible to all

A SPECIAL-PURPOSE TEAM WAS ESTABLISHED IN 2018 TO COORDINATE THE COLLECTION PROCEDURES WITH HOUSEHOLDS AND SMALL BUSINESSES, PRIOR TO EMBARKING ON LEGAL PROCEDURES

> **Companies** - in 2014, a special-purpose unit was set up as part of the Special Credit Wing with the aim of attending to active companies that are in difficulty and to assist them with rehabilitation and recovery measures that will enable them to return to stable operations - rather than having them be subject to legal proceedings. This is a designated team whose sole purpose is to assist with the business' rehabilitation and to return it to stable operations. The unit's team provides such companies with



youngsters, the Discount Group is offering a variety of loan models that are intended to answer the special needs of students. Thus, for instance, with respect to a loan of the "Degree with peace of mind" class at Discount Bank, the repayment period is up to eight years, and the repayments of the principal of the loan may be deferred for three years, while enjoying especially low repayments during the studies period. A loan for the splitting of tuition fees is granted against the presentation of a payment voucher (also to the parents of the student). The payment voucher may be split into up to ten payments without interest and linkage (the first payment made in cash).

The overall repayment period for loans to students studying abroad for higher degrees, is seven years, and the repayment of the principal amount of the loan may be deferred for up to twenty-four months. Loans to students for any purpose are also available at attractive interest rates.

In recent years, MDB has also introduced special credit products for the student population, which are especially tailored to their needs and abilities, with a special focus on peripheral areas, in the Arab sector and in the Haredi sector:

- > **Tuition fee loans granted at the branches** - students may finance tuition fees by a long-term loan, with a grace

period (of up to four years) during studies and beginning the long-term repayment of the principal amount one year after completion of studies;

- > **Financial tranquility for the student** - cooperation with the academic institutions by means of a tuition fees fund, whereby - in most cases - the institution pays the interest on the loan, while the student repays only the principal amount;
- > **Encouraging higher education in the Haredi sector** - within the framework of cooperation between the bank, the Haredi Professional Advancement Fund and the Council for Higher Education, students receive a subsistence loan during their study period and, upon graduation, receive a scholarship of 40% to 70% of the loan (depending on the subject studied), with the remaining balance of the loan being repaid over a long period.

STUDENT LOANS

IN THE YEARS 2015-2018

	2018	2017	2016	2015
	in NIS millions			
Discount Bank	99	156	195	214
MDB	418	450	455	351



SERVICES AND PRODUCTS FOR THE ADVANCEMENT OF POPULATIONS AT THE PRINCIPAL SUBSIDIARIES

MDB

MDB specializes, inter alia, in providing services to small and medium businesses and in providing services to the Arab and ultra-orthodox Jewish populations.

MDB views the retail segment as a central target of its business development and is focused on the appropriate disposition of branches in this sector, as well as on improving the service to its customers.

Within the framework of this segment, MDB provides to private customers, typified by household activity, a variety of banking services and financial products, including services regarding credit, housing loans and the capital market. MDB provides these services to customers of this segment through an array of its branches, which at the end of 2018 numbered 76 branches countrywide and by means of the TeleBank, the mobile application and the Internet website.

The service to the general customer population of the Bank in the private sector, is based upon many years of acquaintanceship and the granting of personal consulting and service, both at branches and through additional marketing channels (Internet, TeleBank, etc.), as well as on through involvement in the community and adapting to its needs.

Most of the customers of MDB belonging to the household segment of this bank receive banking services by means of MDB branches, 36 of which are located in the Acre Region and the Nazareth Region (where there is an absolute majority of the Arab population), as well as additional branches in others places in Israel, including: Rahat, East Jerusalem, Wadi Nisnas in Haifa, Jaffa and more.

SERVICE TO THE HAREDI CUSTOMER POPULATION

MDB operates 11 branches at the heart of the Haredi community. The branches are located countrywide, mostly in the Jerusalem, Bnei Braq, Ashdod and Netivot areas, as well as in additional areas with a high Haredi population concentration. The bank specializes in the development of products and the granting of dedicated services for the Haredi customer population. The bank has a special unit to deal with associations and organizations belonging to the Haredi community, which handles many hundreds of customers. Furthermore, the bank operates branches in areas with a high Haredi population concentration with business hours that are convenient to this population.

THE SMALL AND MEDIUM BUSINESSES SEGMENT

The small and medium businesses segment at the MDB is one of the outstanding segments in the activity of the bank and is, accordingly, a central target in its business development. Within the framework of this segment's activity, MDB provides varied banking services and

THE OUTSTANDING BALANCE OF LOANS EXTENDED BY MDB WITHIN THE FRAMEWORK OF THE FUNDS FOR SMALL AND MEDIUM BUSINESSES AMOUNTED AT THE END OF 2018 TO NIS 480 MILLION.

financial products to small business customers (individuals and companies). Around one half of the customers of MDB who belong to this segment live in communities where the population has an absolute "non-Jewish" majority and receive banking services by means of branches of the bank, 36 of which belonging organizationally to the Acre and Nazareth regions and additional branches in other regions and communities around the country.

Governmental funds for the support of business - during the past decade, MDB has developed, in cooperation with relevant government agencies, expertise in the granting of credit to small and medium businesses through governmental funds for the support of business.

Small and Medium Businesses Fund - The Ministry of Finance informed the Bank on January 17, 2016, of its decision to accept the offer of MDB (and its institutional partner) as one of the winners in the tender. The balance of loans within the framework of the Fund which MDB granted its customers (jointly with the institutional body), amounted as of December 31, 2018 to NIS 778 million (2017 - NIS 480 million).

THE CORPORATE BANKING SEGMENT

Within the framework of this segment, MDB provides a variety of banking services and financial products to large business corporations. The business of such customers is typified by significant complexity and sophistication - and, accordingly, the bank provides to these customers financial products, mostly in the credit field, tailored to their activity and specific needs - taking a comprehensive view of their varied businesses.

A fund for the renewal and purchase of production facilities - MDB has a designated fund, established in 2015 in conjunction with the Manufacturers'

Association, for the purpose of granting long-term credit to Association members who wish to renew and purchase equipment and manufacturing facilities, and in this way upgrade the industry and increase production capacity and competition. The outstanding balance of the loans granted by this fund amounted as of December 31, 2018 to NIS 28 million.

ICC

Service to micro businesses - ICC provides acquiring services to micro trading houses through aggregators. When a trading house applies to ICC and, during the joining process, is identified as a micro business, it is directed to an aggregator, which will contact it regarding the engagement for clearing services. The aggregators with which ICC collaborates specialize in providing a solution to the needs of a micro merchant through the use of advanced digital technologies that enable the micro business to execute transactions.

IDB BANK

Credit to the local community - Under the Community Reinvestment Act (CRA), IDB Bank is required to help meet the credit needs of the local communities in which they are located. IDB Bank's CRA activities (i.e., community development lending, qualified investments, grants, and community development services) are evaluated approximately every three years by federal and state regulators. This, in order to assess the bank's record in helping to meet the credit needs of all the communities it serves, including low-to moderate-income neighborhoods, consistent with safe and sound operations. Information regarding IDB Bank's CRA activities is available to the public through the CRA Public File maintained at each of IDB Bank's seven branch locations. Furthermore, the FDIC and NYDFS make IDB Bank's CRA Performance Evaluation available to the public through their respective website.

PROMOTION OF ACCESSIBILITY

Approx. 20% of the population of Israel is defined as having disabilities of varying degrees - physical, emotional or intellectual, including cognitive, either permanently or temporarily. Discount Bank attaches considerable importance to making its services and properties suitable for persons with disabilities and makes accessibility modifications. Hence, in accordance with the Equal Rights for Handicapped Persons Law, the Bank has appointed an Accessibility Coordinator who leads and coordinates the accessibility operations at the Bank and serves as an address for any approach in the matter. The Bank conducts a "Discount accessible" project, within the framework of which, the Bank made accessibility modifications in accordance with the new regulation, both from the aspects of building, infrastructure and environmental modifications and the aspects of modifications for accessibility to service.

For the purpose of the project, the Bank has entered into engagements with several entities specializing in the subject of accessibility for people with disabilities, in which authorized professionals operate, who accompany the Bank, providing guidance and advice on the modifications required for easy access.

Within the framework of the project, necessary accessibility modifications have been made to the Bank's properties and to its services following the performance of a comprehensive survey. Accessibility modifications have also been made to the Internet marketing website and to the operations website, and to the application and, in addition, training sessions are held for Bank employees on the topic of accessibility - both training sessions for employees who,

as part of their duties, provide service to the public, upon starting their job, and also annual refresher courses for all the Bank's employees.

The above stated relates also to MDB and to ICC.

Accessibility modifications at properties - the Bank has completed making accessibility modifications to buildings and infrastructure that it possesses for the benefit of persons with disabilities. Modifications have been made at the Bank to furniture, signage, access routes, service points and waiting areas, a solution for height differences between levels, modifications to devices for self-use, disabled bathroom, and so forth. Moreover, the Bank is working with the local authorities to make access routes to branches accessible - from the allocation of handicapped parking spaces through to accessibility modifications from the beginning of the street to the branch entrance.

Service accessibility at the branches - the various branches of the Bank have aids and assistive services such as:

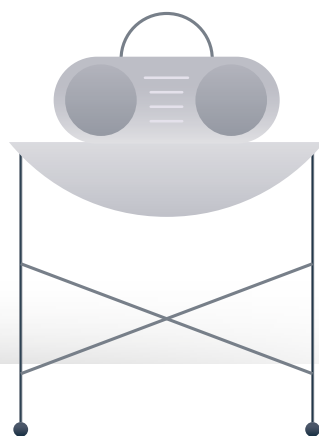
- > **"Audio induction loops"** - assistive listening technology that helps with hearing directly within the ear, cutting out background noise;
- > **Two-way hearing system** - a system for enhancing voice volume, which is installed at teller stations where there is a partition;



- > **"Call-Hear"** - a system for calling a service representative at the entrance to a branch;
- > **Access to written information** - including forms, documents and information pamphlets in accordance with the customer's needs, including conversion of information into audio files, digital files or braille writing for customers with impaired sight;
- > **Translation into sign language** - with the aid of a professional interpreter at meetings with the Bank representative;
- > **Discount TeleBank** - modifying the call routing at the telephone service center by simplifying the language, slowing down the audio speed and removing the background music;
- > **Correspondence with a banker** on the Discount application;
- > **Service without having to wait in line** - for holders of a disabled card;
- > **Service animals** - permitting entry to service animals, including a service animal that is being trained.

Access to devices for self-use:

- > **ATMs** - access to ATMs and making height adjustments for persons in wheelchairs, as well as the possibility of receiving audio guidance;
- > **Information desk (Discount Mashov)** - access to terminals for receiving information and executing transactions in the accounts by oneself at branches, with the service being modified for persons with sight or hearing disabilities;



- > **Line management points** - access to points for persons with sight or hearing impairments, as well as for those in wheelchairs and persons of small stature.

For further information regarding accessibility at Discount Bank and the disposition of branches with accessibility can be viewed on the Bank's website.

Digital accessibility on the website and application - For some time now, the digital revolution has resulted in the Internet and applications becoming the main channel for obtaining many services, including banking services. Discount Bank provides its customers with browsing services via an Internet website that complies with statutory requirements, including the Equal Rights for Disabled Persons Regulations, 2013. Moreover, the website conforms with the recommendations of the Israeli standard (IS 5568) for Internet content accessibility at an AA level and with the guidelines of the W3C organization's document WCAG 2.0 regarding web accessibility, which deals with Internet standards. At the same time, Discount Bank's application for cellular phones and tablet devices conforms with the accessibility requirements of the Israeli standard (IS 5568) at an AA level and with the guidelines of the W3C organization's document WCAG 2.0 - both for the IOS operating system and also for the android operating system.

Claim regarding accessibility - On September 2, 2018, a claim, together with a motion for its approval as a class-action, was filed against Automatic Banking Services Ltd. and against 11 banks, including Discount Bank and MBD. The amount of the claim for all the members of the group is estimated at NIS 10 million.

The cause for the motion is the failure to provide full accessibility to the banks' ATMs in accordance with the Equality Law and the Accessibility Regulations. The plaintiff suffers from a sight impairment and is a

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PROMOTION OF ACCESSIBILITY AT THE PRINCIPAL SUBSIDIARIES

ACCESSIBILITY AT MDB

MDB is making its branches and its self-used devices accessible for persons with disabilities. The bank has an accessibility officer who coordinates the topic of accessibility at the bank and serves as the address to which inquiries on this topic are directed. The bank is working on providing accessibility at its properties - from modifying furniture, service counters, signage, the branch entrance, height levels, parking, and services, through to making access to the branch from the street accessible, in coordination with the local authorities. At the branches themselves, there are aids and services intended for persons with disabilities, including dedicated systems for people with hearing or sight impairments. These include "Step-Hear", an audio signage and wayfinding solution for the sight impaired, which enable such persons to be provided with audio information, as selected by them and in accordance with their location, audio induction loops, a two-way audio system, and Call-Hear system for calling a service representative at the entrance to a branch. Concurrently, accessibility modifications have been made to self-use devices, including making adjustments to the height of ATMs and making it possible to receive audio instructions; providing accessibility to devices for executing account transactions independently ("Mashov"); and providing accessibility to line management points. Moreover, as is the case at Discount Bank, MDB is making its services accessible to persons with disabilities, including providing accessibility to written information for

persons with hearing or sight impairments; translating into sign language; providing accessibility to the telephone service center; service without waiting in line for the eligible; and permitting entry to service animals. At the same time, the Internet website and the application are being made accessible in accordance with the recommendations of the Israeli standard for Internet accessibility (IS 5568) at an AA level and with the guidelines of the W3C organization's document WCAG 2.0 regarding web accessibility.

MDB has completed the modification of the buildings and infrastructure in its possession for persons with disabilities.

ACCESSIBILITY AT ICC

ICC offers its service to a broad and diverse range of customers, including customers with disabilities. As part of the concept of providing a broad and inclusive service, ICC offers diverse accessibility arrangements - ranging from the physical accessibility of the "ICC House" building, where the public reception area is located, through to making the telephone service accessible. The physical accessibility includes accessible parking at the complex, accessibility of the entrance door, passageways, signage, accessible furniture and bathrooms. In the public reception area, accessibility to service is provided through representatives who will read out forms, the use of assistive audio systems, escort and direction assistance, service without having to wait in line for those so entitled, and so forth. Furthermore, in the sphere of service accessibility- service representatives trained in the provision of accessible service, making the voice response system accessible, setting up a written communications team that can provide a comprehensive solution for customers with disabilities. Service accessibility is achieved through the use of writing tools, such as the "Chat" channel, on-line forms, a dedicated fax line and contacting the company's accessibility coordinator either by email or regular mail. Moreover,

other services are provided on request, such as the reading of documents over the phone, translating into sign language, with advance coordination, and so forth. The company's Internet websites have been made accessible in accordance with the accessibility guidelines of Israel Standard 5568 - "Internet Content Accessibility Guidelines" at an AA level. This Israeli standard is identical to the guidelines document of the international organization that deals with web standards - Web content Accessibility Guidelines - WCAG 2.0.

Further information regarding accessibility at MDB and ICC can be viewed on the companies' websites.

IDB BANK

IDB Bank complies with applicable provisions of the American with Disability Act (ADA). The ADA requires that disabled persons be afforded the same access to public accommodations and given the same employment opportunities as nondisabled persons. The ADA is made up of five titles; the two that apply to banks are Title I, Employment, and Title III, Public Accommodations and Services Operated by Private Entities. Specifically, ADA prohibits discrimination against persons with disabilities in the areas of employment practices, access to physical facilities, and goods and services offered to the public.

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customer of one of the banks. She alleges that she visited several branches and found a system whereby there was no ATM that was accessible for persons with disabilities. An expert for the plaintiff carried out an examination at branches of the banks throughout the country and his examination revealed that, as alleged, this problem is systemic and ignores an entire group that warrants equality and due consideration; in light of this, the plaintiff has decided to file the motion against all the banks. The claim against Automatic Banking Services Ltd. is that it is the company that controls the ATM market. The claim against the banks is that they have not taken the trouble to make the machines accessible for persons with disabilities.

On August 30, 2019, a verdict was handed down with regard to the Bank and five other respondents that approved the petitioner's motion for the withdrawal of the motion for approval. In the verdict, the Court ruled that, even if there is room for small improvements (which the banks have agreed to perform at their discretion), the banks are fulfilling their obligations and are ensuring - by various means - that the banks' ATM's are accessible to people with disabilities.

IMPACT INVESTMENTS

→ Impact investments are investments whose purpose is to create a measurable, beneficial social or environmental impact, in conjunction with generating a financial return. In 2018, Discount Capital invested in two impact funds thereby becoming one of the leading investors in this field in Israel.

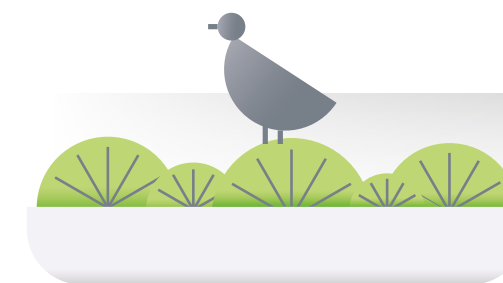
Bridges Israel Fund - The Fund is associated with Bridges Venture that manages impact investments in a scope of more than US\$ 1 billion in the United Kingdom

and in the United States. The Fund's first "closing", as well as the signing of Discount Capital's investment commitment, took place in March 2018. Discount Capital's commitment of US\$ 7.5 million is part of total commitments of US\$ 50 million. Additional investors have since joined the Fund and the final closing of the fund is expected to take place in the coming months in an expected scope of US\$ 70 million. Discount Capital's share in the Fund after the final closing will be 13.3% - but not more than US\$ 10 million.

12 Angels Fund - The Fund was founded by KamaTech for the purpose of helping ultra-orthodox Jews (Haredi) integrate into Israel's high-tech scene, and particularly into early-stage startups. The investors in the Fund are some 30 of the leading entities in Israeli high-tech infrastructure. In December 2017, Discount Capital signed a commitment to invest US\$ 0.5 million in the Fund, this being part of the Fund's US\$ 3.5 million in total commitments.

FINANCIAL EDUCATION

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



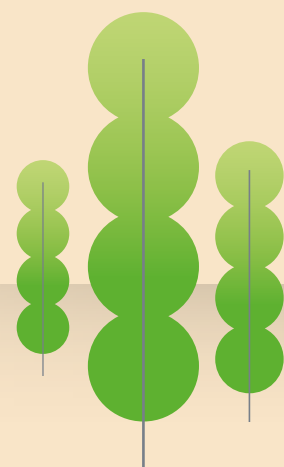
the returns on the different investment channels, as well as the growth in credit to households. In recent years, the Banking Supervision Department has also taken a lead in the process of financial education, in conjunction with the Association of Banks in Israel and all the banks.

From a holistic viewpoint of the customer's needs at any point of time during the changing stages of life, starting with the opening of a young person account, continuing as a conscript, a student, a young family, a mature family, a person facing retirement and through to post retirement, the Bank has devised appropriate study/lecture material on the subject of financial education, in order to assist its customers in making educated decisions, and has created financial products, all of which are intended to increase its customers satisfaction.

In its contact with its customers and the public at large, the Bank strives to make the financial language accessible to the full range of ages and initiates many activities, such as:

- > customer conventions at the branches on matters of sensible financial conduct, family economics and the capital market;
- > lectures to organizations/corporations at their request;
- > lectures on pension planning for adults;
- > Lectures at academic institutions on financial matters intended for young adults.

The conventions are designed to simplify understanding and make the financial language



accessible to the customer public. The conventions focus on explaining basic terms, while presenting to customers the various service arrays and the modification to customer needs of the consulting services available at the Bank. In these conferences, customers also receive responses to their questions.

In the wake of these conventions, customer readiness to increase their involvement in important financial decisions during the various stages in life is noted. The feedback supporting the conventions indicate the satisfaction of the participants and their wish to continue being invited to similar activities.


Digital banking training sessions were held for third agers in 2018. The first part was a joint collaboration with "Tuesdays in Suspenders", within the framework of which senior citizens listened to a 25-minute lecture before the movie they had come to see; in the lecture, they were asked to come to the branches to receive half an hour's personal training from a banker. The second part consisted of a month and a half's training at the branches.

The Bank of Israel is expected to repeat this activity in 2019, this time in conjunction with the local authorities.

The Bank conducts also intra-organizational activity for the enrichment of Bank employees and their family members, by means of a capital market workshop of eight meetings, which takes place at the Bank's meeting rooms and at the Discount College. Some 25 persons participated in each such activity, and over twenty such workshops have been held since this activity was started in 2012.


Furthermore, the financial education unit is working intensively to locate new lecture content regarding financial matters, in the spirit of the times, for the enrichment of participants in financial knowledge.

INTERNET MEDIA

 Development of a designated Internet website - the Bank presents on its principal website, under the heading of "Family and financial education", a broad range of content dealing with financial education, this as part of the Bank's coverage for the family, modified to the various stages in life, and presenting life events. This begins with content for children of primary school age, continuing with middle and high school age; content regarding issues relating to servicemen; pre-enlistment, soldiers on active service and pre-demobilization; contents relating to students; budget planning, cutting back expenses, enjoyment of benefits, in between jobs; content relating

to the family: us and our money, pre-nuptial, pre-childbirth, divorce; content relating to housing and mortgage issues; content relating to ongoing economic management: preparing for religious holidays and vacations, a monthly family budget, how to get out of the red, loans, deposits and savings; content relating to retirement: pension savings, preparation for imminent retirement; as well as a glossary of capital market terms, that covers numerous concepts.

PRINTED MEDIA - PROFESSIONAL LITERATURE

 The Bank leads the subject of development of booklets dedicated to providing knowledge enrichment to customers: a booklet for children of elementary-school age, a booklet of tips and a capital market booklet. It is the Bank's intention to continue developing activity in all fields - frontal, digital and printed - while continuing to collaborate with leading parties in this field.


SINCE THE DATE OF STARTING THE FINANCIAL EDUCATION ACTIVITY, ALL OF THE BANK'S BRANCHES HAVE PARTICIPATED IN OVER 650 DIFFERENT EVENTS

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

The activity of the Bank in the financial education field is conducted at no charge and is open both to Bank customers and to those who are not customers of the Bank.

Since 2012, the date of starting this activity, through the end of 2018, all of the Bank's branches have participated in over 650 different events.

FINANCIAL EDUCATION FORUM

 The Banking Supervision Department established a Forum in 2016, which includes the Association of Banks in Israel, as well as all the banks operating in Israel, with the aim of expanding the activity on the subject of financial education. Discount Bank participates in many of the Forum's committees.

LECTURES AND WORKSHOPS

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

Enrichment lectures

Budget management Correct financial conduct in an economically challenging period	An experiential lecture, presenting an image of the individual's financial conduct and the way to improve it: <ul style="list-style-type: none"> > "It'll be OK" - regarding our economic management culture; > The breaking of myths - "all inclusive vacation"; > Overdraft, loans and credit, management of the monthly budget - getting out of the red; > Couples and money, children and money, retirement age and money;
Economics between the business and the family	A lecture to freelancers on the subject of financial conduct.
Know about money	Lecture to youngsters in junior high and high schools.

Capital market

The Israeli economy vis-à-vis global recovery and the low interest rate	A lecture describing in a light, experiential manner events taking place in capital markets in Israel and abroad and preparations to be made for a year in advance, including the economic challenges which face investors in the capital market at the present time.
Psycho-finance You and your finances	The relationship between making economic decisions and investments in the stock market, and personal psychological characteristics.
Real estate investments, risk or opportunity	An analysis of the residential real estate market as an alternative investment, latest trends in this sector by geographic distribution, when to invest in real estate and who should.

Workshops

Capital market workshop Micro and macro, their relation to private investments and savings	3 meetings, 2 subjects per meeting Meeting 1 - Macroeconomics + Bonds; Meeting 2 - Mutual funds + ETN's; Meeting 3 - Shares + Psycho-finance; The workshop provides participants with basic tools for understanding the financial world and becoming familiar with basic concepts of the capital market.
"Mixed" workshop	Family economics; Pension; Capital market.
Seniors field - financial education	Israeli economy; Psycho-finance; Analytical reading of the financial press.
Pension consulting	Guidance regarding the pension products currently available and regarding the importance of investing for one's pension years.

FINANCIAL EDUCATION AT THE PRINCIPAL SUBSIDIARIES IN ISRAEL

→ MDB and ICC, as does Discount Bank, view the absorption of financial education as an important layer of their activity in aid of the community, and accordingly, employees volunteer, within the framework of the project "A Different Lesson", to impart basic banking and budget management terms to school children, through cooperating with the "A Different Lesson" Association and with other organizations engaged in financial education (for additional details, see the Chapter "Discount for the community" in this report).

Additional measures by the companies for the field's advancement:

> **A financial education workshop initiated by the Banking Supervision Department** - MDB participates in a Forum initiated by the Banking Supervision Department for the advancement of financial education. The topic of the activity in 2018 was digital empowerment for senior citizens. Two bank employees gave lectures to hundreds of senior citizens within the framework of the "Tuesdays in Suspenders" program using educational material produced centrally and with the participation of all members of the banking sector in Israel. Subsequently, some 1,000 senior citizens, who are customers of the bank, received personal guidance at their branches regarding digital products;

> **A financial education workshop held at a female victims of violence shelter** - Within the framework of a further initiative

of the Banking Supervision Department, a senior female manager at MDB conducted a financial education workshop at a female victims of violence shelter in the Arab sector;

> **Additional activity** - Employees of MDB conduct from time to time financial education workshops for youth groups in different frameworks, including youngsters of Ethiopian ethnicity within a collaborative framework with the "Rakia" project in the Tebeka Association;

> **"Cal Lada'at" on YouTube** - A set of eleven video clips providing information on a variety of financial concepts, in a clear, common and in simple language. For example: interest and prime interest rate, loans, revolving credit, non-banking credit facility, banking credit facility, safe purchasing on the Internet, immediate debit card, non-banking credit, CPI linkage. These video clips have received hundreds of thousands of views.



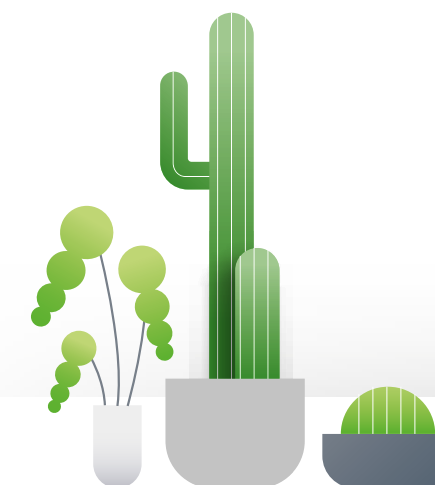
SUITS YOU BETTER – QUALITY OF SERVICE

→ **"Discount suits you better" is a concept that aligns with the Bank's commitment to its customers and promises professionalism and excellence at every interface. The Bank offers customers - who expect a reachable, accessible and convenient service - multi-focus and multi-channel banking that provides optimal solutions over a variety of service channels, with the aim of bringing about an improvement in the personal and digital services coverage that the Bank renders to its customers. Discount Bank is thus able to provide a personal touch, a more efficient and high-quality service over a variety of channels, while maintaining the family character of the Bank.**

Discount Bank's service concept places the customer front and center and sets itself a goal of service excellence. The Bank aspires to create for its customers a personal service experience, whereby they will continue to choose it as their bank.

In order to create a lead in the Bank's customer satisfaction by means of customer-adapted banking, the Bank is focusing on a number of principal topics:

- > development of communication channels, including the upgrade of digital channels and the opening of new communication channels;
- > upgrading of service centers (including the branch disposition, the TeleBank and the back office);
- > formation of a synchronized multi-channel management platform that ensures customer service quality;
- > producing information-based business perceptions aimed at enabling customers



SURVEY OF CUSTOMER SATISFACTION WITH BANKS' QUALITY OF SERVICE. A SURVEY FIRST CONDUCTED BY THE BANKING SUPERVISION DEPARTMENT IN 2018, WHICH EXAMINED CUSTOMER SATISFACTION WITH THE SERVICES PROVIDED TO THEM AT THE BANKS WHERE THEY MAINTAIN THEIR ACCOUNTS.

to receive the value proposition that is best and most suited to them.

The Bank is performing a series of ongoing and special-purpose surveys in order to evaluate the satisfaction of customers. These are made by telephone calls and by SMS. The surveys are directed at customers of the Bank, and in certain cases, for comparison purposes, also at customers of competitor banks. The surveys measure both short-term satisfaction indices (such as satisfaction at each interface with the Bank), as well as long-term satisfaction indices (such as hypothetical market share and recommendation index).

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

SURVEYS CONDUCTED BY THE BANK

Class	Survey	Population	Description
Ongoing surveys	Branches	After making contact with the Bank, private and business customers and customers receiving information from consultants at the branches	A daily survey on a permanent basis, approaching customers who have received service from a banker
	Branches	With no communication with the branch for over thirty days	Daily review on a permanent basis, approaching customers who have had no contact with the branch for over thirty days
	TeleBank	TeleBank customers	A daily survey on a permanent basis, approaching customers who have received service from a TeleBank banker
	Investment centers	Customers of investment centers	A daily survey on a permanent basis, approaching customers who have received service from a center
Special-purpose surveys	Satisfaction	Private banking customers	A special-purpose survey
	Satisfaction	Customers of the TeleBank mortgage center	A special-purpose survey approaching customers interested in taking a mortgage
	Satisfaction	Business center customers	A special-purpose survey
	Satisfaction	Browsing on the Bank's application	A special-purpose survey
	Satisfaction	Browsing on the Bank's Internet website	A special-purpose survey
	Customer interface experience	Customers of the five largest banks	A special-purpose survey
	"Marketest" survey: customer experience - post contact	Customers of the five largest banks who have had contact with the bank	A special-purpose survey
	"Marketest" survey: customer experience	Business customers of all the banks	A special-purpose survey

In order to further improve the Bank's service, Discount is acting on a number of levels:

Quality of service index - the main work tool for evaluating the quality of service at the Bank. The survey examines, on an ongoing basis, the customer's service experience soon after the time the interaction occurred - a visit or a telephone call to the branch. The survey presents a range of parameters regarding the various aspects of the service, which may be considered as indices reflecting customer experience, such as: professionalism, personal attention, availability, initiative and customer recommendation regarding the service and the Bank. The measurement data are conveyed on a current basis to managers of the business units at the branches, at the

investment centers and at TeleBank, and comprise an infrastructure for drawing conclusions and for analyzing the strengths and weakness of providing the service. In situations where immediate involvement is required, the unit manager contacts the customer in order to provide a personal response.

Measurement is performed throughout the year with the aim of obtaining findings reflecting the operations of the branch, on a current basis and in real time, and of being able to provide attention and an immediate response to customers, as required.

In 2018, the service experience of the customer was measured over a variety of

channels: at the branch, at the TeleBank and at the investment centers. The measurement relied mainly on the customer satisfaction index from the most recent service received at the unit (80%). In addition, branches were measured on their dealing with inquiries and their telephone response, which comprised 20% of the index computations.

Approx. 50,000 surveys of customers (telephone and SMS) were performed during this year.

2018 SERVICE QUALITY INDEX DATA

100%

Rating of compliance with target for dealing with inquiries and telephone responses¹

83.8%

Satisfaction with the service experience

Note: 1 Target for dealing with inquiries and telephone responses - measurement of compliance with the SLA determined for responding to the customer that contacted the branch and is awaiting a response from it, in addition to compliance with the SLA defined for the branch's telephone responses.


Internal services survey - Discount believes that improvement in the level of internal service will contribute to higher satisfaction of the bankers and to providing tools and infrastructure for improving customer service. The survey was distributed during October 2018, for the fifth time at the Bank, in a cross-organizational format. The results of the survey serve as a base line for a continuous process of measurement and improvement. The survey measured 425 different services provided by the different divisions to customers of the Bank and of the subsidiaries. The response rate was 91.6%.

The following measures were adopted within the framework of feedback and improvement procedures: the findings and results were presented to all heads of divisions and departments at designated meetings; each service manager received a detailed report of the findings and an analysis of the results; improvement targets have been defined for each head of department at a KPI level; and, units requesting assistance in structuring their improvement plans and establishing a dialogue with users of the service have been provided with professional assistance. In addition, a convention was held to honor outstanding service managers and managers of outstanding units, which was attended by the President & CEO, as well as by members of management.

Furthermore, the date for the next survey has been set for the last quarter of 2019.

Integration of service values in the organizational culture - In order to strengthen the service value within the organizational culture, the Bank applies several measures: designated staff meetings on the subject of service and service films projected at the branches within the framework of the "Morning magazine"; focused assistance to branches having relatively low service ratings, through apprenticeship/training sessions; ongoing measurement of service providers at the branches, at the TeleBank and at the investment centers; integration of the service index target in the "excelling branch" competition; control tasks for the team; and meetings of the Head of the Retail Banking Division with outstanding managers and with managers who failed to reach service targets.

DIALOGUE WITH CUSTOMERS

 In order to maintain a continuous dialogue with customers and to understand their needs and wishes, Discount




Bank operates several communication channels:

- > **Official Facebook page of Discount Bank** - As of the end of 2018 the Bank's Facebook page had approx. 83,560 followers (as of the end of 2017 - 76,240 followers). The Bank's Facebook page serves as a platform for the ongoing distribution and publication of marketing activities in various segments and areas and also serves as a platform for chats with browsers and for customer service. Consequently, inquiries are received from browsers, both in open chats and in private messages, and these are fully attended to within a short period of time;
- > **Twitter account** - Discount Invest - The Bank is active on the Twitter social network - under the hashtag "Discount Invest". On this account, the Bank publishes information regarding market data (in Israel and abroad), economic and capital market reviews by experts on behalf of the Bank and other practical information for the benefit of customers;
- > **Instagram account** - The Bank operates on the Instagram social media channel, through which browsers are exposed to campaigns and current updates accompanied by inspiring photos and video clips;
- > **Social media at ICC** - ICC has a Facebook

page with 160,000 followers, who regularly follow the marketing activity of the company published on this page, the varied services offered by the company to customers and more. The page provides an online solution to customers through a "private messaging" service through which are received customer approaches, questions and comments, and immediate answers are given to customers. The Diners Company, a fully owned subsidiary of ICC, also has a Facebook page, with over 40,000 followers, and an Instagram page, with over 13,000 followers.

MAINTAINING CUSTOMER SATISFACTION


 The Bank acts on several levels with respect to maintaining customer satisfaction:

- > **management in accordance with survey findings** - survey data with a low mark on the satisfaction index, are (subject to the consent of the customer) referred to the branch manager for further attention. The branch manager is responsible for referring back to the customer in order to try to understand the reasons for the dissatisfaction of the customer and, to the extent possible, to try to improve satisfaction by solving the problems raised by the customer;
- > **service targets** - branches are allotted annual targets of satisfaction indices.

The extent of compliance with the annual target serves as a basis for remuneration at the branches;

- > **comparative analysis and implementation** - the surveys are analyzed for the identification of weaknesses in customer satisfaction with the Bank either absolutely or relatively in comparison to competitor banks. Also analyzed are trends of satisfaction among different populations in order to identify changes in the indices. The findings and insights are examined by the Customer Experience Subdivision in order to perform an in-depth examination and/or a change of policy, as required. The findings and insights are delivered also to the various business parties in charge of customer relations policy.

CUSTOMER INQUIRIES

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

In the Proper Conduct of Banking Business Directive dealing with the handling of public complaints, the spheres of responsibility and powers of the Public Complaints Commissioner are defined, as well as rules for the proper handling of public complaints by a banking corporation. The function of the Public Complaints Commissioner is to coordinate the handling of complaints and inquiries made by customers on different banking issues, including mortgages, interest calculations, treatment and service.

The Commissioner deals with complaints and inquiries with the various units at the Bank, the Banking Supervision Department, the Israeli Police and various external parties; he draws up findings for the business functions, the branches, the collection functions and for the Legal Counsel Group; he provides assistance and guidance to Bank employees

in formulating solutions to problems with customers; and he assists in the drawing of conclusions and in organizational learning.

In practice, the average complaint response time was 16 days in 2018, the same as in 2017.

The Commissioner has the authority to compensate customers. He has to report the handling of complaints - once every six months to the Bank's Management and once a year to the Bank's Board of Directors. The Management and the Board of Directors have to discuss these reports soon after submission thereof.

Material deficiencies revealed as a result of attending to complaints and data regarding complaints received and dealt with have to be reported by the Commissioner to the Banking Supervision Department once every six months.

Management and the Audit Committee of the Board of Directors receive a report regarding the deficiencies, the material findings and the cross-organization deficiencies.

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

The Bank is required to publish on the Internet website and in the Branches the service covenant adopted by the Bank. The service covenant has been available to the public on the Bank's website since March 2015, after having been approved by the Board of Directors.

In 2018, the Bank dealt with 2,769 inquiries, compared to 3,047 inquiries in 2017. The ratio of complaints found to be justified stood at 15.1%, compared to 13.6% in 2017. For further details, see the appendices in the "Conclusion" Chapter below.

MARKETEST INDEX



DURING THE PAST DECADE, THE MARKER MAGAZINE HAS PUBLISHED THE ANNUAL MARKETEST INDEX OF "CUSTOMER EXPERIENCE IN ISRAEL". THE MARKETEST INDEX EXAMINE EXPERIENCES AND POSITIONS OF CUSTOMERS OF THE LARGEST CORPORATIONS IN THE MARKET, OPERATING IN DIFFERENT SECTORS, SUCH AS: FINANCE, HOTELS, CELLULAR AND MORE. THE INDEX IS BASED ON THE PARALLEL INDEX IN THE UNITED STATES (ACSI). THE BANK WAS RATED IN 2018 IN THE FIRST PLACE WITH RESPECT TO CUSTOMER SATISFACTION REGARDING THE CONNECTION WITH THE BANK INTERFACES.

QUALITY OF SERVICE AT THE PRINCIPAL SUBSIDIARIES

MDB

MDB adapts itself to market conditions as an innovative and progressive bank and is constantly working to be up-to-date and relevant. Within this framework, the bank offers its customers direct banking services that enable them to receive information and to execute transactions anywhere and at any time. Concurrently, the bank is actively continuing to provide frontal services at its branches, to customers who feel that it is important to them to have a personal, human contact with the bank.

The starting point for the bank in providing the service is that the customers want to receive a service that is personal and excellent, readily available and fast, familiar and understanding, professional and fair.

The bank continues to maintain a personal connection with its customers and lets every customer choose the personal service suitable to him - direct contact with the branch at face-to-face meetings with the bankers or telephone conversations with the branches, in parallel of course, with the options of initiating contact with a call center and making contact via the various digital channels.

The service coverage is tailored to the customer so as to provide response each customer's different needs in the manner most suitable for him.

The above stated in relation to Discount Bank, regarding the improvements made to service, including evaluation of customer satisfaction, maintaining customer

satisfaction and the integration of service values in the organizational culture, applies also to MDB.

The quality of service is measured by the Net Promoter Score (NPS). The data are delivered regularly and comprise an infrastructure for the drawing of conclusions. MDB conducts, on a regular basis, a telephonic survey testing customer satisfaction (following contact with the bank). The findings of such surveys (analysis and management), comprise an annual target for the customer satisfaction indices.

ICC

The service department of ICC has a vision and values regarding the provision of quality service, ICC stringently conducts daily satisfaction surveys among its customers (both private customers and trading houses), within the framework of which various parameters are examined which measure the customers' general satisfaction with the company, with the service and with the professionalism of the company's representative, and NPS measurement (Net Promoter Score; International recommender index). The scoring by the NPS is a part of the targets of the Key Performance Indicator (KPI) of the service department. Furthermore, the company analyses recurring and onetime events in order to improve the quality of service and customer satisfaction.

In order to test and evaluate private customer satisfaction, the company conducts satisfaction surveys immediately upon conclusion of a conversation and approach to the service center, as well as a club survey conducted following the issuance of the card.

In order to evaluate satisfaction of trading houses, the company conducts a "survey following contact", which comprises the central tool for testing the quality of service at the center. The survey tests on



an ongoing basis the service experience of the customer soon after the time of interaction - a telephone call to the center. The survey presents to the managers the strong points, which should be maintained, and the aspects that need to be improved regarding the interaction of the center with the customers.

Measurement is being conducted through a special-purpose surveys system named "My Attentive", which allows the measurement of each question in the surveys and provides an image of the situation per employee over a period of time, as well as according to the measured parameter.

In cases where the answers given to the survey are rated as being below expectation, or where they include a verbal comment that needs to be addressed, the feedback is examined with reference to the feedback provider and is attended to accordingly.

IDB BANK

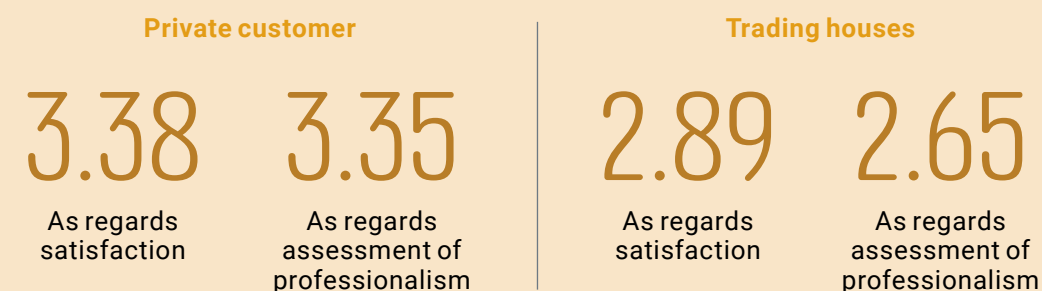
IDB Bank has adopted a Complaint Policy ("the Policy") that provides a mechanism whereby all complaints from customers or non-customers (collectively: "Complaints") are given prompt, courteous, and fair attention regarding any aspect of the bank's products or services. The Policy delivers a consistent and constructive approach to investigating and responding to Complaints. Tracking and logging Complaint information provides the bank with an opportunity to identify potential compliance issues and opportunities to strengthen and enhance the bank's products, services, and/or customer relations. It is an essential tool for identifying weaknesses in staff training or with a particular product or service and for differentiating between a one-time occurrence or a recurring problem. Complaints may indicate a failure in bank processes that, had the bank not been made aware of this as a result of the Complaint, could have resulted in violation of a law, regulation, or bank policy. The Policy, and information obtained from its adherence, will also help to:

- > recognize early warning signs;
- > identify confusion in connection with Complaints or potential issues with a product or service;
- > address customer concerns;
- > highlight potential violations of laws and/or regulations;
- > validate and strengthen controls and identify trends;

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ICC - AVERAGE SCORES OF SATISFACTION SURVEY

On a scale of 1 to 4, with 4 denoting "excellent"



→ Continue from page 83

- > protect the Bank's reputation;
- > provide a competitive advantage, e.g., quality of service;
- > assist in third party service provider monitoring.

In 2018, the bank received a total of 26 complaints: 11 of these related to system topics (primarily, online banking) and 6 were related to branch errors not having any connection with other identified trends.

PREPARATIONS FOR IMPROVING SERVICE AND REDUCING COMPLAINTS AT THE PRINCIPAL SUBSIDIARIES IN ISRAEL

→ At MDB, the ratio of complaints found to be justified in 2018 stood at 12.7%, compared to 16.3% in 2017. At ICC, the ratio of complaints found to be justified in 2018 stood at 24.5%, compared to 17.8% in 2017. For further details, see the appendices in the "Conclusion" Chapter below.



FAIRNESS IN PRODUCTS

PROPER DISCLOSURE - INFORMATION REGARDING PRODUCTS AND SERVICES

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

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

At the base of the above subject are found fairness and decency values comprising an integral part of the current business activity, interwoven with the day-to-day operations of the Bank and comprise a guideline for the operations of Bank employees. The above stated requires development and maintenance of an organizational culture, which positions the customer and the business fairness and reliability at the heart of the decision-making processes conducted both by the authorized organs of the Group, and by the three lines of defense, and in particular the risk taking units.

In view of the above, and as part of the overall risk management concept, and in particular, the compliance and regulation risks, the Bank acts in order to impart and integrate proper and fair business principles and values into the banking operations of the Group

as a whole, including the formation and characterization of products being offered by the Bank to customers, in accordance with requirements that change from time to time, proper disclosure to customers with respect to the different products, including the risk components inherent therein, and the adaptation of the solutions offered by the professionals of the Bank to the needs of customers and changing market requirements.

Compliance with the provision of the law and regulation is enforced on a current basis by means of various control and supervision systems - the Chief Compliance Officer, compliance officers and trustees and the Internal Audit function.

The Chief Compliance Officer is actively involved, inter alia, in the preparations for regulatory updates and toward the introduction of new operations and products by the Bank. Moreover, the Chief Compliance Officer monitors the rectification of material deficiencies and failures in matters of compliance and submits - to the President & CEO, to the Bank's Management and to the Board of Directors, as well as to the CEOs of the subsidiaries where he also serves as the Compliance Officer - quarterly and/or annual reports on matters of compliance, which include a summary of his activity during the reported period.

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

Structured infrastructures exist at the

Bank, which assist employees in providing service in accordance with Bank values, a service being of value also to customers. Thus, for instance, the systems of the Bank assist the fair and transparent conduct, while providing proper disclosure of all data and information relevant to the execution of a transaction; also existing is an administrative infrastructure which regulates proper criteria and manner of conduct; regulation supporting information sessions are conducted regarding the consumer credit field, which establish fairness and decency values; frontal guidance sessions are held on a variety of compliance matters with the assistance of distance learning and updates, which help in the absorption of different issues.

WHILE LAUNCHING NEW OPERATIONS/ PRODUCTS OF THE BANK, MESSAGES DELIVERED TO BANK CUSTOMERS ARE EXAMINED BY CONTROL FUNCTIONS THAT VERIFY, INTER ALIA, THAT THE MESSAGES DON'T MISLEAD CUSTOMERS AND ARE DELIVERED IN A PROPER AND FAIR MANNER.

The guidance sessions are designed for all Bank employees and managers, and some of these are designed to align with the special work environment concerning designated products and employee populations. The infrastructure is validated and updated from time to time in accordance with the regulatory environment and the business activity of the Bank. These also assist with the audit side of compliance enforcement of the provisions of the law and regulations and in deploying the compliance culture throughout the organization.

In order to promote fairness and proper disclosure at the Bank, the Bank acts on a number of levels:

Promoting transparency - The Bank acts, inter alia, for the establishment of the said

FAIRNESS IN PRODUCTS AT THE PRINCIPAL SUBSIDIARIES

The aforesaid in "Fairness in products" is applied also with respect to MDB and ICC.

ICC AND MDB

ICC is also a signatory of the advertising ethical code, and no complaints were received in 2018 regarding violations thereof. MDB has not signed the aforementioned Code of Ethics.

IDB BANK

IDB Bank adheres to all applicable federal and state laws, such as Truth in Savings Act (Regulation DD), Truth in Lending Act (Regulation Z) and Acts dealing with Unfair, Abusive or Deceptive Practices, requirements pertaining to proper and timely disclosure of terms and conditions relating to its deposit and lending product and services.

SERVICES IN DIFFERENT LANGUAGES AT THE PRINCIPAL SUBSIDIARIES

MDB

MDB has extensive activity among the Arab population and the Ultra-Orthodox ("Haredi") population and, accordingly, the required adjustment is made to the bank's operations vis-à-vis the different segments of the population. The marketing approach in the Arab sector is generally made in Arabic (including video clips, leaflets, etc.). Furthermore, in the Arab sector branches, the response in the branches and the primary telephonic response (computerized), is in Arabic. Also, the approach to the Haredi sector is made considering the "language" in practice (without photographs that might offend public feelings and with a text that is appropriate to the Haredi sector).

ICC

At ICC, service at the ICC call center is provided in Hebrew, English and Russian.

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values in the core documents and the basic documents of the Bank and conducts ongoing operations to integrate them in the field. Among other things, the Bank emphasizes transparency as well as adequate and proper disclosure provided to the Bank's customers, including the information and adaptation which have to be provided to customers with respect to banking products or services granted or offered to them.

Launching activities and advertising new products - An additional layer in which the values of fairness and decency are being reflected is the introduction process of new operations/products of the Bank, as well as the marketing and advertising operations of the Bank. Messages delivered to Bank customers (including potential customers) are examined by control functions that verify, inter alia, that the messages do not mislead customers and are delivered in a proper and fair manner.

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

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

Social correctness - The Bank publications are being edited in a respectable and adequate manner while strictly maintaining social correctness and avoiding impingement of populations, beliefs, etc.

Ethics - The Bank is committed to the advertising ethical code adopted by advertisers and television channels and includes principles designed to protect values (such as human dignity), populations (such as children), etc. The said code is obligatory both as regards production of marketing communication as well as the products themselves.

No complaint with respect to a violation of

the published Code of Ethics was received in 2018.

In 2018, no significant fines and/or non-monetary sanctions were imposed on the Bank. It should be noted, however, that a monetary sanction was imposed on the Bank - as described in the "Corporate Governance" Chapter below.

SERVICES IN DIFFERENT LANGUAGES

The Bank is working to provide different services in a variety of languages for the convenience of all its customers:

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

CUSTOMER PRIVACY AND INFORMATION SECURITY

The importance of maintaining and protecting reliability, strength, availability and survival of information technology is ever growing in view of the enormous technological development in recent years and its implications for the Bank, in view of the cyber threats, which are growing in severity and frequency, and in view of the marked growth of the use of information technology products compared with human-operated products. Therefore, the Bank views the protection and safety of information as a central goal and invests considerable resources in protecting the information in its possession.

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

THE BANK WORKS DILIGENTLY TO SAFEGUARD BANKING CONFIDENTIALITY AND THE PRIVACY OF THE CUSTOMER AND THE INFORMATION IN HIS ACCOUNT, AND DOES EVERYTHING IT CAN TO IDENTIFY MALFUNCTIONS AND PREVENT THEIR REPETITION.

The Bank works diligently to safeguard banking confidentiality and the privacy of the customer and the information in his account, and does everything it can to identify malfunctions and prevent their repetition.

Six cases were examined in 2018: one case of an employee extracting information from a customer's account and five cases of employees extracting information and conducting transactions on accounts of family members, even though they were not authorized to operate the account. Further to the examination that the internal audit function initiated and conducted on this matter, control reports have been developed to monitor access of certain units' employees to customers' accounts, on which no request has been made by customers to perform transactions.

Four cases were revealed at MDB: two cases of employees extracting information and conducting transactions on accounts of family members, despite the fact that they were not authorized to operate the account.

In 2018 ICC received two privacy protection complaints that were found to be justified. MDB received no banking confidentiality complaints in 2018.

No complaints were received by IDB Bank in 2018 concerning breaches of customer privacy and losses of customer data.

DATA PROTECTION RISKS AND CYBER PROTECTION

The principal potential damage involved in the impairment of data protection includes impairment of privacy and confidentiality of information regarding the Bank, its customers and employees, financial damage, realization of cyber threats, distortion of data stored in the Bank's systems, impairment of the availability and survival of systems and information, impairment of the business of the Bank and its reputation.

Data protection and cyber defense at the Bank are regulated and directed in accordance with various regulatory provisions, including the Privacy Protection Law and the regulations promulgated thereunder, the Computers Law, Proper

Conduct of Banking Business Directives, and particularly Directives Nos. 357 and 361, on the basis of which a cyber defense and data protection strategy and policy have been drawn up, as approved by the Bank's management and Board of Directors.

Except for the protection of the computer system, the defensive actions are intended to provide a response to the important business processes of the Bank. In this way, a defense layer focused on a comprehensive-business viewpoint risk would be strengthened.

For further details, see the document, "Disclosure according to the third pillar of Basel and additional information regarding risks", published together with the 2018 annual report (pp. 83-86).

In 2018, there was no occurrence of one or more cyber incidents that materially affected the products or services offered by the Bank or by the Group, their relations with customers or the competitive conditions.

PROTECTION OF THE BANK'S WEBSITES

In accordance with the Bank's policy on this topic, systems preventing unauthorized access as well as systems monitoring and identifying deviation from authorized activities are integrated into the Bank's systems. Protection of the Bank's marketing and operations websites is continuous.

The Bank operates a data protection center that operates continuously throughout the year (24 hours round the clock, 365 days a year), the objective of which is identifying risks, breaches, exposures and vulnerabilities in the data protection system, and which is responsible, among other things, for the identification and warning of any activity intended to damage the Bank's websites or its customers (by means of imitation sites). Furthermore, within the framework of the internal audit, a department operates in the IT field, performing ongoing audits

of such subjects. The Bank's operational sites, which provide service to customers over the Internet, are protected by several layers of defense, which include protection components for hardware/communications and services providing information regarding attacks and hostile addresses. Infrastructure systems are monitored and reported to the data protection center.

As part of risk management, the Bank investigates various incidents, gains insights and draws conclusions. Such insights, together with data and cyber protection surveys, enable the Bank to map gaps that should be rectified and determine priorities in the treatment thereof, which are integrated into the work plan.

Data protection and cyber defense activities are implemented in accordance with the strategic plan, as approved by the Bank's management and Board of Directors.

The development and maintenance of systems and projects are closely accompanied by professional mentors.

In accordance with the risk outline and with Proper Conduct of Banking Business Directive Nos. 357 and 361, risk surveys and penetration tests are performed at required frequencies, following which, mitigation measures are implemented and the required reports submitted.

Access to information and the levels of authorization are controlled by designated teams and systems, and the administration processes and management tools undergo significant improvement and reorganization.

The Bank takes ongoing action to raise awareness and to improve the organizational culture from the aspect of data protection, which among other things includes training, publication of policy documents, manifests and marketing tools. The Bank has established in procedures most of its operations and processes, and the data protection unit at

the Bank is involved in the approval of all the Bank's procedures, in order to ensure the early identification of operations causing data protection risks and cyber defense.

Mitigating the exposure to cyber risk through purchasing insurance. See the document, "Disclosure according to the third pillar of Basel and additional information regarding risks", published together with the 2018 Annual Report (pp. 78-79).

Aspects of physical safety, to the extent that they might be connected to data protection, are managed and implemented by the Bank's security officer, in conjunction with the data protection manager.

The abovementioned processes are applied also with respect to MDB.



CUSTOMER PRIVACY AT ICC

TECHNOLOGICAL PREPARATIONS IN THE CREDIT CARDS FIELD

As part of its attempts to reduce the phenomenon of misuse of stolen or counterfeit credit cards, the international Visa organization, the MasterCard Worldwide organization and the international Diners Club organization ("the Organizations") take various steps to improve the security level of the credit cards that bear their brands and to comply with the EMV standard. This standard is a collection of specifications developed by the Organizations with the aim of providing a uniform and secure format for payment transactions using chip charge cards, which have special features that support the standard, thereby making it harder for such cards to be used by unauthorized parties and/or for them to be counterfeited (hereinafter: "Smart Cards"), when used in conjunction with ATMs or POS terminals.

ICC HAS BEGUN TO PREPARE FOR THE ISSUE OF VISA AND MASTERCARD SMART CARDS HAVING "CONTACTLESS" CAPABILITIES. THESE PREPARATIONS ARE EXPECTED TO BE COMPLETED IN THE FIRST QUARTER OF 2019

The specifications relate to both Contact and Contactless card transactions and are based on identifying the cardholder through the input of a secret code (PIN) and dynamic protections, using digital signature authentication and by combining

the physical component, the chip, with the card reader, communications and the payment application.

In addition, the Organizations have prescribed provisions to create economic incentives for the replacement of the existing, old terminals, which do not comply with the aforesaid standard, by means of a Liability Shift mechanism.

The said instructions state that in case of forgery/misuse of a card:

- > Where a smart card is acquired by a merchant which had not installed a smart acquiring device, the acquirer will bear the costs;
- > Where a card which is not a smart card, is acquired by a merchant that has installed a smart acquiring device, the issuer will bear the costs.

In accordance with the Proper Conduct of Banking Business Directives, the preparations have to be completed by January 2019, other than in the case of small trading houses (whose transactions turnover with clearing agents does not exceed NIS 5 million) for whom the mechanism will go into effect on January 1, 2020. It should be noted that, on December 24, 2018, a draft circular was published pursuant to which it is proposed that Proper Conduct of Banking Business Directive No. 472 be amended, whereby the Liability Shift mechanism (prescribed in Section 15 of the Directive), insofar as it relates to gas stations, will go into effect on January 1, 2022.

In addition, instructions have been prescribed by the Bank of Israel regarding the connection of smart terminals and timetables to comply with these instructions: with effect from August 1,

2017, a new terminal is to be connected only to the new debit cards system, except for the several exceptions specified - with respect to which connection to the old system will be allowed.

In accordance with instructions of the international organizations, ICC has prepared for the transformation to the use of "smart cards". In the issuance field, ICC issues at present - on an ongoing basis - VISA, MasterCard and Diners smart cards. These preparations include modifying the systems operated by the company and the definition of the smart card profile as regards producers of the cards.

ICC has also begun to prepare for the issue of VISA and MasterCard smart cards having "Contactless" capabilities. These preparations are expected to be completed in the first quarter of 2019.

In the acquiring field, ICC is preparing for infrastructure in accordance with the EMV standard, which includes adjusting the

systems of the company to receive, process and transmit files and messages in the new formats, as defined by Automatic Bank Services (ABS) in the "EMV credit" system, as well as making the relevant changes to the interface between the three credit card companies.

ICC has completed the preparations for the transition to the use of smart cards in accordance with the directives of the international organizations.



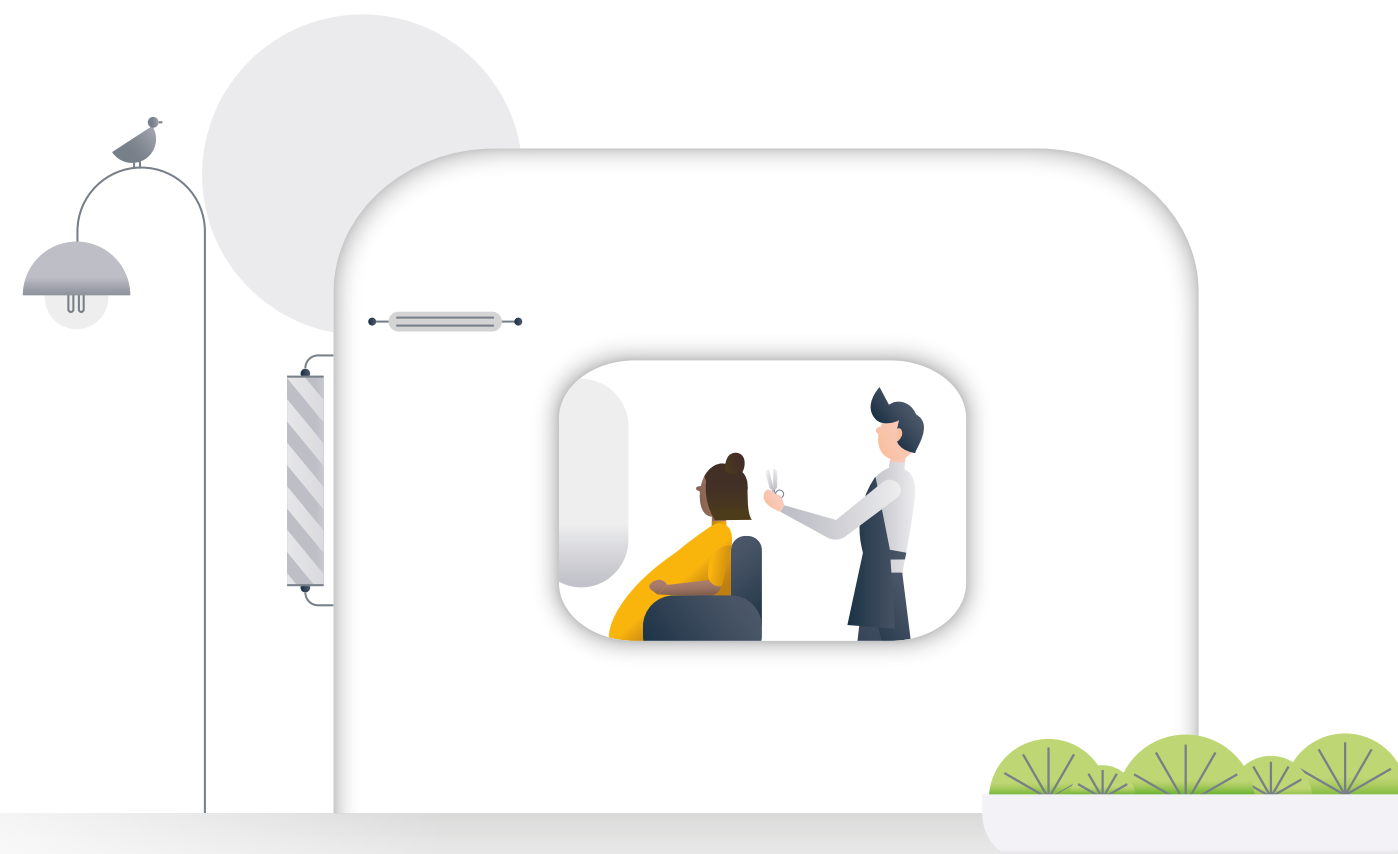
GOALS

GOALS PRESENTED IN PREVIOUS REPORT

	✓ Done	Activities in a wide range of segments, economic sectors and credit products, in order to create an optimal distribution of the portfolio.
	✓ Done	Expanding the services coverage to the customers while increasing the risk adjusted return.
	✓ Done	Continuation of the upgrading of the digital channels and directing activity to these channels.
	✓ Done	The Bank shall avoid credit operations involving concern for impairment of the reputation of the Group or of the Bank, inter alia, with respect to money laundering and the financing of terror.
	✓ Done	Attaching additional customers to the new communication channels, coded mail and communication application for correspondence with a banker.
	✓ Done	Continuing the deployment of the CRM system upgrading the management of relations with the customers at the branches and the TeleBank.
	✓ Done	Continuing the improvement and upgrading of the service and speed of response with respect to the process of extending mortgage loans.
	✓ Done	Adapting the sale of unique products to customers of this segment and approaching sections of designated customers in this segment.
Discount	✓ Partially Done	Expanding the use of online channels, focusing on the upgrading of the designated website for customers of this segment - "Business +" and a designated application for business customers.
Discount	✓ Done	For 2018 a goal of up to 18% was determined for justified complaints, out of all complaints received by the Bank and complaints received through the Bank of Israel.
	✓ Done	At least 30 financial education activities at branches/organizations.
	✓ Done	A financial education lecture for freelancers.
	✓ Done	Leading in customer satisfaction in using the banking application.
	✓ Done	Increasing the number of versions in the year, as a tool for rapidly providing value to the Bank's customers.
	✓ Done	A financial education activity month was planned for 2018 - four lectures on digital banking aimed at the third-age population.
	✓ Done	Intensifying operations in the small business segment - increasing the customer base while focusing on reducing the customer attrition rate, increasing the number of customers using banking products and increasing the ratio of customers accepting credit.

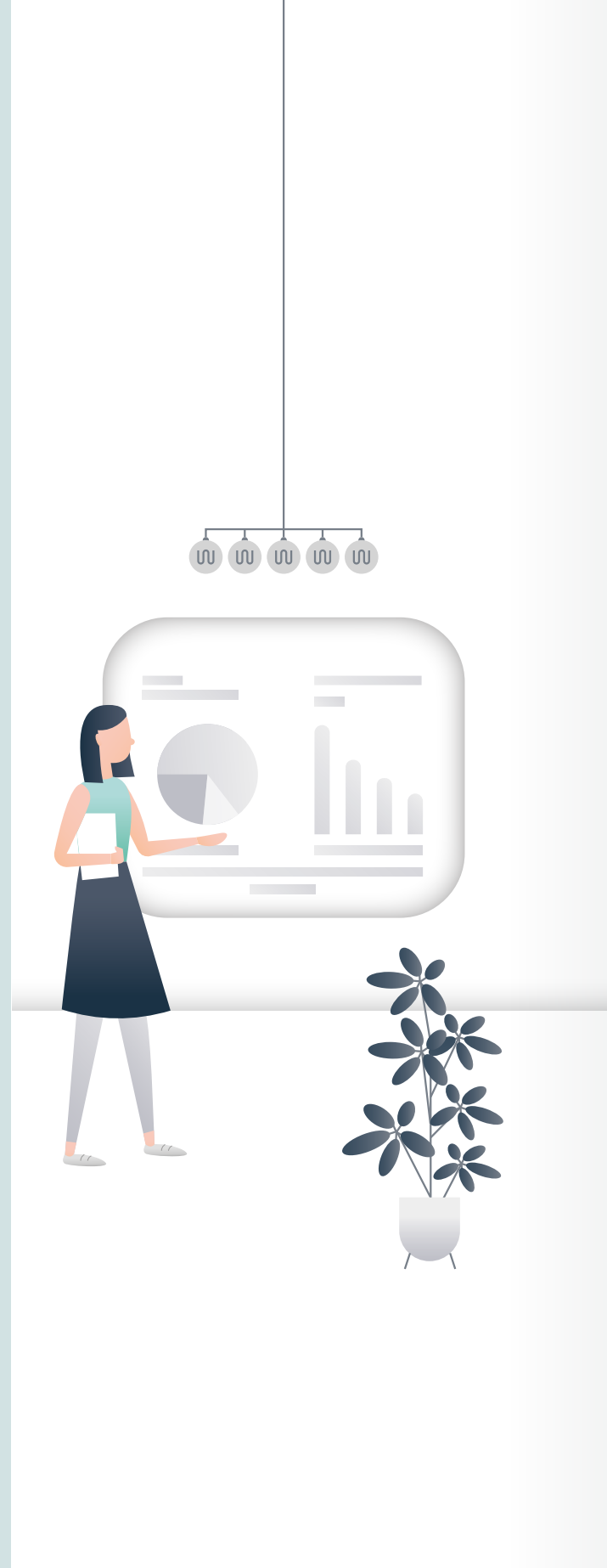
FUTURE GOALS

		Opening an information website in English, which - from the aspect of the information - will be identical to the operations website in Hebrew.
Discount		Lectures to youngsters in conjunction with the "Sprint" association and lectures aimed at persons about to enter the third age, in conjunction with the Banking Supervision Department.
		Collections from households and small businesses - conducting a pilot mediation project on debt cases, prior to instigating legal proceedings.
		Performing a periodic accessibility examination of service, buildings, infrastructures and environment, that will be conducted by the Accessibility Coordinator.
		A new app aimed specifically at business customers.
		Seven new versions of the business app.
		An increase in the number of versions of the app for individuals in a year, as a tool to provide value to customers.
		Maintaining a high level of customer satisfaction in using the app.
MDB		Opening an additional branch to serve the ultra-orthodox (Haredi) population in Beit Shemesh.



05 THE EMPLOYEES

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9,407

EMPLOYEES AT DISCOUNT GROUP

5,489

EMPLOYEES AT DISCOUNT BANK (INCLUDING EMPLOYEES ON UNPAID LEAVE AND ON MATERNITY LEAVE)

45

AVERAGE AGE OF DISCOUNT BANK'S EMPLOYEES

16.1

YEARS - AVERAGE SENIORITY AT DISCOUNT BANK

61.4%

OF DISCOUNT BANK'S EMPLOYEES HAVE ACADEMIC EDUCATION

50%

WOMEN IN MANAGEMENT POSITIONS

THE EMPLOYEES

THE BANK ADOPTED A POLICY OF DIRECTED MANAGEMENT OF PERSONNEL, BASED ON THE UNDERSTANDING THAT HUMAN CAPITAL IS A CENTRAL FACTOR IN THE BANK'S PROGRESS AND SUCCESS. THEREFORE, THE BANK WORKS TO DEVELOP THE HUMAN RESOURCE FROM A LONG-TERM PERSPECTIVE, BY MEANS OF AND LAYING A FOUNDATION FOR OUTSTANDING, FORERUNNING LEADERSHIP, EXPRESSED AS A BASIS FOR THE ORGANIZATION'S EMPOWERMENT AND GROWTH



NURTURING OF HUMAN CAPITAL POLICY

→ It is important to us to take pride in our workplace and we therefore promote a challenging, supportive and pleasant work environment. We believe in the people that we work with and invest in making them stronger ("the Discount Spirit").

Discount Bank adopted a policy of directed management of personnel, based on the understanding that human capital is a central factor in the Bank's progress and success. Therefore, the Bank works to develop the human resource from a long-term perspective, by means of and laying a foundation for outstanding, forerunning leadership, expressed as a basis for the organization's empowerment and growth. Concurrently, the Bank places emphasis on promoting the realization of the professional and personal aspirations of its employees, by providing them with a range of career-development opportunities, while focusing especially on developments in the labor market of the banking world - at present and in the future.

The Bank operates many systems that support the development and nurturing of the human resource, including sophisticated evaluation and feedback mechanisms. The management training and development systems assisting, inter alia, employees in coping with the professional and managerial challenges they face. Discount Bank also attaches considerable importance to the welfare of its employees and takes measures to promote this, through varied enrichment opportunities during free time and through providing social and economic support in times of crisis for its employees and

the members of their families. The Bank also participates in financing welfare activities in aid of the employees.

The Bank encourages diversification and equal employment opportunities for underrepresented populations and their integration in suitable positions, while maintaining a fair and respected work environment.

The Bank insists on protecting the dignity of employees, of proper labor relations and on protecting employee rights, in accordance with the law and labor agreements. The Human Resources and Properties Division is responsible, through the Division's staff and through the Human Resources Units distributed throughout the Bank's various divisions, for dealing with employees, which guides the employee from his hiring until termination, including from the aspects of: salary, welfare, occupational development, guidance and professional training, etc..



NURTURING THE HUMAN CAPITAL AT THE PRINCIPAL SUBSIDIARIES IN ISRAEL

MERCANTILE DISCOUNT BANK (MDB)

As is the case for Discount Bank, MDB promotes a people-orientated management policy and acts to nurture its human capital, through the operation of numerous management systems for its development.

ICC

Management of ICC views the human capital as a strategic key in achieving the success of the organization, and accordingly, invest in employee training and development, in their personal and professional progress, in compensating them for qualitative performance, their welfare, their attachment to the business core aims, and in an open dialogue with them with the aim of creating frankness and fairness.

As part of the above, ICC operates on a number of central levels, including maintaining proper labor relations, development, training and the mobilization of employees, the creation of a leading and strong leadership, diversity and equal opportunities and investment in diverse activities for the welfare of employees and their families.

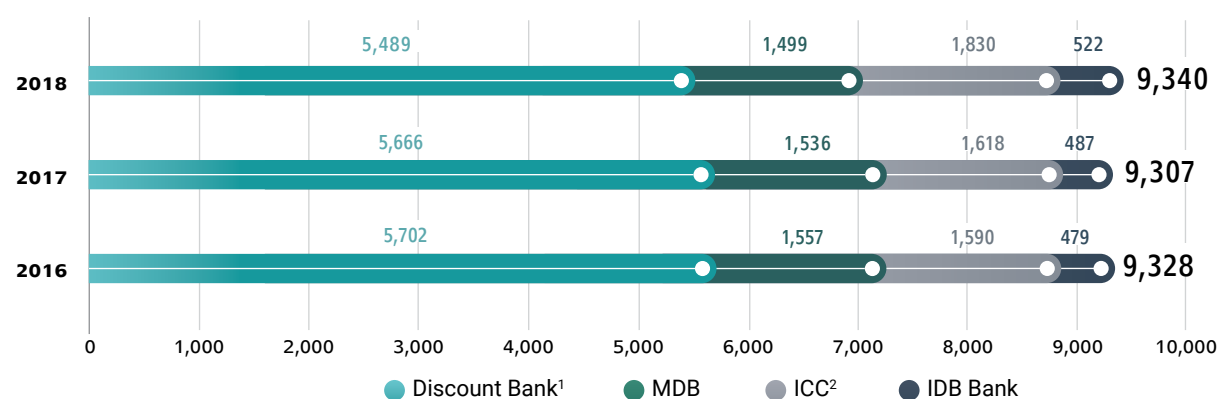
DISCOUNT'S EMPLOYEES

EMPLOYEES OF THE BANK AND THE PRINCIPAL SUBSIDIARIES IN ISRAEL IN NUMBERS

BREAKDOWN OF DISCOUNT BANK'S EMPLOYEES BY GENDER

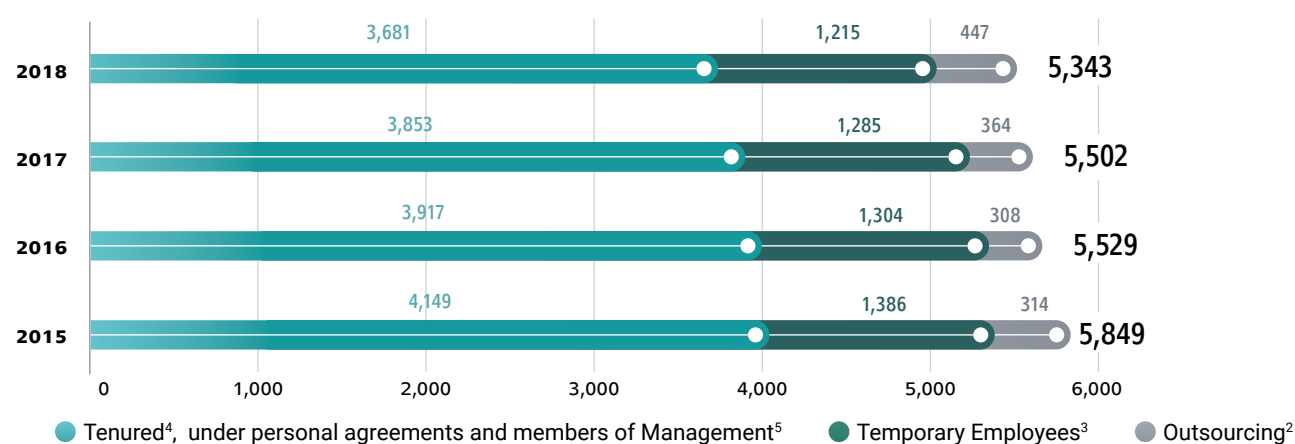


EMPLOYEES OF DISCOUNT BANK AND THE PRINCIPAL SUBSIDIARIES¹⁸



Notes: 1 The data includes employees on unpaid leave and on maternity leave. The definitions data used in preparing the table have been changed. The data for previous year has been changed accordingly.
2 The data for the years 2016-2017 has been improved.

BREAKDOWN OF DISCOUNT BANK'S EMPLOYEES BY EMPLOYMENT CATEGORIES¹



Notes: 1 The data do not include employees on unpaid leave or on maternity leave.
2 Including software houses and workers engaged in the TeleBank service centers.
3 Temporary employees - the employment terms of such employees are mainly regulated in several special collective agreements in which said employees' employment terms and the period of their employment are set forth.
4 Tenured employees - the employment terms of such employees are regulated in the Labor Charter, special collective agreements and various employment arrangements.
5 Personal contracts - employees whose employment terms are anchored in personal contracts with the Bank and for whom the provisions of the Labor Charter and the collective agreements, which apply to employees with the status of "tenured" employees, do not apply.

The growth in outsourcing in 2018 stems mainly from the growth in employing workers at the TeleBank service centers. For additional details regarding the Bank's employment data according to the various categories and the changes that took place therein, see the 2018 Annual Report (pp. 315-317).

AVERAGE AGE AND AVERAGE SENIORITY OF THE EMPLOYEES

	Discount Bank	MDB	ICC
December 31, 2018			
Average age	45.0	44.3	36.3
Average seniority	16.1	16.9	8.3

ACADEMIC EDUCATION

	Discount Bank			MDB		
December 31						
	2018	2017	2016	2018	2017	2016
The percentage of academics within the total number of employees	61.4%	59.4%	57.5%	56.7%	53.2%	52.2%
The percentage of academics within the total number of managers	85.8%	84.2%	82.5%	61.3%	60.0%	56.1%
The percentage of academics within the total number of clerical staff	55.0%	52.8%	50.8%	54.5%	50.2%	50.3%
The percentage of academics within the total number of female employees	58.5%	56.4%	54.3%	56.1%	52.4%	51.7%
The percentage of academics within the total number of male employees	66.0%	64.2%	62.5%	57.4%	54.4%	52.7%

Note: The data does not include employees of software houses.

EMPLOYEE HIRING

Each year Discount Bank hires continuously hundreds of new employees for a variety of positions. The locating of candidates is conducted through a wide variety of hiring means (social networks, the Bank's Internet website, manpower companies, "a friend brings a friend" campaign, employment fairs etc.) - which allow a variety of candidates to expose themselves to the positions being offered by the Bank and to submit their candidacy. In the process of hiring and placement of new employees, emphasis is placed on compatibility between the needs of the candidate, his wishes and values, and those of the Bank.

The placement of employees at the Bank is made solely on a professional basis, while considering the candidate's skills and his suitability for the position, and without involving irrelevant considerations such

as the race, gender, religion, nationality, age or disability of candidates.

The Bank views the transfer of employees between positions as an opportunity for professional development and enrichment of its employees, and encourages such transfers. The Bank publishes on the employees' website, notice of vacant positions inviting employees to submit their candidature.

In 2018, 85% of the executive positions were manned by Bank employees. 59% of the professional positions (which do not comprise of teller positions, service teams or telephonic banking, which are not intended for employment in an outsourcing format and which are not managerial positions) were manned by Bank employees. During that year, ICC manned 76% of the managerial positions and 54% of positions in general, by company employees. During the same year, MDB manned 96% of the managerial positions by bank employees. 95% of the professional positions (which do not

comprise of teller positions and which are not managerial positions) were also manned by bank employees.

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

LABOR RELATIONS

→ Labor Relations at the Bank are based on the Labor Charter, collective labor agreements and the different employment arrangements that are formulated mainly in discussions between the Bank's Management and the employees' representative committee. The year 2018 was marked by good and respectful labor relations that are based on attentiveness and cooperation, while maintaining industrial peace.

Rights of association - The tenured employees of the Bank are organized within the framework of the national Employees' Representative Committee. They are entitled to vote for or be elected to the Committee, and comprise approx. 73.6% of all the Bank's employees, which are not engaged through outside factors.

A majority of employees which are engaged under collective labor agreements¹⁹ - As of December 31, 2018, the Bank engaged 5,343 employees. This figure includes all of the Bank's employees, as well as workers providing services to the Bank by way of different outside factors. Of the above, 4,769 are tenured employees and temporary employees, engaged under collective agreements and constituting

approx. 89.3% of total employees. After deducting the number of workers employed by external factors, the number of employees stands at 4,896 and the ratio of those covered by the collective agreements reaches approx. 97.4%.

Bank participation in the budget of the Employees' Representative Committee

- The Bank contributes monthly to the budget of the Employees' Representative Committee, in an amount of almost triple the monthly amount contributed by the employees. Five of the 21 Committee members are central officers of the Committee engaged on a fulltime basis and receiving a full salary. Employees of the Bank's fulfill different duties within the framework of the activities of the Committee in aid of the welfare of employees, and the Bank even covers in full the costs of office premises provided for use by the Committee. The Bank participates also in financing the operations of the Retirees' Committee in aid of the retirees of the Bank all over the country.

Organizational changes - Item 4 of the collective agreement dated April 2, 2000, in the matter of the definition of the Bank's units, stated that the Bank's Management shall forward its proposals regarding the definition of units and management duties, and a joint discussion will be held during fifteen days from date of forwarding the proposals to the managers' representative committee. At the conclusion of the discussions, if the parties have not reached an agreement, the matter will be forwarded to the Bank's President & CEO, whose decision will be final. The period was shortened from 15 days to 7 days by the collective agreement dated November 30, 2016.

New wage agreement - Following lengthy negotiations that had started in 2018, the

Bank and the Employees' Representative Committee signed on February 21, 2019, a wage agreement.

This agreement as well as the predecessor agreement signed in November 2016, constitute a breakthrough as regards the remuneration method prevailing in the banking sector, being based on monetary wage increments and not on percentage based increments. This mechanism continues to reduce the wage differences and strengthens the future generation of bank employees. For additional details, see the 2018 Annual Report (p.317).

The agreement applies to the years 2019-2022 and includes, apart from wage increments and awards based on returns, also the updating of the maximum amounts of salaries and recreation pay in respect of "B" generation employees, the increase in 2020 of the minimum amount of the monthly wage used for calculating the severance pay to all Bank employees to NIS 6,500, an increase at the rate of 7.5% in the contributions of the Bank to provident funds of most employees, and the provision in full of severance pay (subject to the finality of the provision).

For additional details regarding labor relations at the Bank, see the 2018 Annual Report (pp.315-317).

THE STARTING WAGES

→ The Bank insists on the payment of decent wages to its employees, even in excess of the minimum wage stated by law (which in December 2018 amounted to NIS 29.12 per hour and NIS 5,300 per month). Accordingly, the starting wage for most of the new employees beginning work as temporary employees, was in December 2018, between NIS 29.12 and NIS 35.69 per hour. The starting wage of most employees earning a monthly wage in a temporary status (including tellers) stood in December 2018, at approx. NIS 6,000 per month.

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

WAGE DIFFERENCES BETWEEN FEMALE AND MALE EMPLOYEES

Male wage against female wage¹

	2018	2017
Management	-15.0%	-9.1%
Senior managers ²	5.1%	9.8%
Other managers	6.7%	4.9%
All managers	5.1%	7.1%
Clerks	9.2%	8.4%

Notes: 1 The computation represents the average of wage difference averages in the different employment grades. The comparison is based on payroll data and on the manpower position in December.
2 Branch manager and above.

The comparative table presented above shows that the wage difference was reduced in 2018 compared to the difference prevailing in 2017.



LABOR RELATIONS AT THE PRINCIPAL SUBSIDIARIES

MDB

Labor relations at MDB, except for those having a personal employment agreement, are principally based on a basic labor agreement, "Labor Charter", and complementary collective agreements. Apart from these agreements, Management of MDB and the employees representative committee sign from time to time agreements in respect of specific issues. The terms of employment of members of Management of MDB are regulated by personal engagement agreements.

The collective labor agreements existing at MDB are subject to Section 5 of the labor agreement of May 17, 1968, namely, the validity of the agreement shall be automatically extended for two additional years, unless one of the parties to the agreement informs of his intention to make changes thereto. The rate of workers employed under collective labor agreements in MDB amounts to 91.46%²⁰.

Tenured employees of MDB are organized within the framework of a national representative committee. The ratio of the organized employees, who are entitled to be elected to the committee or to elect the committee's members, is 81.12%.

At the beginning of December 2018, the Management of MDB and the national representative committee of employees of this bank signed a wage agreement for the years 2019-2025. The agreement states, inter alia, that as from January 1,

2019, any wage agreements and updates of terms of employment entered into by Bank Leumi as from that date, shall no longer apply to MDB.

The principal items of the agreement: detachment of the linkage between the wage terms, work terms and related terms applying at MDB from the terms applying at Bank Leumi during the agreement period; in consideration for the said detachment, a onetime award of 2.5 monthly salaries will be paid to the employees; a wage increase at the rate of 3.1% (not including a seniority increment of 0.8%) in each year of the agreement; a gradual updating of the minimum amount of the monthly salary serving as a basis for severance pay.

Organizational changes - The special collective labor agreement of 2002 states that where Management takes a decision to merge branches or groups, the decision shall be brought to the attention of the employees representative committee together with the presentation of the relevant data, and an intensive discussion is to be held with the committee with respect to the implications of the decision upon the employees involved. Management of MDB may act upon the merger decision only after fourteen days have passed since the date of notifying the committee regarding the decision.

ICC

Labor relations at ICC are based upon partnership and trust between Management of the company, the national committee and the employees. A new collective labor agreement was signed in 2016 for the years 2016-2018, which follows the agreements of the years 2011 and 2015.

The first collective labor agreement at ICC, which regulates all labor relations in the organization, incorporates all employees of ICC, excluding department managers,

vice presidents and approximately 40 employees engaged under personal agreements²¹.

The agreement signed in 2016 included, among other things, singular and higher wage increments to employees earning low wages. In addition, changes have been made to the arrangements that had been in practice prior to the signing of the agreement in the matter of "jubilee awards". For additional details see the 2018 Annual Report (p. 318). The agreement expired at the end of 2018, and the parties continued to act in accordance therewith until the signing of a new agreement in June 2019. The wage level at ICC is decided based on accepted criteria in the employment market and in accordance with employee performance.

Organizational changes - The collective labor agreement of 2011 states that the company is entitled to introduce organizational and/or technological and/or operational and or structural changes, such as the merger of units, integration with other centers, the closing down of units in accordance with changing work requirements, etc. Material changes that have a material impact upon the employees would be brought to the attention of the employee representative committee no later than fifty days preceding the planned implementation date of such change. In the case where no agreement has been reached regarding changes that have a material impact upon employees of the company, then each of the parties retains his rights without prejudice.

Work on the day of rest - duty personnel from the IT group, Risk Management, as well as credit representatives, work on rest days specified in the Hours of Work and Rest Act, 1951. Work on these days requires a special permit, which is filed by the company and extended once a year.

IDB BANK

The employees are not members of a labor union²¹.

THE STARTING WAGES AT THE PRINCIPAL SUBSIDIARIES IN ISRAEL

MDB

The starting wage payable to most temporary new employees in 2018 was NIS 32.12 per hour. The basic wage of a new employee amounted to NIS 5,300 per month. It is noted that at this primary wage level, and for similar positions, there is no difference between the wage paid to women and the wage paid to men.

ICC

The company meticulously pays a fair wage, which is in excess of the minimum wage. The beginning basic wage payable to employees starting work as from January 2018, is NIS 5,500 per month in respect of a full-time position. Most employees are also entitled to incentive payments in addition to the basic wage. The beginning wage payable by the company is higher by 3.8% than the mandatory minimum wage.

WAGE DIFFERENCES BETWEEN FEMALE AND MALE EMPLOYEES AT THE PRINCIPAL SUBSIDIARIES IN ISRAEL

MDB

A comparison shows that no gap exists between the average salary of female managers and the average salary of male managers. The average salary of female clerks is lower by 19.1% than the average salary paid to male clerks (compared to 18.6% in 2017).

ICC

A comparison of men's wages and women's wages shows a gap of approx. 20%.

DIVERSITY AND EQUAL OPPORTUNITY

Discount Bank believes that every employee is entitled to fair and equitable treatment, free of discrimination based on race, age, gender, color, sexual orientation, ethnic background, physical disabilities, religion or political affiliation. The Bank encourages diversity and acceptance of the other and takes pains to provide a fair and respectful work environment.

In order to create a tolerant organizational culture and one that is accepting of the other, Discount Bank acts to advance segments of society that are underrepresented in the labor market, including through recruitment of employees from the Minorities society, from the ultra-orthodox (Haredi) society, from Israel's geographical periphery, as well as employees with disabilities.

The Bank's actions to further the realization of its policy:

- > Engaging employees with special needs and integrating them in positions at the Bank in accordance with their abilities and in accordance with the Bank's needs. Discount Bank took this action prior to legislation on this topic going into effect and is prepared to comply with the new requirements on the subject;
- > Employment of persons coming from underrepresented populations and their integration in positions at the Bank in accordance with the Bank's needs;
- > Cooperating with bodies that specialize in employee recruitment and placement in order to advance and integrate employees from these segments of the population in an adapted work environment;
- > In the employee selection and

recruitment processes, which are performed using selection and engagement systems customary in the market, emphasis is placed on finding a congruence between the needs, wishes and values of the candidate and those of the Bank.

ENGAGEMENT OF EMPLOYEES FROM THE ARABIC SOCIETY

As part of the Bank's aspiration to promote the employment of populations that are under-represented in the labor market, the Bank has started to cooperate with the initiative "Collective impact" - which aims at encouraging the employment of persons belonging to the Arab sector and their progress. An in-depth diagnosis has been made by representatives of the initiative at the Bank's Neshet Call Center. The Bank is acting to integrate the recommendations of the diagnosis.

EMPLOYMENT OF PERSONS FROM THE ULTRA-ORTHODOX (HAREDI) SOCIETY

A distinctive team of ultra-orthodox female employee is engaged by the online banking unit ("TeleBank") at Discount Bank. The team was formed in 2013, and is engaged in responding to phone calls regarding diverse banking matters made by all Bank customers. Most of the candidates have no prior employment background or experience. They are being trained in banking matters, including training regarding a computerized work environment unfamiliar to them, and integrate into employment at the call center as Bank employees with a status of temporary employees.

This act included the cooperation of a Rabbi, who instructed the Bank as regards preparing offices and special work environment suitable for the needs of women from the Haredi society, as well as providing transportation from and to their place of residence. A female

employee was appointed as head of the team and at the end of 2018, the team numbered 17 employees. It should be noted, that during the years a number of female employees from among the team had been promoted to other positions within the framework of TeleBank (such as compliance, Internet support center and the mortgage center).

EMPLOYMENT IN PERIPHERAL AREAS

As part of the encouragement of employment in peripheral areas, the Bank has established during 2016 in Neshet a Call Center. The operations of the TeleBank call center in Neshet, within the framework of which are employed persons belonging to different sectors of the population, Jews, Arab, Muslims, Druze and Christians, were enlarged to a large extent in 2017. The Neshet extension serves as the central extension of TeleBank, and as at December 31, 2018, numbering 124 employees, of which 32% belong to the Arabic society. This employee population is progressing in the development routes of TeleBank creating diversity in the work teams and in the managerial echelon (the said data include employees engaged by the extension on outsourcing arrangements).

During the last quarter of 2017, the Bank began transferring a part of the telephonic banking operations to outsourcing basis, the scope of the operations conducted in peripheral areas being among the considerations for choosing the companies participating in the project. A teleprocessing center in Dimona started operations in December 2017, and a new call center was opened in Kiriyat-Gat during 2018.

At present, the number of outsourcing workers at the extensions amounts to approx. 100 employees, all of whom, as stated, are engaged in peripheral areas, after receiving full training by TeleBank

instructors in cooperation with instructors of the supplier.

The unique contribution to employment in peripheral areas made by the TeleBank centers stems from the fact that it involves the training of employees for up-to-date banking positions, while supplementing knowledge gaps, where required, in contrast to the prevalent approach in peripheral areas, of creating employment opportunities in the traditional industries.

EMPLOYMENT OF RETIREES

Retirees of the Bank wishing to return to work, are employed at the TeleBank and in the branches, finding in it an additional rationale to their daily routine. These retirees have integrated within the framework of the different centers and provide service to customers of the Bank. The Bank employs retirees at the branch network in banker and teller positions. The Bank profits from the knowledge and experience which the retirees bring with them, while the retirees enjoy the young and varied work environment.

MULTICULTURAL ENVIRONMENT

As seen from the above description, TeleBank operates in a multi-sector environment, crossing age, community and religion. As a result, the Telebank Management applies measures creating acceptance perception within all sectors. This is expressed in unique training, in the adaptation of goals and assignments in accordance with strengths and abilities, in designated ceremonies, and in noting the Holidays of all religions (Jewish, Christian, Muslim and Druze).

In 2018, TeleBank stepped-up its understanding of the needs and the modification of social activities at the center for employees of the sector, with a multi-sector and deep perception integrating the Holidays of all religions together - Chanukah alongside Christmas,

noting the month of Ramadan including an Iftar meal at the Center to break the fast, an event in honor of Ramadan at the President's House for Discount employees of the sector, and more.

IN ORDER TO CREATE A TOLERANT ORGANIZATIONAL CULTURE AND ONE THAT IS ACCEPTING OF THE OTHER, DISCOUNT BANK ACTS TO ADVANCE SEGMENTS OF SOCIETY THAT ARE UNDERREPRESENTED IN THE LABOR MARKET, INCLUDING THROUGH RECRUITMENT OF EMPLOYEES FROM THE MINORITIES SOCIETY, FROM THE ULTRA-ORTHODOX (HAREDI) SOCIETY, FROM ISRAEL'S GEOGRAPHICAL PERIPHERY, AS WELL AS EMPLOYEES WITH DISABILITIES

Furthermore, TeleBank receives support and leading professional assistance from the "Collective impact" company, which aspires to promote employment in the business sector within the Arab society.

EMPLOYMENT OF EMPLOYEES WITH DISABILITIES

→ Employment of persons with disabilities is a central issue of importance in the Bank's activity in aid of the community in Israel, even before the Expansion Order, encouraging and enlarging employment of persons with disabilities, entered into effect. As part of its policy in the matter of employee recruitment, and the shaping of the Bank's organizational culture as being tolerant and as one that accepts the other, the Bank promotes acceptance of persons with disabilities and their integration in positions at the Bank in accordance with their capabilities and the Bank's needs.

In accordance with the provisions of the Expansion Order, the Bank appointed in January 2014, an officer responsible for the employment of persons with disabilities.

In accordance with the collective labor agreement signed in November 2016 by the Bank and by the representative committee of the employees, 48 temporary employees with disabilities, who had already been employed by the Bank for several years, were converted into the status of permanent employees of the Bank, thus promoting and securing their employment position, as is the case with all permanent employees, and since then, they are escorted on a current bases at the units in which they are positioned.

In accordance with the instructions of the Follow-Up Committee established in terms of the general collective labor agreement in the matter of employment of persons with disabilities, applying to the Bank, the Bank joined entities engaged in recruitment and placement of workers with disabilities, such as the rehabilitation group of the Ministry of Defense and the "Esek Shaveh" initiative, which guide business sector organizations in promoting employment of person with disabilities.

Furthermore, the Board of Directors of the Bank has approved in 2018, a work plan that includes the formation of a recruitment plan and the prioritization of employment and advancement of persons with disabilities.

SUMMARIZED EMPLOYMENT DATA REGARDING THE UNDERREPRESENTED POPULATIONS IN THE LABOR MARKET

→ The Bank's policy does not require Bank employees to provide details regarding their affiliation to particular population groups, such as those mentioned below. Accordingly, the Bank has no data regarding employees having the following characteristics, and the data presented below constitutes an estimate based on the sources stated below.

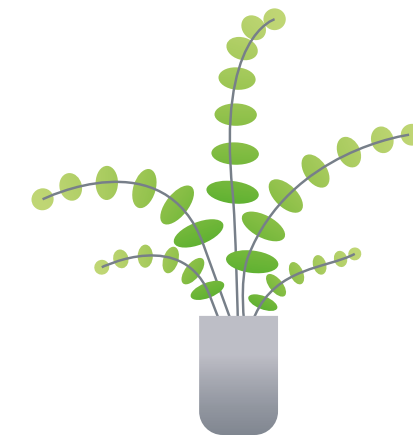
> **Arabs** - the estimate stated below is based on the number of employees electing to take their vacations on Moslem, Christian,

Druze and Cherkess holidays.

> **Ultra-orthodox Jews ("Haredi")** - there is no clear definition of the term "Haredi". Many Bank employees maintain the Jewish tradition to one degree or another and a number of them would definitely define themselves as "Haredi". Therefore Discount Bank and MDB have no data in this respect.

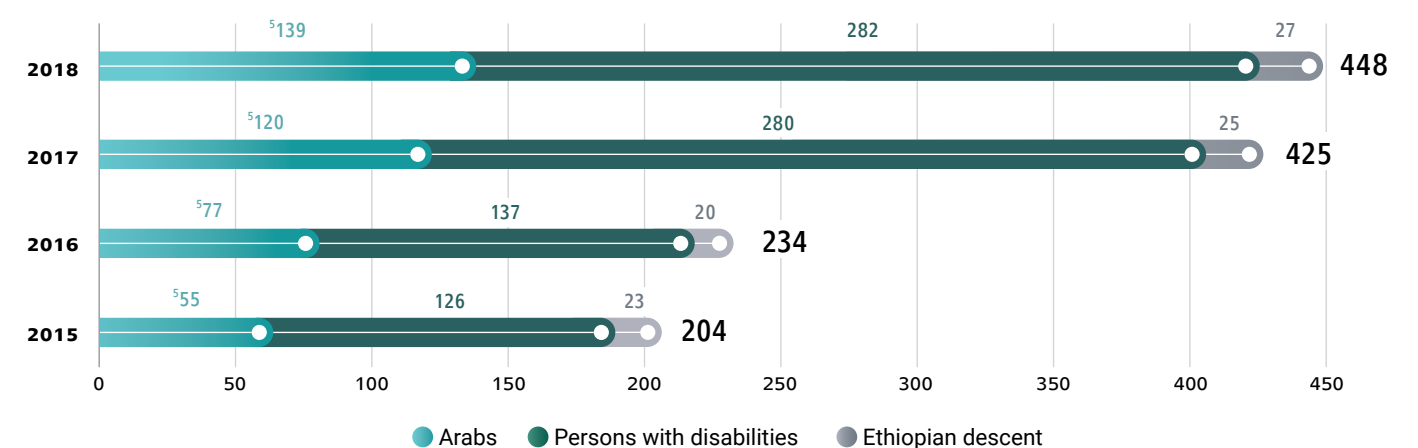
> **Persons with disabilities** - the estimate stated below is based on the following sources: employees engaged as part of a special effort to employ persons with disabilities. In addition, a review has been made of employees reporting withholding tax exemption due to having disabilities and reviewing the number of employees reporting the holding of a disabled certificate. The said estimate does not include absent employees due to lengthy illness and employees engaged on part-time basis due to lengthy illness. This evaluation does not comprise measurement in accordance with the Expansion Order.

> **Ethiopian descent** - the reported estimate is based on the number of employees who had elected to voluntary state their country of origin.



EMPLOYMENT OF UNDERREPRESENTED POPULATIONS IN THE LABOR MARKET²²

Discount Bank



- Notes:**
- 1 The data is not in accordance with the Expansion Order.
 - 2 A wide-range improvement was made in 2017 regarding the counting of employees in the different categories. It was not practicable to make the aforesaid improvement in the 2016 data, retroactively, and accordingly it should be emphasized that Discount Bank's data for 2017 and 2018 is not comparable to the 2016 data, and it should not be concluded that the difference in the data reflects a net recruitment in 2017.
 - 3 For details regarding employment of older employees (50+), see employee annexes in the "Epilogue" Chapter.
 - 4 The estimate of persons with disabilities excludes staff employed on a part-time basis due to prolonged illnesses.
 - 5 The data was improved in 2018. The data for the years 2015-2017 was improved accordingly.

DIVERSITY AND EQUAL OPPORTUNITY AT THE PRINCIPAL SUBSIDIARIES IN ISRAEL

MDB

Engagement of employees from the Arabic society - MDB is one of the major employers in the Arabic society. Most of the managers and staff of the bank at 35 branches located in northern Israel and in other parts of the country (such as: Rahat, East Jerusalem, Wadi Nisnas in Haifa, Kafr Qasim and more) are of Arabic society. In addition, members of the Arabic society are employed in various positions at the bank's head office.

Employment of persons from the ultra-orthodox (Haredi) society - MDB has a number of branches in Haredi populated areas, and many of the male and female staff at these branches belongs to the

Haredi sector. Female and male staff of the Haredi sector are also employed at the bank's head office.

Employment of employees with disabilities - MDB engages employees with disabilities and continues to prepare for the implementation of regulations in this respect. For this purpose, the bank has appointed an officer responsible for the employment of persons with disabilities. According to the work plan in this matter, the bank held in 2018 exposure meetings for the Management and other factors of the bank and a letter regarding this matter was distributed to employees of the bank.

The bank also held meetings with several bodies engaged in recruitment and placement of employees with disabilities. In addition, the bank has joined the "Esek Shaveh" initiative, which assists organizations of the business sector in the promotion of employment of persons with disabilities.

ICC

Engagement of employees from the different segments - In this framework, ICC operates a service and sales center in Upper-Modi'in, serving as an integral part of the service department, adapted to the needs of female employees of the ultra-orthodox (Haredi) society, residing in the area. At the same

time, ICC maintains constant relations with associations that engaged in integrating different populations into the workplace, including "Kav Mashve" Association encouraging employment of academics from the Arabic society, and "Tech Career" Association engaged in integrating workers of Ethiopian origin in technological positions.

Engagement of employees from peripheral areas - ICC encourages employment in peripheral areas. In this framework, a sales and service center was opened in Ashdod, which serves as an employment hub for residents in the area, and helps in the development of the economy in the southern part of the country.

At the end of 2018 the Centers numbered 181 employees (157 employees at the end of 2017).

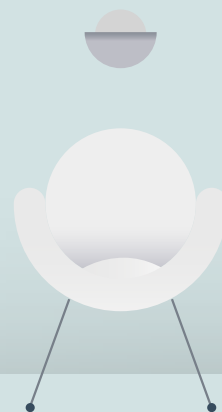
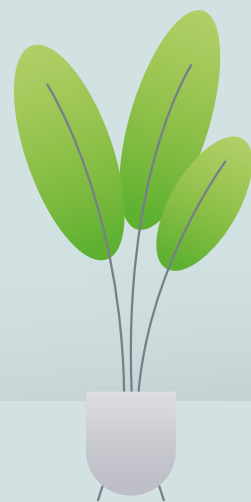
Employment of employees with disabilities - As part of the preparations made in respect of the Extension Order for encouragement and increasing employment of persons with disabilities, the officer in charge of human resources at ICC has been appointed as officer responsible for the employment of persons with disabilities. By means of recruitment and classification, training and apprenticeship processes adapted to their need and capabilities, ICC succeeded

in integrating employees with disabilities in a variety of positions in the different sections of the company.

IDB BANK

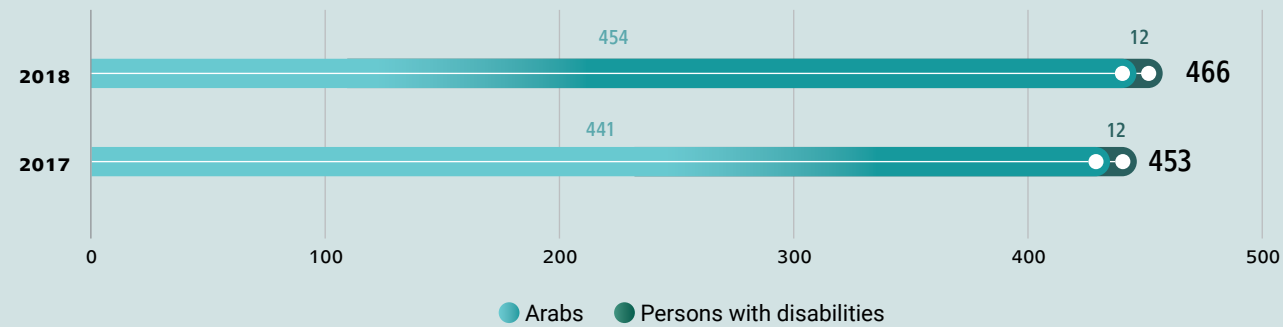
Equal employment opportunity - as discussed in the Code of Conduct of IDB Bank, the bank provides equal opportunities to all applicants and employees without regard to race, color, religion, sex, sexual orientation, national origin, age, disability, genetic status, citizenship status, marital status, military or veteran status or any other legally protected category in accordance with applicable federal state and local law.

Anti-harassment/anti-discrimination/anti-retaliation policy - IDB Bank is committed to providing a professional and productive work environment free of discrimination, harassment and retaliation. The bank will not tolerate discrimination or harassment, including sexual harassment, by any employee, vendor, customer, or visitor or retaliation for reporting or participating in an investigation regarding discrimination or harassment. This policy applies while on bank business, at bank-sponsored events, or when interacting with bank employees off-premises and/or not during normal bank business hours. The bank will take disciplinary action, up to and including termination of employment against anyone found in violation of this policy.



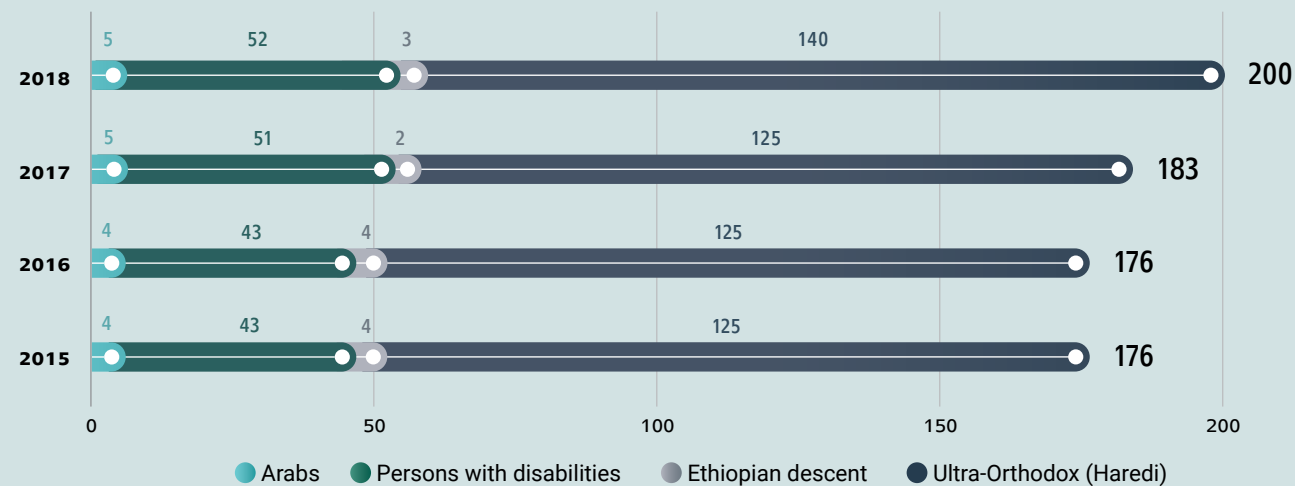
EMPLOYMENT OF UNDERREPRESENTED POPULATIONS IN THE LABOR MARKET

MDB



EMPLOYMENT OF UNDERREPRESENTED POPULATIONS IN THE LABOR MARKET

ICC



- Notes:**
- 1 The data is not in accordance with the Expansion Order.
 - 2 For details regarding employment of older employees (50+), see employee annexes in the "Epilogue" Chapter.
 - 3 The estimate of the number of Ultra-Orthodox employees in ICC is based mainly on the number of employees engaged in the service and sales center in Modi'in Illit.

COMPLAINTS REGARDING DISCRIMINATION OF EMPLOYEES

The Bank's and MDB's Managements have placed emphasis on preventing discrimination, and this principle is applied upon engaging employees, advancing them and determining their wage terms. With respect to the issue of retirement on grounds of age, the Bank, MDB and ICC act in accordance with the law.

No actions claiming discrimination were filed in 2018 against the Bank, against MDB or against ICC.

professional training in the matter of prevention of sexual harassment and the manner of handling complaints, in accordance with legislation.

Clarification of complaints is conducted seriously by the responsible officer, with no delay and in a thorough and discreet manner. In exceptional and sensitive cases the Bank even appoints an external examiner for the clarification of the complaint. In cases where sexual harassment has been established, disciplinary action is taken with full seriousness and severity.

The procedure of the Bank regarding "Prevention of sexual harassment and pestering on sexual grounds at the Bank" is delivered to each new employee of the Bank, is posted on notice boards at the different units of the Bank and is published on the intra-organizational communication website and on the procedures website of the Bank.

The Bank uses comprehensive learning in the matter of sexual harassment, which is distributed to all employees of the Bank once in each period. New employees are required to study the learning, which is mandatory learning within the framework of courses introducing the Bank.

Due to the importance attached by the Bank to this issue, an internal audit is performed once every few years examining the treatment of this matter by the Bank, the last of which was performed in 2018.

Four cases were examined in 2018 - three of which by the responsible officer of the Bank. Harassment at a low level had been found in one of these cases and disciplinary action was taken against the perpetrator. In another case examined by an external examiner, it was not found to be sexual harassment.

The Bank's liability for the payment

MAINTAINING THE RIGHTS OF EMPLOYEES

PREVENTION OF SEXUAL HARASSMENT

The Bank views with great importance the maintenance of a respectful, equitable and safe work environment, which is clean of sexual harassment and pestering on sexual grounds, and acts incessantly to prevent such events within its premises and to handle in an optimal manner cases brought to its attention.

The Bank has appointed an officer responsible for the prevention of sexual harassment, who is in charge of the inquiry of complaints and submission of conclusions and recommendations to the representative of the employer - a position held by the Head of the Human Resources and Properties Division. Also appointed was an additional responsible officer, who serves also as a substitute in case of need, as well as two regional responsible officers (for the Northern and the Jerusalem regions). It is noted that the responsible officer had undergone

of severance pay to employees at the rate of 100%, upon termination of their employment, including at retirement age, as required by the Severance Compensation Act, is fully covered by deposits in severance pay funds as well as by assurance policies.

RETIREMENT AND DISMISSAL

Conducting dismissal procedures while maintaining and respecting the rights of employees

Relations of the Bank with tenured employees, being the majority of Bank employees, are based on the Labor Charter and on agreements with the representative committee of employees, according to which, except in criminal cases, employees may not be dismissed unless in exceptional circumstances. Consent of the representative committee is required for the dismissal of a tenured employee, in the absence of which, the matter is referred to arbitration. From time to time the Bank encourages tenured employees to retire voluntarily prior to reaching retirement age, at preferential terms, as detailed below. A more flexible administrative approach exists in the case of termination of employment of non-organized Bank employees, who are

employed for defined time periods (temporary employees) and/or those employed according to personal employment contracts. The dismissal of employees belonging to the said populations generally takes place at the end of the contractual employment period, or on background of dissatisfaction from the employee's performance or breach of discipline, as well as on grounds of efficiency measures and reductions adopted by the Bank. Termination of employment of whatever reason is effected only after explaining to the employee the circumstances and reasons for the dismissal and giving the employees the opportunity for stating in full their counter-claims, and following serious consideration of each case by the Bank.

The Bank's liability for the payment of severance pay to employees at the rate of 100%, upon termination of their employment, including at retirement age, as required by the Severance Compensation Act, is fully covered by deposits in severance pay funds as well as by assurance policies.

Early retirement

The Bank encourages from time to time the early retirement of tenured employees by approaching defined employee populations

with offers for early retirement at improved terms. The retirement of tenured employees is subject to the consent of the retiring employee and is not compulsory (dismissal), and it promotes goals such as the reduction in the average cost per employee position, the refreshing of the employee lines and efficiency.

In August 2018, the Board of Directors of the Bank approved an efficiency plan, following the outline formed by Management and following an approval in principle by the Supervisor of Banks. In accordance with the plan, some 230 tenured employees would be able to retire prematurely at preferential terms (for additional details see the 2018 Annual Report, pp.187-188).

As part of the integration of the retirement plan, the Bank put at the disposal of prospective retirees pension consulting services provided by an external company, paid for by the Bank, which assisted the employees in their decision whether to accept the retirement offer and which track to choose.

Until December 31, 2018, 134 employees retired within the framework of the plan. Seven additional employees signed retirement agreements in 2018 and retired at the beginning of 2019, all of them within the framework of the plan.

Preparation for retirement

Retirement from work constitutes the end of a chapter in life and the beginning of a new chapter involving changes on the social, economic, psychological and health levels. The Bank offers employees and their spouses workshops for the preparation towards retirement. Participants in these workshops obtain information regarding a variety of subjects, such as a healthy way of life, physical and mental health, nutrition, relevant legal aspects, economic aspects, retiree rights, testaments and inheritance and more. In addition to the workshops, personal consulting is offered to those interested therein.

80 employees participated in retirement workshops held in January 2019 as well as additional 102 employees who had retired under the early retirement plan.

For details regarding employee rights regarding severance pay, retirement and pension payments, see Note 23 section "A" to the 2018 Annual Report (pp. 174-176).

EMPLOYEE CLAIMS RELATING TO LABOR RELATIONS

In 2018, Bank employees filed with the Labor Court two actions against the Bank relating to labor laws. One action has been erased with the consent of the parties and the other has been concluded with the erasure of one of the requested reliefs and with the rejection of the other relief.

Six actions filed in the years 2013-2017 were concluded in 2018: Three of the actions were concluded by verdicts issued by the Regional Court and by an appeal instance, in which the actions had been rejected; one action has been erased and two actions have been concluded in compromise agreements without admittance by the Bank of any of the claims raised therein.

EMPLOYEE REMUNERATION

The principal salary components of tenured employees are the base salary which includes a seniority increment, representation and signature fees for each employee based on his seniority and position. The base salary constitutes the basis for salary increments and for the payment of split working hours' remuneration at the rate of 2.5% of the base salary (for each split working day, to eligible employees), shift remuneration (to eligible employees), overtime and the 13th month salary and long term service award. Some of the payroll components of the employees are linked to the CPI. In cases where the CPI is negative, the employees' wages are not reduced and

DATA REGARDING THE RETIREMENT OF EMPLOYEES

		Total number of retired employees	Of which: number of early retirement employees
Discount Bank ¹	2018	235	157
	2017	106	15
	2016	394	312
MDB	2018	49	18
	2017	37	10
	2016	54	32
ICC	2018	4	-
	2017	3	-
	2016	2	-

Notes: 1 The data relates to tenured employees only.

the negative CPI is setoff against the rise in the CPI in following months. Employees are also entitled to various additional benefits in accordance with their employment status. Bank employees are also entitled to a long-service award equal to several monthly salaries plus additional vacation days, at the end of 20, 30, and 40 years of service in the Bank. A collective labor agreement dated November 22, 2007 specified that new employees shall not be entitled to "long-service vacation" or to wage components for nursery school and summer camp. The item in the collective labor agreement of June 2011, regarding the updating of grading and stages, changed the components and terms mentioned above, applying to tenured employees engaged or converted to this status as from January 1, 2012. In addition, certain components have been cancelled in their respect and maximum salary levels have been determined according to grading.

Working overtime by employees eligible for payment in this respect is contingent on prior approval of their superiors. Attendance reporting at the Bank is made by means of an attendance clock (excluding exceptions).

Most of the Bank's employees are entitled to recreation pay in an amount significantly higher than the amounts provided by law. Employees are also entitled to pension contributions, to provident fund contributions and further education funds contributions, in accordance with agreements signed with the Bank.

For severance pay and provident fund contributions, the Bank includes the basic salary, global overtime for provisions (according to grade), 1/12 of the employee's 13th month salary and other additional benefits. Employees defined as a "pensioner" of the Bank, are also entitled to certain benefits after their retirement.

In accordance with the collective agreement in the matter of pension dated June 2011, a provision of the full amount of severance pay at the rate of 8.33% was determined, including the finality of the provision (pursuant to Section 14 of the Severance Pay Act and with this being in relation to temporary employees and to employees who have become tenured employees after the date of signing the agreement and to veteran employees who have elected this option voluntarily, from the date of their having elected to do so).

In accordance with the Expansion Order increasing the provisions for pension in the economy, starting with July 2016, the share of the employee in provident contributions shall not be less than 5.75% and the share of the employer shall not be less than 6.25%. Respectively, since January 2017 the share of the employee has increased to not less than 6% and that of the employer to not less than 6.5%. The share of the employer in contributions to an insurance fund/provident fund which is not a pension fund will include, if the employee so elects, the purchase of loss of work ability insurance for the employee, on condition that the rate of contributions in the employer's share shall not be lower than 5%. Furthermore, the minimum rate of the employer's share for severance pay shall apply to the full amount of the insured employee wage, at the rate of at least 6%, in accordance with the agreements applying thereto, at the work place and no less than the average wage in the Israeli economy.

> **Payment in respect of public holidays and sabbatical days.** The Bank is closed for business on nine sabbatical days defined by law, as well as on Purim (Jewish holiday) and on the Ninth of Av. In a year in which elections are held for the Knesset or for local authorities, the elections day is also considered a sabbatical day. All Bank employees are being paid in full in

respect of these sabbatical days. For monthly employees, the payment is made without condition of minimum seniority. A minimum service period of three months is required by law for hourly workers. In addition, with respect to employees engaged on an hourly basis, the day of Purim and the Ninth of Av are considered unpaid leave days. Tenured employees, who do not belong to the Jewish faith, are being paid in full in respect of absence on their own religious holidays.

For additional details regarding "remuneration", see "Disclosure according to the third pillar of Basel and additional information regarding risks", which is available for perusal on the Bank's website.

SPECIAL REMUNERATION TO MANAGERIAL PERSONNEL

→ A managerial rank employee who has been promoted is entitled to a 5% salary increase from the salary table (provided that at least 12 months have elapsed since the date of his last entitlement to such increase due to promotion). The collective labor agreement of June 2011, regarding the updating of grading and stages, includes changes in some of the employment terms applying to new tenured employees becoming Bank employees of this status as from January 1, 2012. In this connection, maximum salaries have been determined according to classes in line with the accepted administrative grades at the Bank.

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

AWARDS TO EMPLOYEES AND MANAGERS IN 2018

→ On March 10, 2019, the Board of Directors approved the payment

of an award based on the return to all Bank employees, in an average amount of 1.5 monthly salaries for each employee. The award is paid in acknowledgement of the joint effort leading to the achievements of the Bank in 2018.

For details regarding the award for 2018 to the President & CEO, see the 2018 Annual Report (p. 286).

For details regarding awards to officers in 2018, see the 2018 Annual Report (p.186, item 8).

OFFICERS AND MEMBERS OF THE MANAGEMENT GROUP

The ratios presented in the Table below were calculated in the following manner:

- > Numerator - shows the cost of remuneration as recorded in the financial statements in respect of senior officers in the related year (excluding payroll tax).
- > Denominator - shows the cost of remuneration as recorded in the financial statements in respect of all other Bank employees and contractor employees (excluding officers) in 2018 (and excluding payroll tax), and which have been employed by the Bank at the end of the relevant year.

For the purpose of calculating the cost of employees, it has been assumed that:

1. The cost was grossed-up to a full time position for part-time employees;
2. The average provision customary at the Bank for vacation pay, jubilee vacation pay and pension expenses is expected in respect of an employee earning a median wage;
3. Expenses in respect of severance pay have been included based on current actual cost with no actuarial component.

THE RATIO BETWEEN THE AVERAGE COST OF REMUNERATION OF THE SENIOR OFFICER GROUP AND THE AVERAGE COST AND MEAN COST OF REMUNERATION OF ALL EMPLOYEES²³

The senior officer group ¹	2018		2017	
	Ratio of average cost ²	Ratio of mean cost ²	Ratio of average cost ²	Ratio of mean cost ²
Discount Bank	7.95 times	9.03 times	8.01 times	9.20 times
MDB ³	4.62 times	5.95 times	5.47 times	7.13 times
ICC ³	5.98 times	8.70 times	5.89 times	8.42 times

Notes: 1 Chairman of the Board, President & CEO, members of Management, Internal Auditor.
 2 The remainder of the employees and contract workers.
 3 The format of the calculation was changed in 2018. The data for 2017 has been changed accordingly.

WORK ON DAYS OF REST

In accordance with the Working Hours and Rest Act, employing a worker on the weekly rest days is forbidden, unless permitted by a permit as stated in the Act. Guards and security personnel of the Bank are employed on the weekly rest days according to a general permit issued by the Minister of Labor for the purpose of guard duties on the weekly day of rest. Moreover, the Bank, ICC and a number of companies providing services to the Bank have a special permit from the Ministry of Labor, Welfare and Social Services for the employment on the weekly rest days of computer operators, data protection and standby personnel. The said permit is being extended from time to time in accordance with the terms stated therein.



MAINTAINING THE RIGHTS OF EMPLOYEES AT THE PRINCIPAL SUBSIDIARIES IN ISRAEL

PREVENTION OF SEXUAL HARASSMENT AT THE PRINCIPAL SUBSIDIARIES

MDB

Each new employee beginning work at MDB has to study the learning regarding prevention of sexual harassment and must read and sign the Articles of the company in this matter. The principal provisions of the Law are posted on notice boards, on which are also posted the names of the officers in charge of handling complaints. The Articles are also published on the internal portal of the bank. Any complaint or clarification in this matter is handled discreetly and with complete attention in an optimal and quick manner to the extent possible. In cases where sexual harassment is found punitive sanctions are taken accordingly. Moreover, MDB has appointed a responsible officer in accordance with the Law, who takes charge of the inquiry and submits conclusions and recommendations to the VP Human Resources, who serves also as the representative of the employer for the purpose of taking decisions in the matter.

A complaint was submitted in 2018, alleging sexual harassment in one of the units. The inquiry of the complaint was conducted by appointing an external examiner. The findings of the inquiry did

not indicate sexual harassment, though the conduct of the defendant has been found deficient. In view of the fact that the defendant had terminated his office at the bank on the background of the complaint, prior to the submission of the findings, no disciplinary measures against him have been recommended. Furthermore, the requirement for greater attention at the bank to this matter has been clarified and pointed out, as recommended.

Likewise, an additional complaint was submitted in 2018, according to which, a female employee of one of the units was sexually harassed by a fellow employee of the unit. The process of inquiry of the employees had not brought to light unequivocal findings; therefore no disciplinary measures have been taken, especially as the complainant was posted to another unit for continuation of her employment, with no connection or knowledge of the inquiry being conducted. As a result of the above, the requirement for greater attention to the provisions of the Law by the relevant unit has been clarified and pointed out.

ICC

The officer in charge of prevention of sexual harassment at ICC is entrusted with the inquiry of complaints and submission of conclusions and recommendations to the VP Human Resources, who serves also as the employer's representative for the purpose of taking decisions. Each new employee beginning work at ICC has to study the learning regarding prevention of sexual harassment and must read and sign the Articles of the company in this matter. The principal provisions of the Law are posted on notice boards, on which are also posted the names of the officers in charge of handling complaints. The Articles are also published on the internal portal of the company, and once a year, an all-organizational learning is performed that includes knowledge examination.

In cases where sexual harassment is found punitive sanctions are taken accordingly.

Two complaints were received in 2018 regarding sexual harassment:

1. It came to the knowledge of the employer that an employee of a contractor company supplying services to ICC had been exposed to remarks of a sexual nature made by a supplier of ICC. The inquiry disclosed that no complaint had been submitted and that the information was made known after the engagement had been terminated. Notwithstanding the above, a clarifying and guiding discussion has been held with the supplier.
2. It came to the knowledge of the employer that an email containing material of a harassing nature had been sent to an employee of ICC and to an employee of an outside contractor. The inquiry disclosed that the emails had been sent separately to each of the employees and at different times from different external email addresses. An attempt to locate and connect the source of the email addresses to a specific factor had failed. Furthermore, a conversation held with an employee of a contractor suspected by the offended employees to be the sender of the emails, did not indicate any connection between that person and the emails. The said employees had not filed a complaint and there was no repetition of the case.

RETIREMENT AND DISMISSAL AT THE PRINCIPAL SUBSIDIARIES

MDB

The bank's liability for the payment of severance pay to its employees is covered by deposits with severance pay funds and by appropriate provisions.

Preparation for retirement - 21 employees

of MDB participated in preparation for retirement workshops in 2018.

ICC

The company's liability for the payment of severance pay to its employees, on the accepted basis of one monthly salary for each year of service, is fully covered by deposits with severance pay funds, by assurance policies and pension funds and by the provision recorded in the books of the company. The part of the severance pay not covered by deposits in a defined deposit plan, as stated above, is treated by the Group as a defined benefit plan (within the meaning of the term in accepted accounting principles), according to which, a liability is recorded in respect of employee rights.

EMPLOYEE CLAIMS RELATING TO LABOR RELATIONS AT THE PRINCIPAL SUBSIDIARIES

MDB

Two actions were served in 2017, both claiming unlawful dismissal. The hearing of the two actions have not yet been completed.

ICC

Two actions were served in 2018. One action by an employee of an external company providing catering services to the company. The Claimant alleges that his assignment for work on the company's premises had been rejected on ground of his medical condition (HIV carrier). Another action was filed by a candidate for employment who had been rejected during the recruitment process. This action was withdrawn by the Claimant at the beginning of 2019. For additional details, see the Annual Report of ICC for 2017 (pp. 234-235).

EMPLOYEE REMUNERATION AT THE PRINCIPAL SUBSIDIARIES

PAYMENT IN RESPECT OF PUBLIC

HOLIDAYS AND SABBATICAL DAYS AT MDB

MDB acts in a similar manner to Discount Bank. Furthermore, hourly workers at MDB are granted a day off at the expense of the bank on Purim and on the Ninth of Av.

PAYMENT IN RESPECT OF PUBLIC HOLIDAYS AND SABBATICAL DAYS AT ICC

The company operates in a reduced format on nine sabbatical days defined in the law as well as on Purim. Working on these days are only the employees permitted by a work permit issued by the Ministry of Economics, to work on the Sabbath (approximately 29 employees). Election Day is also a sabbatical day whenever general elections to the Knesset are held. The said sabbatical days are fully paid to all employees. Payment to monthly employees is made with no reservations. Payment to hourly employees is made only if they were scheduled to work on that day. Employees not of the Jewish faith, who are off from work on their religious holidays are fully paid for these days if they had elected them as their sabbatical days.

For additional details regarding remuneration at MDB see "Disclosure according to the third pillar of Basel and additional information regarding risks - additional disclosure as of December 31, 2018" (pp. 100-107 of the Hebrew version). This report is available for perusal on MDB's website.

For additional details regarding the remuneration plan for the CEO, employees and management of ICC, see ICC's 2018 Annual Report (pp. 127-129 of the Hebrew version) and "Additional Disclosure according to the third pillar of Basel" as of December 31, 2018 (pp. 59-66 of the Hebrew version). The said reports are available for perusal on the company's website.

PAYMENT IN RESPECT OF PUBLIC HOLIDAYS AND SABBATICAL DAYS AT IDB BANK

Most of the legal holidays kept in New York State and certain religious holidays kept in Israel are designated as holidays of IDB Bank when they fall on a working day. The Human Resources Department provides employees with a list of the designated holidays each year, which is approved by the Board of Directors of IDB Bank.

AWARDS TO EMPLOYEES AND MANAGERS IN 2018 IN THE PRINCIPAL SUBSIDIARIES

MDB

The award in respect of the year 2018 equaled 1.3 times of the salary on an average. The award was paid in 2019, as follows: 0.45 of the bonus which comprise a fixed component - was paid in April 2019. The balance, being 0.95 of the salary, has been paid later on in 2019.

ICC

ICC paid an annual award in respect of 2018 to managers and employees in accordance with the remuneration policy approved by the Board of Directors. An award in respect of the year 2017 has been paid to all employees and managers, including senior officers. For details regarding remuneration plans for the President & CEO, to company employees and managers, see ICC's 2018 annual report (p. 137 of the Hebrew version).



INVESTING MORE IN EMPLOYEES

HUMAN RESOURCES DEVELOPMENT

Human resources development and the organizational development at the Bank are derived from the strategic focuses, from the focuses of the annual work plans and from the Bank's organizational culture. Thus reinforcing the Bank's ability to address successfully its business and organizational challenges. Accordingly, the development of the human resources in 2018, focused on the following issues:

MANAGER DEVELOPMENT

The changing reality forces the Bank to prepare for changes in the labor world. During 2018, alongside the building and strengthening the managerial echelon of the Bank, through the development of managerial leadership supporting the strategy and the Bank's values, the Bank started the adaptation of development activities to changes in order to prepare managers for the future world.

> **Leadership program for senior managers** - the program for increasing the leadership capabilities of the senior management echelon has been successfully completed, in which participated fifteen selected managers of the "reporting to Management" level.

> **"Executive training room"** - 150 managers participated during 2018 in the "executive training room" - a practical-applicative training increasing the managerial abilities based on the Discount Spirit values. Also conducted was a training program for the strengthening of managerial capabilities for designated populations (most of whom team leaders) for approx. 110 participants.

> **"Managerial reserve"** - selective training for a position in the primary managerial grade. In 2018, the Bank began the development and adaptation of training for leadership challenges and the skills required in the changing reality marked by uncertainty, by building preparedness for the digital era, by developing agile abilities, by managing employee generation gaps and by the ability to analyze, understand and adapt business information - all this in order to provide value to customers.

> **"Managerial drive"** - assimilation of a management concept that enhances employee effectiveness through creating a connection and enabling conditions. In 2018, activity was conducted at 5 Wings, for the mapping of an organizational situation report for the purpose of forming and improving a plan.

> **Building a broad reserve for key positions** - securing business continuity and compliance with the requirements of Proper Conduct of Banking Business Directives by means of management and reduction of risk in key positions. In 2018, the Bank conducted a process for the identification of key positions and key personnel at the Bank - employees having unique expertise at the know-how level, control of systems, processes, etc., or having such extensive influence, which might put the Bank at risk in case of their departure. Measures have been formed for the reduction of risk in respect of the identified key personnel, and detailed plans have been designed for risk reduction, which are in different stages of implementation.

> **Managers' website** - Strengthening management professionalism by means of current publishing of articles/tools/TED video clips in the matter of management.

464

MANAGERS

participated in the meeting in which the vision and values of the Discount Spirit had been introduced

99%

AN AVERAGE ANNUAL RATE OF SATISFACTION

from instruction courses

1,070

OF THE HEAD OFFICE STAFF

enriched their knowledge through the "choosing to learn more" initiative

105

EMPLOYEES

representing branches have participated in a workshop for the prevention of violence at the branches

80%

OF BANK EMPLOYEES

have participated in professional and behavioral instruction sessions

PERSONAL PROGRAMS

The personal development programs are conducted in a number of ways: Assisting and advising managers entering a new position and/or advising and on the job managerial training. During 2018, some 120 managers obtained assistance in addressing the challenges of the position, or as part of a team development process, or assistance regarding other organizational changes.

PROFESSIONAL TRAINING

In 2018, training has been focused on three main issues: preservation of professional qualifications and training for positions, integration of strategic projects in the organization and the formation of an infrastructure for the conduct of effective learning.

> **Preservation of professional qualifications and training for positions** - During this year, a comprehensive response was provided for professional needs by means of training that dealt with the qualification of employees for core banking positions, as well as ongoing on-the-job training. Included in the above, is an enrichment program for investment consultants at the Bank ("University for

consultants"), a learning program for the development and preservation of professional achievements in the credit field, training sessions for bankers in the digital fields and accessibility workshops for new employees (34 workshops provided training for 338 employees and managers).

> **Integration of strategic projects in the organization** - during 2018, the Bank focused on the integration of CRM systems in the Banking Division, on the integration of a new credit system in the Corporate Division and on the integration of the Code of Ethics in the organization (for more extensive information regarding the integration of the Code of Ethics, see the Chapter "Discount Spirit").

> **Formation of an infrastructure for effective learning** - in the fourth quarter of the year, the Bank started a pilot for the examination of the effectiveness of digital learning, based on the Kirkpatrick Model.

> **An additional learning infrastructure integrated in 2018 was the "Choosing to learn more" initiative** - a series of short lectures, by internal and external lecturers, where the student chooses the lecture that interests him and independently registers to it.

DATA REGARDING AVERAGE ANNUAL TRAINING HOURS PER EMPLOYEE

	2018	2017	2016	2015
Frontal instruction days	26,052	29,536	26,335	26,130
Interactions of self-study	43,757	37,016	39,914	37,200

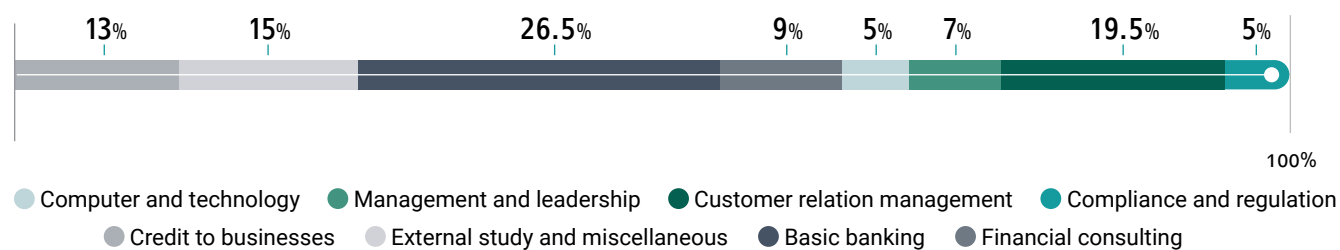
AVERAGE ANNUAL TRAINING HOURS PER EMPLOYEE¹

	2018	2017	2016	2015
Average training hours				
Clerk	36	40	35	35
Manager	38	35	28	31
Total	37	39	34	34

Notes: 1 The data is based upon the number of employees at end of year. The data relates to frontal instruction only.

The growth in training hours for managers in 2017, stems mostly from activity for the formation of the vision and values of Discount Bank.

TRAINING DAYS AT DISCOUNT BANK



NURTURING EXCELLENCE AND PROVIDING FEEDBACK

In accordance with the Bank's strategy, which encourages performance culture and cultivating excellence, several remuneration mechanisms have been determined at the Bank intended to appreciate and compensate outstanding employees, who had attained their business goals and awarded high appreciation marks by the annual performance evaluation measures. In this framework, the Bank conducts different competitions, at the branch and regional levels, and Vice Presidents award remuneration to outstanding employees at the different divisions, as well as special remuneration awarded annually by the President & CEO to a number of outstanding employees, at a festive ceremony held at the Bank, in addition to integration and

employee motivation processes conducted on a current basis. Furthermore, in 2018, outstanding managers were selected and undergone professional training at IDB Bank.

An emphasis on the determination of personal performance goals for all employees was placed in 2018, these being derived from the work plan of the Bank and its strategic focuses. Towards the performance of the evaluation process, the Bank has conducted training sessions regarding the process designed for new evaluation managers as well as refreshing knowledge sessions for senior evaluation managers.

> **Feedback interviews** - The feedback conversations comprise an annual process forming a most important management tool in guiding and

motivating employees. The feedback interview is intended to survey an employee's performance and functioning during the past year, to retain and reinforce the strengths and achievements, to identify what needs improvement and to set goals for the upcoming year. At the same time, the feedback conversation is an opportunity for open dialogue with the employee.

The process during 2018 emphasized the integration of the Discount Spirit values. The requirement for the setting up of goals and the linking of goals from the level of senior Management to the employee level has been communicated and integrated in the process. The process of performance evaluation and feedback in respect of the performance for 2017 was conducted in 2018.

Following the drawing of conclusions and benchmark, the Bank formed during the second half of 2018, a new performance evaluation process (towards the 2019 appraisals) which is goal oriented and focuses on forward looking and on future development directions.

In 2019 the performance appraisal and feedback process was conducted in respect of performance in the year 2018. The said evaluations were performed in respect of 99% of employees.



ORGANIZATIONAL CULTURE AND DIALOGUE WITH EMPLOYEES

In 2018, the focus was placed on the design of a change supporting

organizational culture, with an emphasis on performance and service. The Bank acts to promote dialogue and openness with its employees. The dialogue is conducted through a number of central channels.

FaceBank

An organizational portal, in the format of news sites on the Internet. This allows updating on news and current updates at the Bank, and invites an open dialogue with senior Management on subjects that are the center of discussion in the organization. Since its establishment, the FaceBank was used, among other things, for providing current updates to the employees regarding the new strategic plan and regarding cross-organizational projects operated within the framework of which, and for reporting news regarding the marketing and services field. FaceBank includes, among others, a designated site "Human resources for you", which includes detailed information regarding employee rights, training and development programs, social responsibility, and more. The portal is managed by the Bank's Spokesperson, a fact that allows full synchronization between the external information layout and the intra-organizational information system.

Organizational internal communication

The Bank is investing in the development of open and two-sided communication with its employees, while strengthening their relations and commitment to the strategy and goals of the Bank. With a view of broadening employees' knowledge and understanding as to the Bank's total activities and to promote performance, a variety of communication lines were also used during 2018, including 'Senior Forum' - a quarterly meeting led by the President & CEO; "Morning magazine" - a weekly television newscast presenting subjects standing at the core of the Bank's endeavor.

"The Managers" website - An internal website, which contains tools and content for managers for the integration of cross-

organizational processes stemming from the Bank's strategic plan, as well as enrichment and development content. The website is open to the entire manager population of the Bank. During 2018, the distribution frequency of the content was increased, including reading and perusal of different material: professional articles (in Hebrew and translated), TED video clips, different tools for personal appraisal and improvement and work tool for employee management. In addition, when the organization holds events considered as cross-organization events, the website presents auxiliary and explanatory material (such as guiding and preparatory pages regarding a performance evaluations event, background material for the assimilation of the Code of Ethics, etc.).

Communication with the Senior Forum -

The Bank operates a designated channel for communications with the Senior Forum at the Bank and at the Group. The Forum consists of some 120 executives in the Group who, through this channel, receive current updates and reports on a daily basis.

"Round tables" - In order to be attentive to the needs and challenges arising at the Bank, "face to face" meetings of the President & CEO or of one of the members of Management are held with managers and employees.

"Management in the field" - Monthly tours by members of Management visiting the branches and field units, accompanied by members of their senior staff.

94.5%

OF EMPLOYEES

participating in the surveys have expressed high satisfaction from the service of the "Human resources for you" Center



The "Human resources for you" Center -

Within the framework of a move for the upgrading of the service provided to Bank employees by the Human Resources and Properties Division, the "Human resources for you" Center was launched in order to serve as one clear address for all Bank employees with respect to any approach in the matter of human resources, and to provide a uniform and professional response to all approaches. The operation of the Center allows also control over the response time to employee approaches. Approaches to the Center may be made through different routes: telephone, email or service envelopes.

During 2018 some 13,449 approaches were received (an increase of 27% as compared with 2017), of which 2,104 approaches by telephone and 11,315 approaches by email. Approx. 81% of the approaches were with regard to attendance and payroll. Service surveys conducted by the Bank show that 94.5% of employees participating in the surveys have expressed high satisfaction from the service.

POSITION SURVEY

In recent years, within the framework of the participation of the Bank in the BDI survey - "100 best places of employment", a survey is being conducted with participating Bank employee relating to their position on issues relevant to the Bank. The results of the survey are analyzed according to various sections based on divisions of office/field, age, gender and seniority. Multi-annual trends in the organization are also analyzed as well as trends in comparison to the benchmark of the financial system, in order to identify differences and concentrate efforts to reduce them, respectively.

The survey relating to the year 2018 was conducted in December 2018. Data

collection was conducted online by way of a system of surveys, and covered approx. 20% of all Bank employees.

PROMOTING THE EMPLOYEES' WELFARE

Welfare services operated in the Bank

Ever since its establishment, Discount Bank has been known as an organization having special sensitivity to the needs and welfare of its employees. Already in 1976, the Bank began to operate welfare services in an institutionalized manner, becoming one of the first organizations in the economy to do so. The welfare services at the Bank serve as a connecting and supplementary link in addition to the community services. The very foundation of the Bank's supportive welfare field is to take a position that positions the Bank as one which sees itself as a partner to the difficulties of its employees and wants to assist them as much as possible in dealing with them.

Treatment and prevention in two circles are integrated into the supportive welfare field, as follows: assisting the individual - the worker and his family and the development of welfare programs and to groups of employees having a joint interest.

Assisting the individual

The Bank aspires to assist the individual in coping in a better way with his/her problems and needs, so that he/she will be able to function properly both at home and at work, in good times and in bad. In this framework, the Bank employs two welfare officers who are at the disposal of the employees in providing assistance and treatment in personal, familial, health, economic matters etc.

Further support channels include:

- > Providing information on and referrals to services in the Bank and the community in order to make the most of rights and/or treatment, as needed;
- > Preparation of social reports, as a

recommendation for the Bank's internal assistance funds;

- > Advising the officers in charge in facing difficult situations and special events;
- > Accompanying employees in case of death of a first degree family member, including insertion of an internal obituary notice, sending a funeral wreath and providing condolence set to the bereaved family.

The referral to the welfare services of the Bank is generally done by the employee himself, or by referring parties, such as supervisor, human resources manager in the unit, peers at work, etc. In 2018, the Welfare Unit dealt with 765 enquiries (821 enquiries in 2017).

> Managers' involvement in treatment process -

The Bank encourages the involvement of the immediate superior in assisting an employee in distress with the professional support and guidance of the Welfare workers.

> Treatment of group pressure situations -

Support and assistance in a pressure situation, such as war, terror events, robbery or sudden death of an employee, is accompanied at times by group therapy, which provides a solution for the mutual need or difficulty of a group of employees, simultaneously, in addition to and as a complement to



individual counseling. In 2018, some 11 events of group pressure situations were treated (17 events in 2017).

Welfare and leisure programs

As part of the aspiration for the cultivation of the human resources in the organization and the maintenance of the familial work environment characterizing the Bank, the Bank invests in the welfare of its employees, accompanies them at the significant crossroads in their life, notes personal events and looks after their welfare also outside working hours. In this framework, the Bank gives presents to employees on Holidays, birthdays, weddings, birth of an offspring, Bar/Bat Mitzva, enlistment of employee children, completing 25 years of service, etc. Furthermore, a festive event in collaboration with the representative committee of the employees is held for children of employees starting first grade together with a present (school bag and contents).

Varied enriching and leisure activities -

The Bank offers its employees different after work activities, workshops and lectures on various subject adapted to all Bank employees and their families, at different locations around the country.



In 2018, there were 6,100 participants in these activities, compared with 5,887 participants in 2017 (the data does not include pre-retirement workshops and participation in trips).

PROMOTING HEALTH

The Bank views with great importance the promotion and maintenance of its employee's health. As part of promoting this issue the Bank offers its employees the opportunity of medical examinations, participation in sports activities and enjoying healthy nutrition. The Bank also strictly conducts environmental tests in accordance with the law.

Medical tests - In 2018, some 150 employees received blood insurance by donating blood, (148 employees in 2017). 140 employees, retirees, and their spouses had medical survey tests performed in 2018, (188 tests in 2017). In 2018, some 225 tests were performed on the Bank's athletes (220 tests in 2017).

The Bank's employees and family members are entitled to participate in medical and dental insurance arrangements under improved terms. This matter is being handled by the Employee Representative Committee.

Sport activities - the Bank has 24 sports teams registered with the Workplace League representing the Bank in different sport competitions.

Healthy nutrition - Insistence on employee health includes their nutrition and tests are performed on the quality of the food served in the Bank's units. Likewise, the meals served at the Discount College and

at the Head Office units offer dietetic and healthy choices.

Work environment tests - The safety officer of the Bank performs occupational environment monitoring tests, control over performance of occupational medical tests as well as tests regarding suspicion of electromagnetic radiation stemming from the electricity network or due to air quality in the work environment. These are performed by qualified external entities and by the relevant performance factors at the Bank. Furthermore, the safety officer initiates tests for radiation caused by the electricity network and tests of air quality following the identification of hazardous factors by safety surveys performed at the Bank's units. In 2018, 23 electromagnetic radiation tests, five air quality tests and four Radon gas tests were performed.

SAFETY IN THE WORKPLACE

Section 41 of the Labor Charter states that the Bank shall adopt all measures required to maintain physical work conditions preserving the health of the employee in his work.

The Bank has appointed a safety officer who coordinates the safety and occupational health issue at the Bank. Each year, the Bank distributes to all its employees a safety learning, which includes information regarding hazards at the Bank's premises and branches, and inter alia, encourages the employees to identify hazards at their work environment and report them to the competent functions. The Bank operates a safety test program for the identification of hazards and for providing a safe work environment, as well as maintaining the safety of customers visiting the Bank premises.

Designated employee populations, such as: storekeepers, maintenance staff, etc., have been trained with respect to hazards that are mostly encountered by them.

Within the framework of maintaining the safety of employees in their workplace, the Bank has established a group of safety trustees at the branches and Bank premises, who perform current safety tests at their units. Accordingly, environmental tests are performed from time to time for the identification of hazardous factors, and for maintaining a safe and healthy work environment for Bank employees. Where safety events are discovered, these are examined and investigated in order to maintain a continuous improvement process in the matter.

The Bank does not have a safety committee, nevertheless, the manager in charge of the Properties and Construction Group conducts periodic discussions on safety matters.



INVESTING MORE IN EMPLOYEES IN THE PRINCIPAL SUBSIDIARIES

HUMAN RESOURCES DEVELOPMENT IN PRINCIPAL SUBSIDIARIES

MERCANTILE DISCOUNT BANK

During 2018, the Bank promoted management and leadership training, as follows:

Locating reserves

The bank has conducted a process for locating management reserves from among bank clerks and department heads, in order to secure qualitative professional/executive continuity at the bank, for supporting medium and long-term planning process at the bank and for supporting the administrative and professional development of employees and managers. The mapping process at the branch layout of 75 branches, at the investment consulting layout, at the ultra-orthodox (Haredi) business center and at five regional managements was completed in 2018. In total, 136 department heads and 586 bankers had been evaluated, by means of interviews with unit managers and designated evaluation centers. The implementation has begun of the organizational and individual insights regarding the training and development processes and the human resources

processes with a focus on planning and placement.

Managerial development

Training of managers - A course was held in 2018 for training of employees for their first managerial position, in which thirteen new managers participated (mostly from the branch network).

Newly appointed managers are accompanied by a tutor manager as well as assisted by an organizational advisor. In 2018, some 4 new managers were assisted.

The establishment of regional investment centers has been supported by five investment center team leaders, who conducted a forging process for the work teams of the new investment centers.

The managerial staff of 55 branches obtained service management tools, and the change was led by a workshop accompanied by organizational consultants at the branches, being part of the integration of the managed service and the CRM system.

Apprenticeship Skills - two workshops have been held for the development of apprenticeship Skills for managers, with the participation of seventeen department heads at the branches who had not participated in the workshop in the past.

Following the locating of reserves, the development process has begun. Eighteen managers have participated in a workshop providing tools for personal and managerial development and have received a summing-up of the insights

from the process pertaining to their units.

Professional training

The learning supports the implementation of the bank's business strategy and comprises a necessary layer in the training of an employee for his duties and in maintaining his professional qualifications and in improving his performance. Professional development and training are conducted in accordance with the procedures and policy, while maintaining an up-to-date knowledge and internal control, risk management and compliance, required for the promotion of a uniform standard of professional level in aid of providing full service to customers.

Integration of the compliance culture

As part of the support of this process, a variety of frontal and digital learning activities have been conducted in 2018, and self-study layouts at the branches have been developed and fifteen study sessions were held for branch managers, compliance trustees and bankers. In addition, a risk management learning course was held for some thirty participants, who are considered key factors in the field.

As part of the support in this process, a variety of frontal and digital learning activities were held in 2018, and self-learning layouts at the branches were developed. Compliance conference for compliance trustees at the branches with 169 participants, fraud conference for 120 branch and Head Office units representatives and fourteen seminar days for branch managers, compliance trustees and bankers were held. Also conducted were 41 training sessions for the compliance functions at the units of the bank, with a focus on the branch network.

76% of employees participated in non-teleprocessing training on the various sites of the bank.

48% of the non-teleprocessing training activities were conducted at the branches and at the Regional Managements (excluding tutorial training).

The number of frontal instruction hours amounted to 42,800. In addition, 19,300 interactions were made in self teleprocessing study.

52.7

AVERAGE STUDY HOURS per employee at MDB



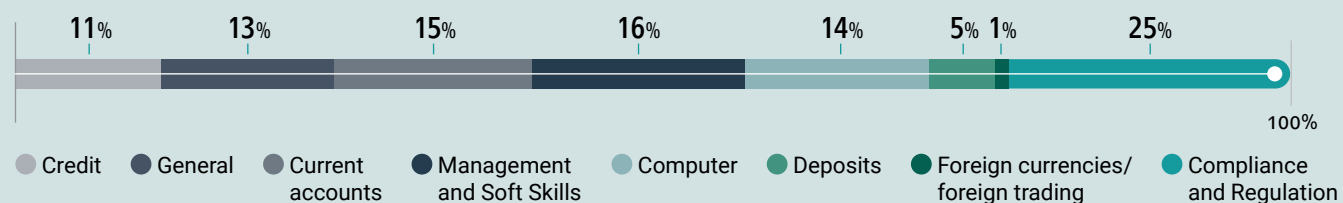
ICC

ICC runs a managers' development program, which provides tools and skills to managers helping them to lead their units to success. During 2018, some 30 managers participated in the program (64 managers in 2017). 13 managers participated in the "Synergy program", a development program in cooperation with JOINT Israel, which combines managers in ICC with board members of associations and social organizations designed for members of management and departmental managers.

Management of ICC believes in the development of the executive echelon. Some 70% of the managers of ICC have grown within the company into managerial positions. Several programs are in operation in order to develop the executive echelon:

- > **Development program for managers entering office as well as for managers already in office;**
- > **Managers meeting (expanded**

TRAINING DAYS AT MDB - 2018



Approx. 81,400 organizational study hours were conducted in 2018, of which 18% being teleprocessing learning²⁴.

24 Does not include "on-the-job" (OTJ) tutorship

management forum) - once in every quarter meetings are held for the updating, forging and strengthening of the executive echelon;

- > **Executive training room** - enrichment learning meeting regarding a variety of subjects, the aim of which is to continue and develop and cultivate managers and provide them with management tools and skills;
- > **Inspiration creating communication for managers** - designated communication delivered on a monthly basis, dealing with the different world of management and include articles/lectures/ TED videos and more;
- > **Development of managers entering office** - Managers' training course entering their first managerial office in the organization. During 2018, some 30 managers participated in the course (in 2017 - 26 managers).

Personal development

Personal attention is provided by the organization to managers entering managerial positions, as well as in case of organizational changes, as part of the change management process. ICC operates an assistance and support program for managers upon entry into a first managerial position, which includes personal attention, an absorption kit and an orientation workshop that reviews all knowhow and professional factors supporting the appointee in his duties as manager. In addition, ICC operates

assistance for managers as support for organizational changes - following the conduct of a diagnostic process, a designated development and training program is devised.

CAL College

An organizational training program for the development and enrichment of the employee, allowing each employee to register and participate in a variety of professional courses and training programs suitable to his position and his personal and professional needs. The courses and training programs are advertised on the company's Internet portal and include: technological courses and training programs, proficiency workshops and meetings in matters of process management and knowhow in the credit field. Existing alongside this program is a training program regarding the organization as a whole, covering cross-organization matters, including business projects, regulation and employee duties. In view of the fact that the company focuses on credit, many training programs have been conducted in this matter: strengthening of knowhow and skills regarding the sale of credit within the general representative population.

IDB BANK

Professional level employees are sponsored by the bank to complete their continuing education credits to uphold their professional licenses. In addition,

there is online training that is required for Compliance and Regulatory purposes and as best practice in the financial industry. Lastly, IDB Bank released an online training system named Udemy to its employees, which allows participation in training courses in different fields of interest. Participation in these courses forms a part of the personal development of the employees.

NURTURING EXCELLENCE AND PROVIDING FEEDBACK IN THE PRINCIPAL SUBSIDIARIES

MDB

The Bank grants appreciation and remuneration to outstanding employees. The annual promotion of employees includes a differential component which appraises and encourages excellence.

The annual feedback discussions serve as a platform for the evaluation of employees, their performance and commensurate remuneration with the aim of encouraging a culture of transparency and dialogue that fortifies the obligation of the employees towards the organization focused on results, and comprises a tool for the identification and nurturing of excellence.

In 2018 an evaluation was made in respect of 100% of employees. Feedback discussions were made in respect of 99% of the employees. As in every year, a conclusion drawing session was held in order to improve the process.

ICC

ICC views excellence with importance and encourages its employees in this respect:

- > **Ongoing performance measurement;**
- > **An annual and semi-annual employee evaluation process,** which sets professional and personal development targets as well as measurement of performance in the past year (evaluation

in respect of the previous year is performed at the beginning of each year. Mid-year discussions are held in the months of July/August);

- > **The granting of an annual award based on the annual employee evaluation;**
- > **The "Proactive" excellence program** - esteem for outstanding workers of the different departments, and an annual esteem program for selected outstanding workers of the company, which includes a gift, public esteem and a luxury trip abroad for the "Proactive" team.

During 2018 two processes of evaluation and feedback were held. The annual evaluation and feedback process - this process is conducted at the beginning of the year and includes a forward looking evaluation and feedback focusing on both personal and organizational growth. The process assists in focusing the personal capabilities of each employee in a manner that would contribute to personal growth and for the realization of the company's strategy,

Evaluation of employees was made in 2018 using a form reflecting the skills required from employees and managers for achievement of the strategy and business goals. The annual evaluation and feedback process for 2018 included conversations and provided a summing-up evaluation for 100% of the company's employees taking part in the process (all employees participate in the process, excluding new employees).

IDB BANK

Performance Evaluations - Generally, annual performance of employees is evaluated by their department supervisor or manager at the end of each year. This evaluation incorporates factors, including, but not limited to, the quality and quantity of their work, attendance and punctuality, their cooperation with the members of the department, and their ability to achieve

DATA REGARDING EMPLOYEE AND MANAGER TRAINING INPUTS AT ICC:

Type of training	Population	2018 (hours)	2017 (hours)
Entering the position	Managers	28 hours per manager	28 hours per manager
	Employees	8 hours per employee	8 hours per employee
	Representatives ¹	198 hours per Representative	232 hours per Representative
On the job training	Employees and managers	16 hours per person	16.5 hours per person

Notes: 1 A "representative" is defined as one who provides telephonic service to customers (service representatives, service and sale representatives, trading house service representatives, etc.). Representatives receive intensive training for about one month, upon entering this position.

compliance with Bank rules, regulations, policies and procedures. The evaluation is discussed with the employees and any areas requiring improvement are brought to his attention.

The manager conducts a mid-year performance evaluation, which, inter alia, includes: what's working well, what could be working better and how the employees are performing against their objectives.

All new employees are initially subject to a probation period of 90 days in order to evaluate their performance during that period.

Incentive Compensation Plans - IDB Bank implements Incentive Compensation Plans to reward employees for their performance. There are specific plans designed for each Line of Business as well as for the administrative functions.

ORGANIZATIONAL CULTURE AND DIALOGUE WITH EMPLOYEES IN THE PRINCIPAL SUBSIDIARIES IN ISRAEL

MDB

MDB has an employee Intranet portal, which includes extensive information serving and enriching its employees. The bank is upgrading the intra-organizational communication in order to maintain an open and two-way communication with the employees, while strengthening their commitment and linkage to the strategy and the goals of the bank. In order to sense the mood, challenges and questions of employees, meetings at various levels, group discussions and round-table feedback processes, Management in the field trips and visits to branches are conducted, similarly to Discount Bank.

ICC

ICC invests in ongoing and open communication with its workers and managers, in order to increase the sense

of relationship between the workers and the organization, their acquaintance with the company's activities and strategy and the strengthening of the bond between them, as part of the advancement of targets and the company's business growth. Communication includes a variety of means, including:

- > Organization wide visual communication (on computer screens, screen savers and posters);
- > The quarterly extended management forum;
- > Round table meetings of the different grades with the CEO;
- > Campaign for the encouragement of internal mobility of employees and progress to an additional position in the organization.

The organizational Internet portal of ICC allows every employee to find all the information regarding the terms of employment, the collective labor agreement, employee benefits and welfare, rules of conduct, current updates, possibility of direct approach to the CEO, and more. The portal includes, inter alia, professional knowhow with respect to the company and its products, the Cal College program for professional enrichment and training, managers portal, open positions and the process of the online submission of candidacy, the employee representative committee website and hundreds of professional information sites.

Integration of Organizational Ethics

ICC views with great importance the maintenance of organizational ethics. The code of ethics of ICC comprises a valued identity of the organization, according to which the employees are required to conduct themselves with responsibility, integrity and in accordance with proper rules of conduct, which serve as a basis for the current operations and the business success of the company.

Meetings on the subject of "Ethics, decency and fairness" were held in 2018 within the framework of manager development courses conducted during the year. For additional details regarding the Code of Ethics, see the Chapter "Discount Spirit" and the ICC website.

Position Survey

In recent years ICC participates in the BDI survey "100 Best Companies to Work for". The results of the survey were analyzed according to different sections and an analysis was made of multi-annual trends within the organization and trends as compared with the benchmark of the financial sector in order to identify gaps and concentrate efforts for reducing them, respectively. No such survey was conducted during the years 2017-2018. Approximately 37% of company employee participated in the survey conducted in 2016, resulting in ICC rising to the 26th place in the rating.

Every two to three years, ICC conducts an organizational employee survey. The most recent of these was conducted in 2016 with 93% of the employees participating therein.

The survey results are presented to the company's Management as well as to all manager, and are serving as a basis for preparing a comprehensive plan is devised for the gaps, both at organization and unit levels. The position survey serves

as a supporting tool for managers of the different units in order to introduce improvements both at the personal management level and at the cross-unit matters level.

WELFARE ACTIVITY AT THE PRINCIPAL SUBSIDIARIES

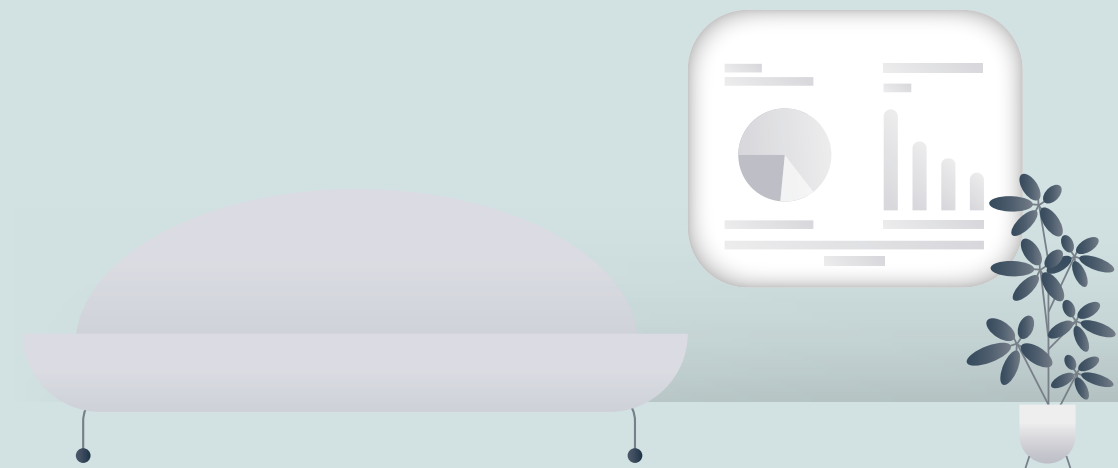
MDB

As regards the individual and the family, the bank invests in annual vacation, finances summers schools during vacations, finances higher education for employees and their children and so forth. Bank employees enjoy the service of a cafeteria and of subsidized catering services. In addition, the Employee Committee holds once a year a bonding leisure day for all bank employees in an amusement park, noting the children of the workers who are starting first grade and gives them gifts.

At exceptional events (such as outbreak of war) the bank assists and supports employees located in inflicted areas by providing psychological support, hotel accommodation where required, and accommodation at other employees of the bank.

ICC

Over and above wage terms, ICC provides diverse benefits and services designed for the welfare of employees and their families. As regards the individual and his



family, ICC invests in annual vacations, in gifts for children of employees enlisting the IDF, financial assistance in case of need and more.

Furthermore, employees enjoy subsidized catering services, cafeteria, periodic bazaars for the sale of products at reduced prices, a variety of enrichment activities and lectures on different topics.

Furthermore, in a similar fashion to Discount Bank, ICC accompanies its employees at sensitive moments in their lives and provides assistance on the death of a first-degree relative; it encourages managers to be involved in the treatment processes and in assisting an employee in distress.

IDB BANK

The bank provides a qualitative program for employee benefits, which includes health, dental, vision, life assurance options, as well as different Employee Assistance Program and various Disability programs, all as governed by the federal law regarding benefits to retired employees (ERISA) and by federal, State and local legislation.

PROMOTING HEALTH AT THE PRINCIPAL SUBSIDIARIES

MDB

MDB employees enjoy a social safety net, which includes a variety of insurances: life assurance for employees and spouses, health insurance, surgery insurance, personal accident insurance, dental care insurance for employees and family members, and loss of work ability insurance for employees. Bank employees of a determined age and seniority are entitled to a comprehensive medical checkup.

MDB invests in encouraging rich sport activities in different fields and it promotes ten sport teams registered with the Workplaces League, which represent the bank in the "Sportyada" sport games.

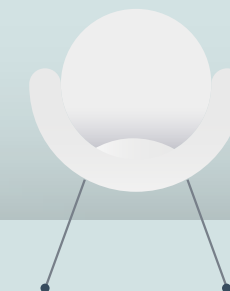
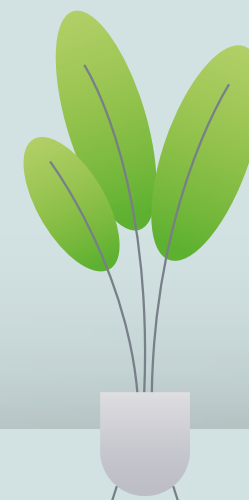
The bank performs tests for the existence of radon gas, as required.

ICC

The handling of safety and hygiene in ICC is similar to that performed at Discount Bank. Similarly to 2017, two radiation and air quality tests were conducted in 2018 at all the company's premises. Likewise, at least once a year, radiation surveys and routine periodic surveys of work conditions are performed.

ICC employees enjoy significant health benefits, which include periodic medical examinations, medical insurance, and psychological attention. Entitled to medical tests are all employees of age 35 and over with at least one year of service with the company. The company organizes twice a year blood donation by employees, and once a year offers employees flu vaccination.

In addition, ICC operates a workout gym and classes and invests in encouraging a rich sport activity in many spheres. ICC has four teams registered with the Workplaces League, competing in different sport competitions, in which fifty employees and managers participate.



SAFETY IN THE WORKPLACE AT THE PRINCIPAL SUBSIDIARIES

MDB

MDB has appointed a work safety officer as required under the Organization of Labor Inspection Act, 1954. The bank has devised a safety policy, internal safety checks have been conducted, and procedures have been written regarding this subject.

As part of his duties, the safety officer coordinates the safety, hygiene and fire subject, performs examinations at the branches and provides guidance concerning deficiencies requiring rectification.

ICC

The manager of logistics and assets at ICC is responsible for the safety field. For this purpose, the company is being assisted by an independent external safety consultant for the current operation of the whole safety field. As part of the company's work plan, mandatory study material on the subject of safety and hygiene is distributed annually to all employees, which includes, guidelines regarding the manner of conduct intended to minimize the number of accidents at the workplace.

The Company has a safety committee, which in accordance with Regulations meets at least eight times in each year, reviews the safety reports, uncovers deficiencies and monitors the treatment of safety deficiencies. The safety committee at ICC is composed of three to four managers, seven to eight employees and the external safety consultant.

IDB BANK

IDB Bank is compliant with all Federal and State, as well as local Laws and Regulations as it relates to safety in the workplace, this include annual fire drills, emergency evacuation procedures in accordance with the local requirements for all the bank's work sites.

GOALS

GOALS PRESENTED IN PREVIOUS REPORT

Discount Bank	✓ Done	The translation of the multi-annual strategic plan into a human resources strategy, including specific planning of resources the definition of new engagements, identification of redundant engagements, changing the recruitment profile.
	✓ Done	The adaptation of leadership and management concepts for the implementation of the strategic plan, to the continuation of the realization of the "Discount spirit" and to the management of the change in the digital environment.
	✓ Done	Encouraging the concept of organizational learning and personal responsibility for development and qualification. Encouraging significant career changes, training for changing tasks and development of digital skills.
	✓ Done	Creating an open, clear and structured dialogue for the construction of personal goals for employees. Assistance in identifying opportunities for development and professional growth.
	✓ Done	Creation of employment opportunities in peripheral areas, including training and apprenticeship enabling successful integration into the banking world.

Mercantile Discount Bank	✓ Done	Continuation of effective management of the labor force and its cost.
	✓ Done	Assistance for the branches in the processes for the continuing upgrading of services to customers - Accompaniment of the procedures in continuation of the transfer of operations from the branches to expert centers, in order to step-up both the activities and the business development of the Bank, as well as, in continuation of this move, improvement and upgrading of service level at the branches.
	✓ Done	Providing supportive tools to the bank's units. Development and enrichment of employees by means of training, mobility and personal development.
	✓ Done	Efficiency and saving. As part of the manpower management at the Bank in 2018, the Human Resources Division continues to support efficiency and saving measures conducted at the Bank, from the aspect of human resources.

FUTURE GOALS

Discount Bank		Translation of the multi-annual strategic plan into the human resources strategy, including specific planning of the resources, definition of new tasks, identification of redundant tasks, change of the recruitment profile.
		Adaptation of the management and leadership concepts to the implementation of the strategic plan, to the continuation of the implementation of the "Discount Spirit" and to the management of the change in the digital environment.
		Encouragement of an organizational learning concept and of a personal responsibility for development and training. Encouragement of significant professional career change, training for changing tasks and development of digital skills.
		Creation of an open, clear and structured dialogue for the construction of personal goals for the employee. Assistance in identifying opportunities for development and professional growth.
		Creation of employment opportunities in peripheral areas, including training and apprenticeship enabling successful integration into the banking world.

Mercantile Discount Bank		Continuation of effective management of the labor force and its cost - the principal challenge in the years 2019-2020 was the strict and restraining management of the labor force and its cost, in a way that would ensure efficiency and restraining of the payroll expense.
		Accompanying the branches in the process for the continuation of the upgrading of customer service - accompanying the processes at the branches with the aim of creating maximum availability of the bankers for the continued development of the business of the Bank and for granting an upgraded service experience to customers (by way of continuing the improvement and upgrading of the level of service and of the professional level of the bankers).
		Providing supporting tools to the units of the Bank - development and empowerment of the employees by means of instruction, mobility and personal development.
		Efficiency and saving - Continuation of the support given to efficiency and saving processes conducted by the Bank, from the view point of the human resource.

06 SUPPLIERS

Promotion of Responsible
Procurement

140

Goals

145



SUPPLIERS

DISCOUNT BANK VIEWS WITH IMPORTANCE THE LONG-TERM CREATION OF VALUE FOR ALL ITS STAKEHOLDERS, AMONG WHOM ARE ALSO ITS SUPPLIERS, AND THEREFORE THE BANK TREATS THEM WITH INTEGRITY, FAIRNESS, CONCERN AND RESPECT



PROMOTION OF RESPONSIBLE PROCUREMENT

Discount Bank has made a commitment to conducting business fairly and to acting on the basis of professional and personal integrity. Discount Bank views with importance the long-term creation of value for all its stakeholders, among whom are also its suppliers, and therefore the Bank treats them with integrity, fairness, concern and respect.

The Bank strictly honors its agreements with suppliers and non-adverse utilization of its position towards them, endeavors to prevent damage to integrity, prohibits the granting of benefits and favors, promotes transparency and fair competition, maintains confidentiality and data protection and does everything possible to prevent corruption and improper conduct.

Discount Bank chooses suppliers on the basis of professional, objective and businesslike considerations, while striving for engagement with suppliers meeting the following requirements:

- > Compliance with and maintenance of the provisions of the law;
- > Strict observance of legal and fair employment conditions;
- > Maintaining the quality of the environment;
- > Having an ethical code and a commitment to its values;
- > Adhering to the norms and standards described in the Bank's Code of Ethics.

The base of suppliers of Discount Bank includes different suppliers operating in various areas and having different volumes

of operation, who provide the Bank with products and services on a current basis and in accordance with demand.

Procurement at Discount Bank is mostly performed in a centralized manner for all units of the Bank, by means of the Central Procurement Department, operating as part of the Planning, Strategy and Finance Division. The Department is responsible for the formation of a procurement specification for the internal customers, where required, and for locating suitable suppliers, screening them, obtaining offers, conduct of negotiations, engagement and ongoing servicing of relations with them.

The Procurement Department is responsible for both technological purchases and general purchases. The procurement of manpower services, including manpower in the technological field, is the responsibility of the Human Resources and Properties Division. The procurement of property or its rental is the responsibility of the construction and real estate department, being also a part of the Human Resources and Properties Division.

As part of the department's ongoing operations, existing agreements are re-examined and new procurement requirements are challenged.

The procurement process is being fully

mechanized, from the stage of setting-up the request and until the stage of issuing the order to the winning supplier, thereby bringing transparency to the whole process, including the commercial discourse with the suppliers. The making of the information accessible to the functions at the Bank who approve the issue of the order allows an insight at all stages of the commercial negotiations, from the stage of the primary price offer and until the conclusion of the transaction, including an in-depth assessment of the alternatives.

ETHICAL CONDUCT REGARDING SUPPLIERS

The Bank approaches suppliers inviting them to submit price offers. The Bank chooses providers of services under bidding processes, while strictly maintaining the confidentiality of the submitted offers, beginning with the identity of the offerors and ending with the contents of the offer, while aspiring to increase the trust of the offerors in the procurement processes.

Already during the bidding stage, the Bank agrees with its suppliers the terms of payment, in accordance with the date of delivery of the goods or services. Furthermore, the Bank strictly adheres to the agreed payment dates, in order to maintain proper business relations and cooperation with its suppliers. It is noted

About
94.6%
OF THE PURCHASES
made by the Bank
are from suppliers
operating and
employing workers
in Israel.

5%-6%
OF ICC'S
total purchases are
foreign purchases.

About
45%
OF THE BANK'S OPERATING
AND OTHER EXPENSES
excluding payroll
expenses,
in 2018¹.

2,430
SUPPLIERS
with whom the Bank
conducted business
in 2018, in a total
amount of approx.
NIS 1.4 billion.

Note: ¹ A major part of the non-payroll expenses is with respect to the acquisition of products and services from entities in Israel – local manufacturers and service providers, and importers of products that are manufactured overseas.



that the payment process is controlled and that it is being conducted in accordance with the commercial terms agreed upon when ordering the products and services.

The content of this section applies also to MDB and ICC.

FAIR EMPLOYMENT AND SAFEGUARDING RIGHTS OF CONTRACTORS' EMPLOYEES

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

In 2012, the Intensification of Enforcement of Labor Laws Law, 2011 took effect, the aim of which is "to intensify enforcement of labor laws and make them more effective". The Law imposes a broad responsibility on employers, as purchasers of services, for the enforcement and safeguarding of the rights of personnel engaged on their premises in guard, security, cleaning and catering duties. Moreover, the Law prohibits entities ordering services from entering into contracts with contractors where such contracts do not guarantee basic wage terms for the personnel involved.

The Bank strictly observes the fair employment of persons working at its premises and the violation of rights of outsource workers is taken seriously. The engagement contracts with companies providing cleaning and security services comply with the provisions of the law.

In the engagement agreements of the Bank with providers of services, the contractors are required to confirm, among other things, that they abide by the provisions of the Intensification of Enforcement of Labor Laws.

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

It should be noted, in particular, that upon changing service suppliers in these areas, a comprehensive examination is performed to ensure that contractors' employees whose employment had been terminated, receive the full rights due to them in respect of their period of engagement with the Bank.

No complaints were filed against the Bank and ICC by contractors' employees in 2018. One complaint was filed in 2018 by a contractor's employee in MDB regarding the non-payment of wages. The complaint was referred to a payroll inspector for checking and it was found that the employee's claims were baseless.

PROMOTION OF A RESPONSIBLE SUPPLY CHAIN

In recent years, Discount Bank, in conjunction with the Maala Organization, has approached selected suppliers, having a medium size scope of operation, with an offer to join the activities of the Organization and to increase their commitment to the raising of standards and their potency, and to increase their responsibility all along the supply chain, while at the same time maintaining quality and excellence in the services/products being supplied. It should be noted that a number of suppliers have responded favorably to this initiative.

At the beginning of 2018, the Bank approached 12 of its large suppliers suggesting that they join the initiative, and ultimately two companies joined the Maala rating.

SOCIAL PROCUREMENT

To the extent possible, the Bank, MDB and ICC engage with parties employing handicapped persons or those with special needs. The Bank's procurement of gifts for the holidays is done through a supplier ("Hameshakem") that employs employees with disabilities. Individual and welfare gifts are bought from companies and associations that promote the integration of employment of persons with disabilities. Wine is bought from the "Tulip" Winery, which is defined as a supplier that operates according to a social business model and employs persons with disabilities. As a rule, the Bank stringently endeavors approach suppliers that show an affinity for this topic. MDB and ICC purchase from associations, such as AKIM, Beit Issie Shapiro and others, at Chanukah and Purim, personal packages of sweets, which are distributed by employees of MDB during their different activities in aid of the community. The total scope of this type of procurement is not material.

ICC has worked consistently over many years with "Hameshakem" Company, engaging it for work suitable for handicapped workers and those with special needs.

No complaints regarding discrimination were raised in 2018 on the part of suppliers. The content of this section applies also to MDB and ICC.



PROMOTION OF RESPONSIBLE PROCUREMENT AT THE PRINCIPAL SUBSIDIARIES

MERCANTILE DISCOUNT BANK (MDB)

Purchases by MDB are made in four main groups: technological purchases – IT, marketing purchases, office premises and maintenance purchases and general purchases. The general purchases are generally made centrally for all units of the bank by means of the administration and payments department of the Human Resources and Administration Division. Most of the purchases are made jointly with the purchases of the parent company. The department is responsible for drawing up the purchase specifications as required by the internal customers, where applicable, finding appropriate suppliers, their screening, obtaining offers, negotiating the purchase, engagement and ongoing servicing of relations with them.

Acquisition of manpower services, including manpower in the technology field, is the responsibility of the Human Resources and Administration Division. The purchase or rental of buildings and the purchase of technology is the responsibility of the Operations and IT Wing. Marketing procurement is the responsibility of the Marketing and Business Promotion Wing.

ICC

Purchases by the company are mostly

→ Continued on next page

→ Continued from previous page

made in a centralized manner (about 93%), by means of the procurement department, operating within the framework of the Comptrollers Division. The central procurement at ICC is responsible for technological purchases, general purchases, purchases of property and its maintenance, the rental or purchase of buildings, engaging manpower and consulting services, including manpower in the technology field, credit cards purchase, purchase of sales promotion and marketing services, excluding advertising and media.

ICC conducted business in 2018 with 850 suppliers, in a total amount of approx. NIS 400 million.

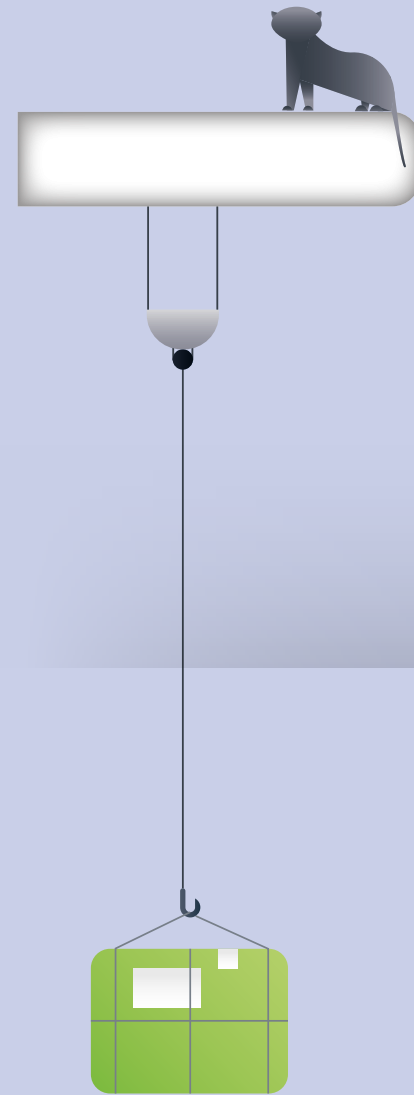
Also at ICC, the submission of offers for transactions in significant amounts is done through a "quasi-tender" process, into a locked box or by an electronic offer box. The time for opening the envelopes is determined in advance and is done in the presence of at least three participants. The contents of the offers are documented in a protocol, and where these are complex and not easily documented in a protocol – the original offers are signed to preserve their authenticity.

IDB BANK

IDB Bank currently operates a decentralized procurement model whereby departments are responsible for making procurement decisions for the acquisition of goods and services. Under this model, departments and their designated Vendor Relationship Managers (VRM's) are responsible for the entire Source to Pay (S2P) process of their respective area except for the Purchase Order (P.O) generation. The P.O generation process falls exclusively under the responsibility of the procurement department which reports to the Chief Financial Officer.

The "Large Purchase Committee" was formed in 2016 but became active in 2017. The Committee's primary goal is to support the procurement process at the bank by ensuring the bank's funds are committed appropriately and are in line with the bank's policies. The Large Purchase Committee meets on an ad hoc basis and is comprised of the bank's Chief Financial Officer, Chief Operations & Information Officer, Chief Internal Audit, Head of International Private Banking, Controller, and Head of Procurement (the Committee's Secretary).

Under the guidance of the CFO, the procurement department is currently working with IDB Bank's senior management in centralizing the procurement function at IDB Bank.



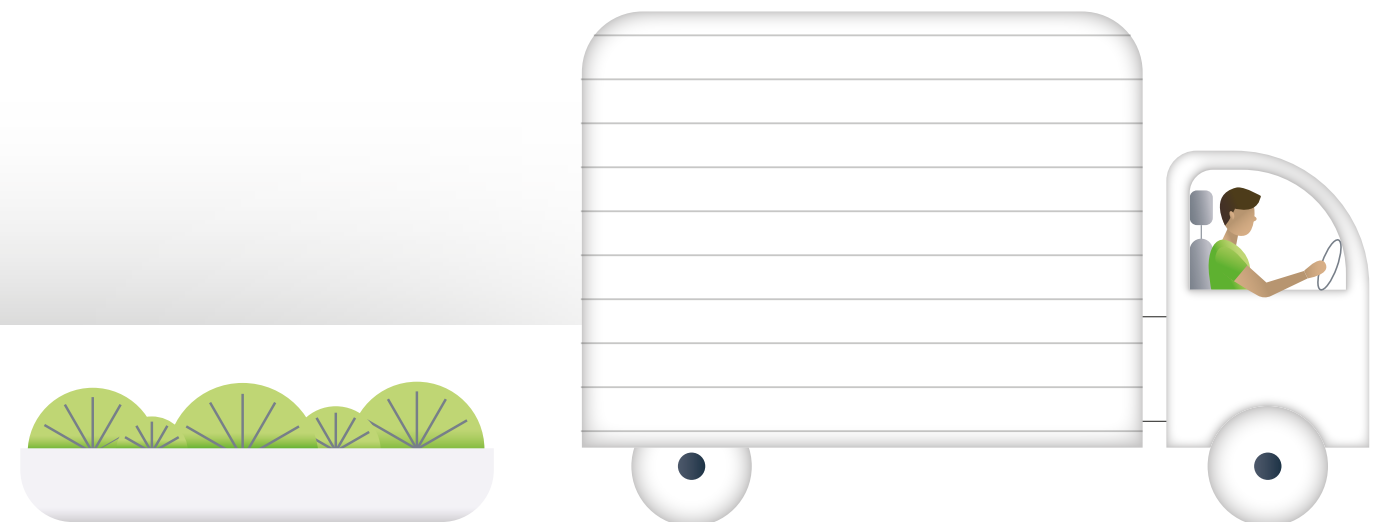
GOALS

GOALS PRESENTED IN THE PREVIOUS REPORT

	✓ Done	Cooperation with suppliers who employ employees with disabilities.
	✓ Being achieved on an ongoing basis	Continuing strict integrity, fairness and transparency towards suppliers.
	✓ Being achieved and monitored, including KPI for improvement	Maintenance of a high service level (SLA) to internal customers.
Discount	✓ Being achieved and monitored, including KPI for improvement	Replacement and refreshment of the active suppliers base in a scope of approx. 5%.
	✓ Done	Completion of the mechanization of the procurement procedures in order to purchase quality products and services at the most beneficial terms.
	✓ Being achieved on an ongoing basis	Continuous search for possibilities and opportunities for greater efficiency and savings.

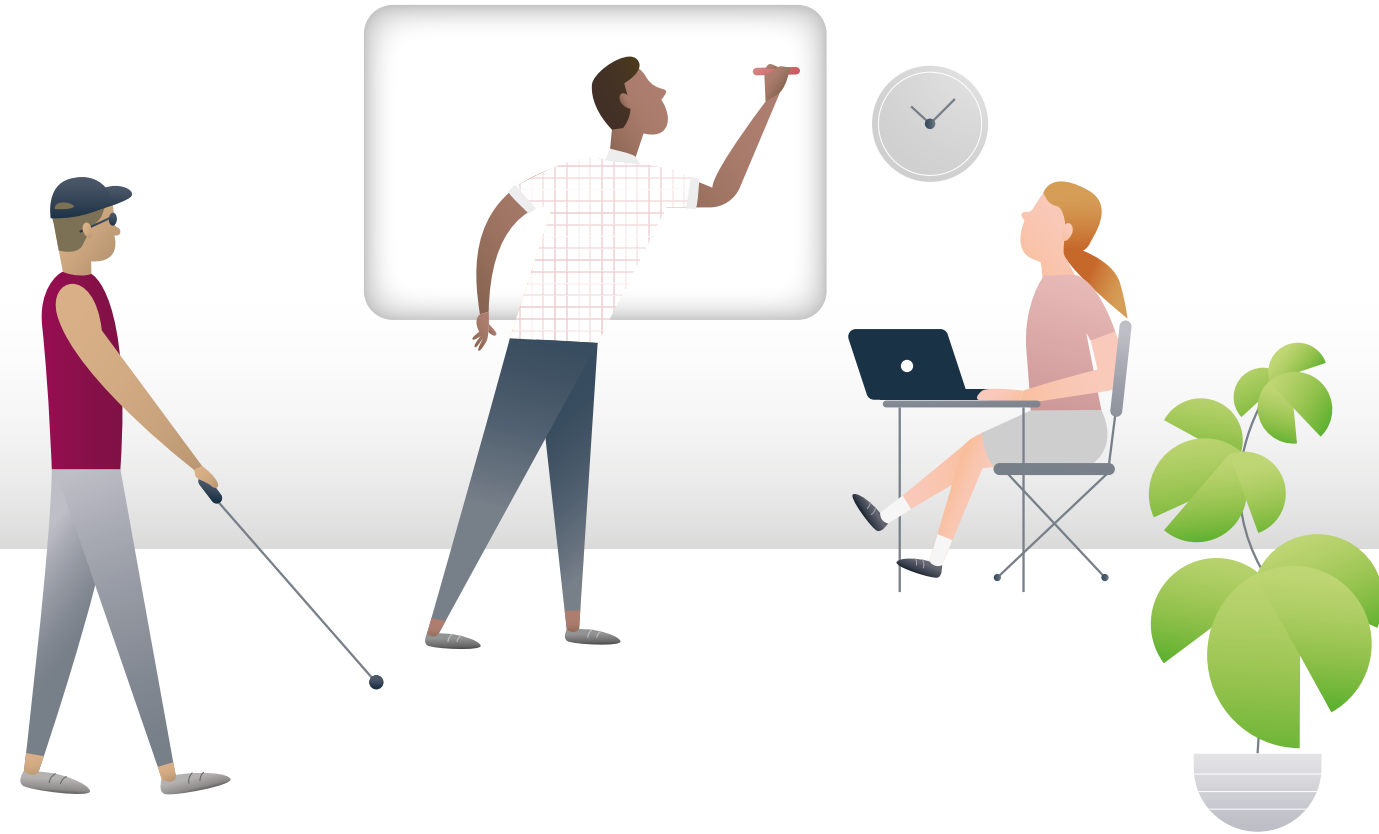
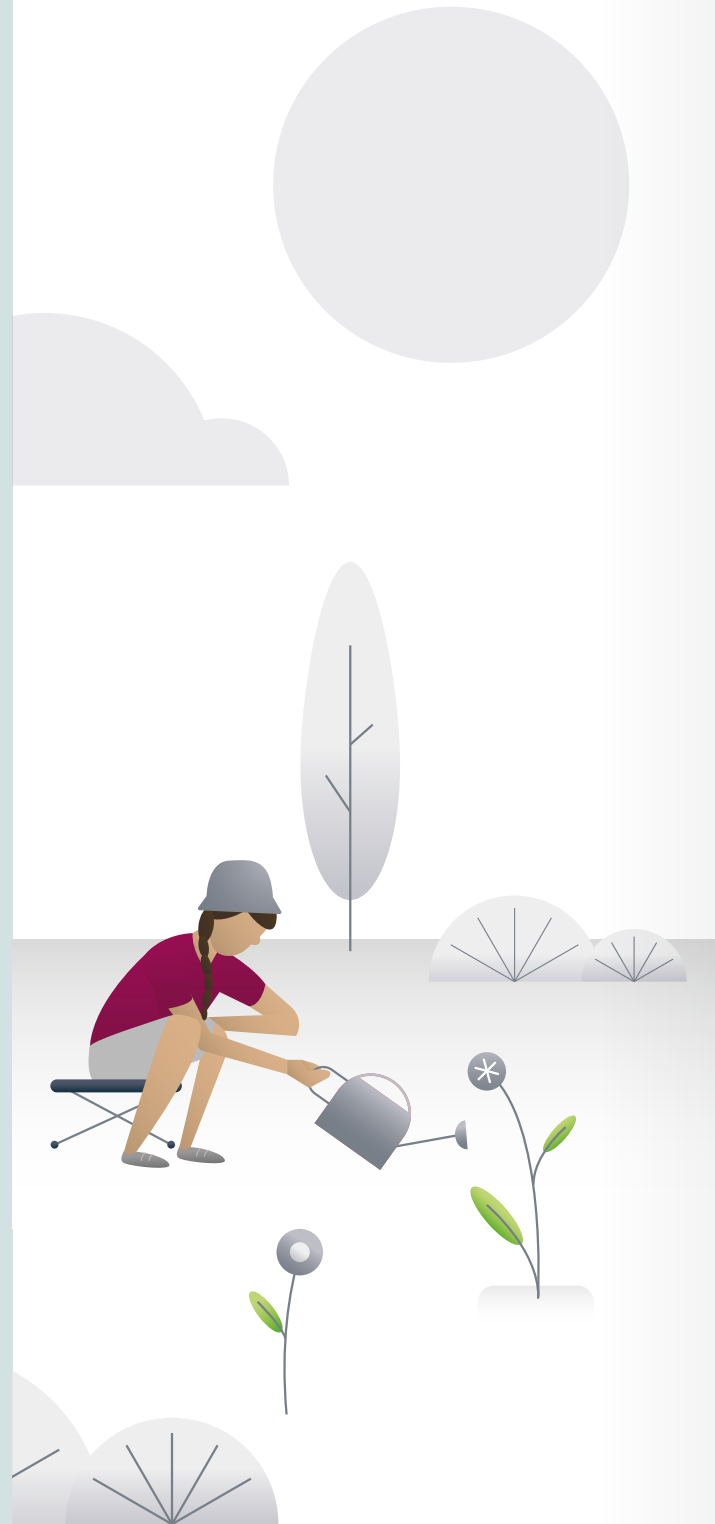
FUTURE GOALS

	Continuing cooperation with suppliers who employ employees with disabilities.
	Continuing strict integrity, fairness and transparency towards suppliers.
	Maintenance of a high service level (SLA) to internal customers.
Discount	Replacement and refreshment of the active suppliers base in a scope of approx. 5%.
	Drafting and assimilating a Group procurement policy.
	Continue the process of approaching the Bank's suppliers with the aim of adding them to the Maala index.



07 DISCOUNT FOR THE COMMUNITY

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NIS
16.9 MILLION
OF INVESTMENTS IN
THE COMMUNITY

APPROX.
15
THOUSAND HOURS OF
VOLUNTARY WORK

1,202
VOLUNTEERING
EMPLOYEES

APPROX.
140
DIFFERENT
VOLUNTEER SITES

APPROX.
11,760
PARTICIPANTS IN THE
"SPRINT" PROGRAMS IN
2018, IN 268 CENTERS OF
OPERATION

APPROX.
96%
OF GRADUATES OF THE "SPRINT"
PROGRAM HAVE COMPLETED HIGH
SCHOOL STUDIES WITH A FULL
MATRICULATION CERTIFICATE

THE GRANTING OF
215
SCHOLARSHIPS
ON BEHALF OF THE
NISSIM ALGEM
FOUNDATION

DISCOUNT FOR THE COMMUNITY

DISCOUNT BANK IS WORKING FOR THE COMMUNITY WITH A COMPREHENSIVE MANAGEMENT APPROACH THAT VIEWS THE ACTIVITY FOR THE COMMUNITY AS PART OF THE BUSINESS, SOCIAL AND CULTURAL COMMITMENT. IN 2018, THE BANK MADE AN ORGANIZATIONAL EFFORT TO INTENSIFY VOLUNTEERING IN LINE WITH THE DISCOUNT SPIRIT.



→ **The Bank focuses human and financial resources on activities in aid of children and youth at risk situation, principally in the education and knowledge fields.** This, arising from the concept that these fields comprise the generator for personal and social success of the said target populations, with a focus on social and geographic peripheral areas.

As an expression of this concept, Discount Bank operates towards the creation of social and economic prominence, encourages its employees to volunteer in aid of the community, and endeavors to tighten the bond with the community in the different projects. This by means of a designated unit within the Human Resources and Properties Division.

The social activity of the Bank in the community is expressed in four layers:

- > **The flagship project "Discount Sprint for the Future";**
- > **Volunteering in the community;**
- > **Investment in the community;**
- > **Private museum "Herzlilienblum".**

Discount Bank, MDB and ICC have determined general principles regarding the granting of donations, while maintaining discretion of the subsidiary companies in accordance with their fields of operation.

"DISCOUNT SPRINT FOR THE FUTURE"

DISCOUNT BANK'S FLAGSHIP PROJECT IN THE COMMUNITY

→ In 2005, the Bank joined the "Sprint for the Future" Association with a view of advancing education and schooling in the social and geographical periphery in the State of Israel, in favor of all sectors of

society (Jews, Ultra-Orthodox, religious, secular, Arab, Druze and Bedouins) together with which it launched a program that became the Bank's flagship program "Discount Sprint for the Future". Over the passing years the Bank was an important partner in the growth in the scope of operations and budgets of the Association, assists in the structure of unique projects and partnerships with government agencies, such as the Israeli Ministry of Education and the Israeli National Insurance Institute, and also has founded a student scholarship foundation.

The "Sprint for the Future" Association initiates and operates unique and innovative programs for advancement of education and knowledge, Self-empowerment and for providing tools for social-economic leadership for weak populations of all social segments and strives to integrate them in the academy, in employment and in the society in Israel. The Association operates eight central programs:

"Sprint for Industry" program is designed to prevent youth in distress from dropping out of school, lead them to technological and professional studies and integrate them into the military and industry. The Program had begun as a "start-up" financed by the Bank and developed into a national program of the Ministry of Education with a budget of NIS 60 million, and operating at 200 high schools all over the country;

"Sprint for Atidim" ("Sprint for Excellence") program leads students having a potential for excellence in sciences to obtain a high grade matriculation certificate enabling them entry into leading university faculties (engineering and science);

"Sprint for the Academy at high schools" program assists teens with a matriculation certificate track, having difficulties in studying, to complete their high school studies with a matriculation certificate and integrate in the academy;

SPRINT PROGRAM FOR THE ARAB SOCIETY

→ In 2008, Mercantile Discount Bank in participation with the Sprint Association, developed a unique program for the promotion of higher education in the Arab society. Within the framework of this program MDB grants annually to students over seventy scholarships for academic studies. MDB sees in this contribution an important pillar in the advancement of education in the Arab society, and in the younger generation in particular.

The scholarships are granted on the basis of socio-economic considerations and on the level of academic achievement, while ensuring geographical dispersion and providing response to all layers of the Arab society. In consideration for the scholarship, students volunteer in providing study assistance to children residing in their area. As a result thereof, 95% of the students improved their academic achievements.

MDB continued its contribution in 2018, granting 105 study scholarships at a total amount of approx NIS 525 thousand.

Within the framework of the program to date:

4.3 NIS 4.3 million was granted as scholarships to students;

70.8 Thousand hours of community volunteer work;

442 Students from 68 locations have participated in the program.

THE BANK JOINED THE "SPRINT FOR THE FUTURE" ASSOCIATION WITH A VIEW OF ADVANCING EDUCATION AND SCHOOLING IN THE SOCIAL AND GEOGRAPHICAL PERIPHERY IN THE STATE OF ISRAEL, IN FAVOR OF ALL SECTORS OF SOCIETY

"Sprint for engineers" program leads youth at risk of all segments of society from peripheral social and geographic areas, towards advanced technological and diploma studies; in required fields in the employment market;

"Sprint for the Academy" program assists graduates of the programs of the Association to integrate in the Academy. The students receive advice, mentoring and assistance in initial job placement. In 2007 the Bank established a scholarship fund, which grants hundreds of scholarships annually;

"Sprint for public technological service" program provides young persons engaged in National Service a wide cover of professional training and qualification in the computer and Internet fields, in the line of integrating cloud computing systems (Office 365). During their service, the youngsters engage in the communication field at educational institutions. At the end of their service, the program will promote and encourage the participants to continue in their studies and employment in the communication field, and will help them in integrating into the work circle.

"Open Valley Sprint" program (a new initiative) - The program is intended for young persons participating in the programs of the Association, and it's aim is to develop initiative and innovation among youth.

The Bank is a party to both the financial support of the Association and the promotion and advancement of its activities. Representatives of the Bank's Management are members of the Association's executive

board and in this framework participate, inter alia, in the design of the work plans of the Association. Employees of the Bank take part in voluntary activity within the Association's programs, including in the adoption by Bank branches and Banks units of schools participating in the project and the accompanying and mentoring of students by senior officers of the Bank ("Mentor Program"). Representatives of the Bank are members of the audit committee of the Association and the Bank's Accounting Division provides accounting and payment services for the Association.

All programs of the Association are being accompanied by evaluation and internal control researches that are based upon data of the Ministry of Education, the Ministry for Economic Affairs and schools. A part of these programs are being accompanied by an independent evaluation research performed by the "Szold Institute for Social Research". The results of the research made in recent years indicate a high level of achievements and compliance with the aims of the Association's programs. The results of the research regarding the "Sprint for Industry" program indicate a clear and proven turnaround in the prevention of the dropout of students at risk from the education system as well as directing them to a professional future in trades and profession required by the military and by industry;

98% of the high school academic programs graduates have integrated into further studies;

92% of the academic graduates have integrated into qualitative professional work;

75% of the graduates of technological education (youth at risk) integrated into work with the military and industry.

"Sprint for Atidim"
Over 97% were entitled to matriculation

certificates complying with university entrance requirements;

Approx. 87% of the students have completed their high school studies with matriculation certificates of average grade of 85 and over, with science orientation. 56% of whom with a summa cum laude award and average grades of over 95.

"Sprint for industry"

- 100%** of the students who started the program at the 10th grade have not dropped out until the end of the 12th grade;
- 99.6%** of the 12th grade students participating in the program have taken matriculation exams;
- 88%** of the students completed their studies with a matriculation certificate;
- 70%** completed studies with a technological matriculation certificate;
- 40%** of the whom join technological units of the IDF;
- 35%** of the graduates continue to practical engineering studies;

"Sprint for engineers"

A dropout rate of less than 9%.

"Sprint for the academy at high schools"

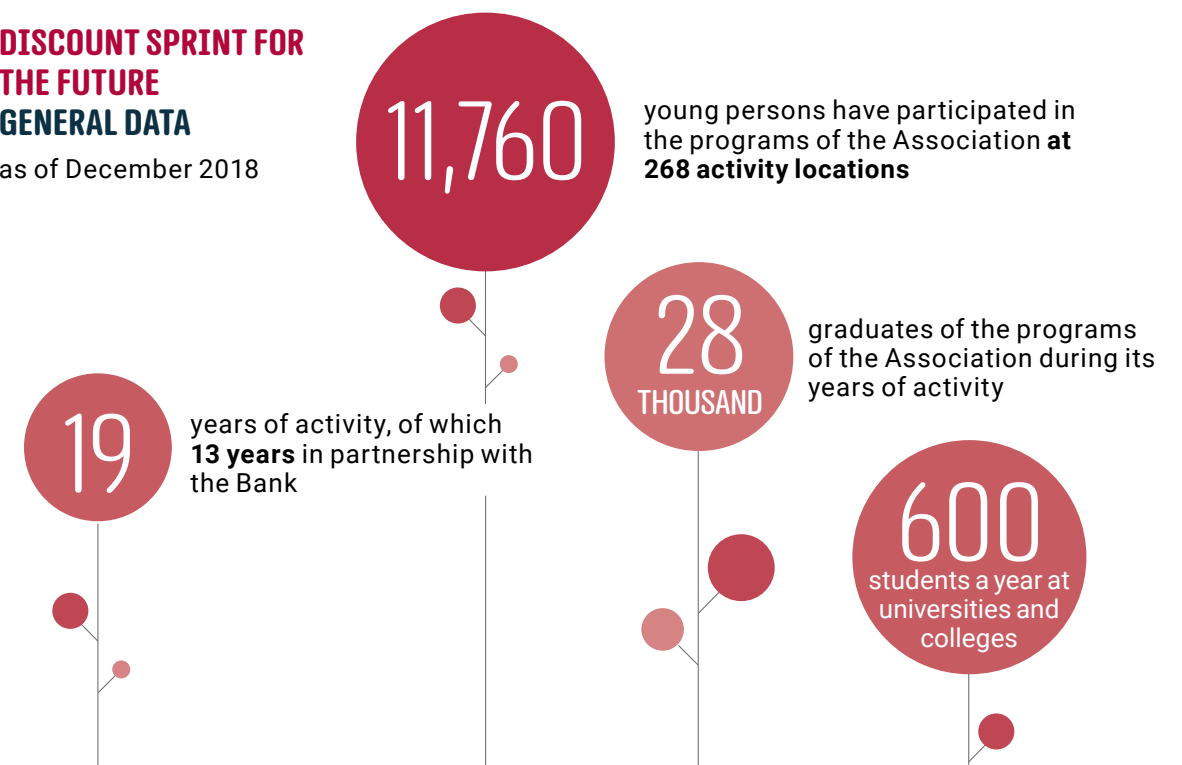
96% complete studies with a matriculation certificate.

THE NISIM ALAGEM FOUNDATION

The Foundation is named after the late Nissim Alagem, who passed away in 2006. Mr. Alagem has worked at the Bank for forty years, serving in his latest office as Executive Vice President, Head of the Commercial Division. Since the establishment of the Foundation 2,000 scholarships to students have been granted, in a total amount of NIS 9.6 million. The said amount includes both scholarships funded by the Bank and by MDB as well as scholarships funded by private donors who requested that their donation would be used for scholarships granted through the Foundation. In 2018 some 215 scholarships were awarded, compared to 211 scholarships in 2017 (including scholarships under the "Sprint" program for the Arab sector).

DISCOUNT SPRINT FOR THE FUTURE GENERAL DATA

as of December 2018



DISCOUNT VOLUNTEERING IN THE COMMUNITY

The Bank sees the volunteering value as a leading organizational value, and strives to increase the scope of its volunteering activities, while encouraging its employees to take part in the different long-term voluntary activities. Many units of the Bank have adopted volunteering focuses, in respect of which they conduct different activities and encourage their employees to participate therein. The voluntary activity of the Bank's employees is diverse, providing assistance and support to a broad range of populations in Israel, including children and teenagers, handicapped population, soldiers, the infirm, the elderly and more.

The wide scope volunteering activity continued also during the year 2018, within the framework of which volunteering Bank employees contribute their time and warm-heartedness.

Promotion, encouragement and the widening of the scope of volunteer work at the Bank, conducted by the social responsibility unit, includes initiation of projects, long-term accompaniment and the funding of voluntary activities in cooperation with unit volunteer coordinators. As a general rule, all voluntary activities are coordinated with the relevant social organization, in accordance with the special needs presented before the beginning of activity. At the end of the activity, its effectiveness is examined having in mind additional activities.

Most of the voluntary activities of the employees are carried out after working hours. The Bank takes pride in the number of volunteers and in the variety of activities, providing them with a platform through

publications on the different organizational media and is acting incessantly towards the expansion thereof.

Hereinafter are several examples taken from the variety of voluntary activities in different areas:

ASSOCIATION FOR THE ADVANCEMENT OF EDUCATION IN TEL AVIV- JAFFA

This Association for the Advancement of Education in Tel Aviv- Jaffa acts in aid of weak populations from the aspect that everyone is entitled to live in dignity and have equal opportunity, with a focus on babies, children, youth, women, families, elderly persons and Holocaust survivors. The cooperation of the Bank with the Association continues over many years and is intensifying, and includes employee voluntary work and financial assistance. Units of the Bank adopt most of the clubs of the Association in Tel Aviv, Jaffa and Bat-Yam. In addition, significant and widespread voluntary activity involving the packaging of food parcels is conducted by employees of the Bank in the food center of the Association. Personal relations are also created with Holocaust survivors.

"A DIFFERENT LESSON" ASSOCIATION

A Different Lesson acts to promote equal opportunity, widening of horizons and development of thinking for children at risk, and to encourage significant involvement by the public in the education system. This activity continued in 2018, and in the framework of which, Bank employees lectured on banking subjects and gave lessons regarding self empowerment to children, fifth and sixth graders at the "Sokolov" school in Bat-Yam. The project ended with a ceremony held at the private Herzlillianblum Museum, in participation with the children, Management of the school and the volunteers, and included an experiential tour of the Museum.

VOLUNTARY ACTIVITY AT THE BEN-SHEMEN YOUTH VILLAGE

Employees of the Human Resources and Properties Division have volunteered for work at the Ben-Shemen Youth Club, where the "Sprint Discount" program is in operation. The employees have renovated the square in front of the dormitories planting a lawn and plants, painting and pampering the students of the Village with different food stalls. This activity served also as a means for bonding the employees of the Division and reinforcing the unit pride. Many of the employees of the Division are longstanding volunteers of units in which they are employed and which have elected to join also the activity of the Division.

The said activity served as an experimental operating model for annual volunteering within the divisions, which, in the light of its success, was expanded later on to further divisions and other regions.

"MAKE A WISH ISRAEL"

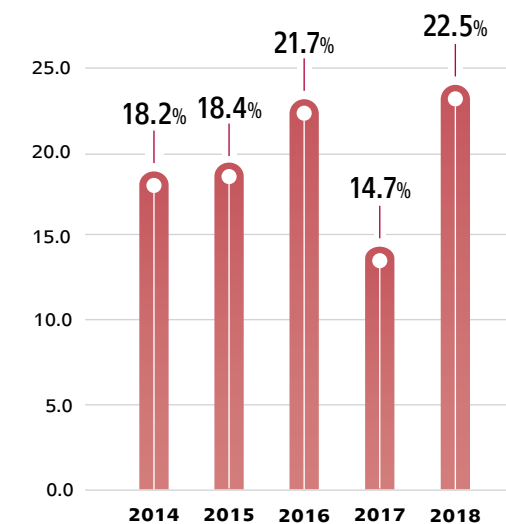
An international organization, the aim of which is to realize the wishes of children suffering from life threatening diseases.

Through this organization, the Bank realized also in 2018, two wishes of sick children, and representatives of the Bank have participated in moving meetings with the children and their families, when the realization of their wishes was uncovered.

1,202 employees volunteered in 2018 at different volunteering centers. These volunteers worked at some 140 locations performing in total approx. 15 thousand volunteer hours.

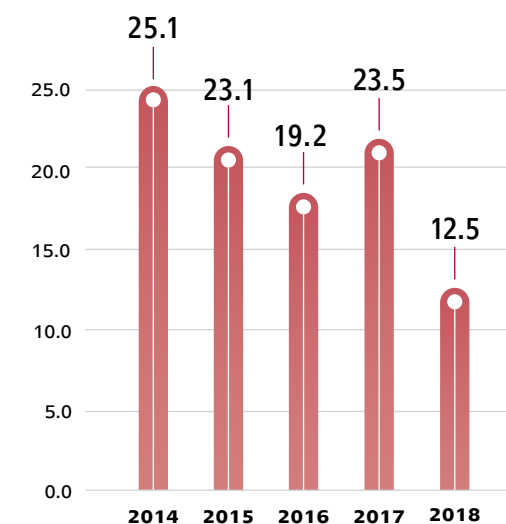
RATIO OF VOLUNTEERING EMPLOYEE²⁵

out of total employees of the Bank

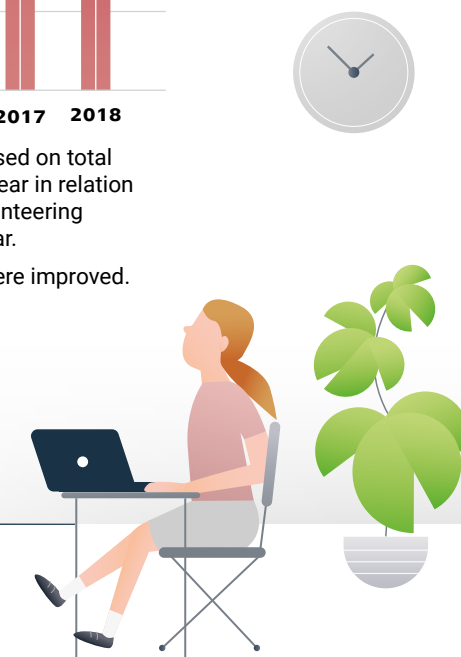


Notes: The data relating to volunteer data was improved in 2017 following retirement plans, therefore a decline is reflected in the rate of volunteering at the Bank.

AVERAGE HOURS PER EMPLOYEE²⁵



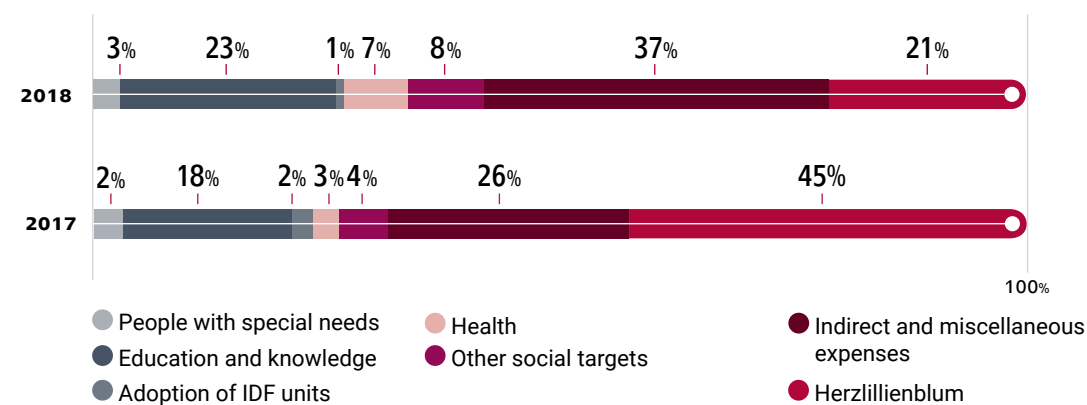
Notes: 1 The calculation is based on total volunteer hours per year in relation to the number of volunteering employees in that year.
2 The data for 2017 were improved.



INVESTMENT IN THE COMMUNITY

The scope of investment by the Discount Group in the community totaled NIS 16.9 million in 2018.

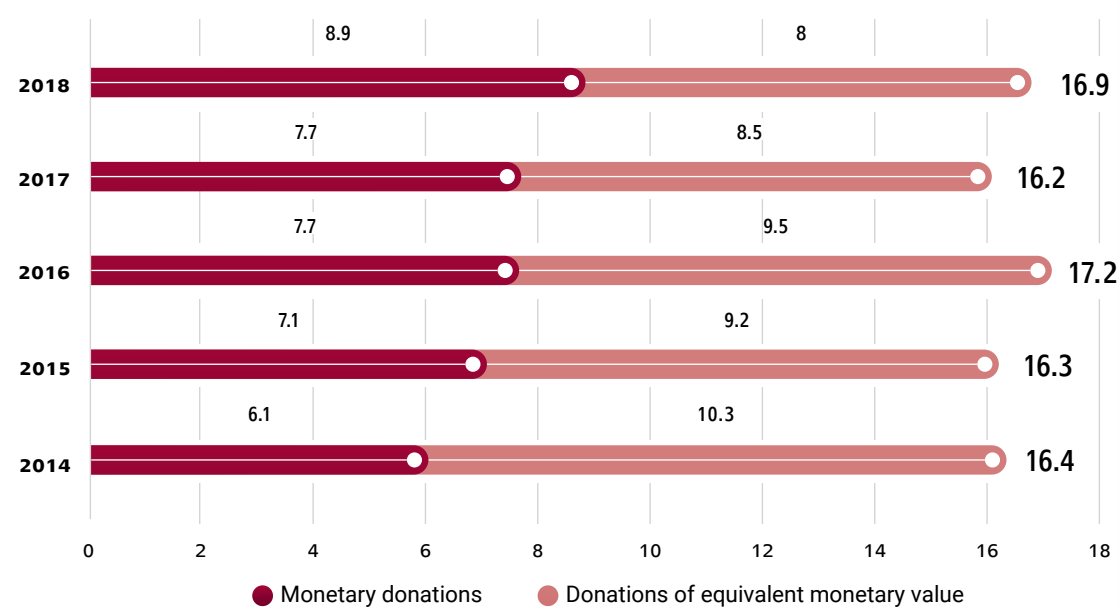
DISTRIBUTION OF THE INVESTMENT OF THE DISCOUNT GROUP



Notes: 1 Direct expenses in respect of a financial education project were included in 2017 for the first time under "Education and knowledge".
 2 For additional details regarding the scope of investments in the community of the Discount Group, see the 2017 Annual Report, p.317.

TOTAL INVESTMENT OF THE DISCOUNT GROUP IN THE COMMUNITY

in NIS millions



DONATIONS AND SPONSORSHIPS

The Bank's Management annually allots a donation budget. Among the donations extended by the Bank in 2018, may be noted the donations to the following associations: "Sprint", the Ramon Foundation, Zoharim Village, the Lotan

Way, A Warm House for SMA Children, the Israeli Spirit, Aleh Negev, Tech Career, Greater than Life, Krembo Wings, Heart Wish, the Jordan River Village, Sun Rise, the Association for the Wellbeing of Israel's Soldiers ("Adopt a Combat Soldier"), and more.

The control over the use of the actual contributed funds and its effectiveness is performed taking into consideration the nature of the project and the amount of the contribution. A high level of involvement and control exists with respect to projects where the contribution is of a significant amount, while the level of involvement and control regarding projects enjoying smaller contributions, is low.

The Bank also contributes on a current basis, office and computer equipment no longer in use by units of the Bank, to associations requiring such equipment.

During 2018, the Bank granted sponsorship to entities and activities promoting goals in areas of community fields and in activities in aid of weak populations, as well as in health, sporting, cultural, artistic and educational, environmental protection and business. These sponsorships enable the relevant organizations to raise funds for their operations, expose their operations to the general public and pay respect to the factors involved in their operations.

VARIOUS PROJECTS

Assistance to families in need

Also in 2018 the Bank rallied to assist families in need towards the Passover and the Jewish New Year Holidays. In this framework, the Bank had purchased magnetic cards which were distributed to families in need by Bank employees, in accordance with lists provided by the Welfare Departments of Local Authorities around the country.

Social products bazaar

In 2018, seven social products bazaars were held at premises of the Bank, where Bank employees were able to buy different products made by persons with disabilities acting within the framework of various associations, such as: "Beit Miriam", "Amichai Association", "Ohel Sarah", "Encouragement Village" "Hayim Association", "ALUT", "AKIM", "Yeladudes" and more. All income from sales is dedicated towards the continued activities

of associations supporting and employing population with special needs.

"Discount Fund" at the "Ezra LeMarpeh" Organization

The Fund was established in August 2007, and the activity of which continued uninterrupted also in 2018. The objective of the fund is to provide financial assistance in cases of acute and exceptional medical conditions. The Fund has been founded as collaboration between the Bank and the "Ezra LeMarpeh" Association. Applications for help received by the Bank are referred to the Association for examination of the case and its various aspects. In cases where the Association approves the request, assistance is given from the Discount Fund in the association.

"Ezer Mizion" Association – Personal reserve

A donation of NIS 100 thousand, funded jointly by the Bank's Management and by the representative committee of the Bank's employees, was granted in favor of "personal reserve" named after Discount Bank and its employees at the "Ezer Mezion" Association. The reserve assists in the financing of the examination of bone marrow samples, thus helping to save life. In the case that compatibility is found with bone marrow of donors included in the reserve, the patient requiring bone marrow implant is informed, and the Bank will receive the moving information that life had been saved through its donation.

Ramon Foundation

Since 2013, the Bank is a copartner of the "Ramon Award" program, marking quality, excellence and leadership, founded by the late Rona Ramon in memory of Ilan and Asaf Ramon. This partnership is expressed in financial support and voluntary activity. Within the framework of the program, young persons excelling in their studies and especially outstanding in their community volunteer work are chosen as leaders of social change. The elected youth undergo a several months' course increasing their proficiency and skills, during which they obtain tools for leadership

as well as meet figures having influence over Israeli society. In honor of her activity, the late Rona Ramon was awarded the Israel Prize for Life Work for 2019.

Woman2Woman program

For the fourth consecutive year, Discount Bank provides sponsorship for the Woman2Woman program, operated by veterans of the 8200 Intelligence Unit Forum. The program is designed to promote young women having a potential for excellence, by connecting them to impressive and influential women holding key positions in all areas and professions.

The Executive Vice President Human Resources and Properties at the Bank serves as a mentor in this program, and the Bank is promoting additional cooperations, including participation in professional panels and conventions creating added value in the advancement of women's professional careers.

"Adopt a combat soldier" Project

For the past fourteen years, Discount Bank is a partner in the Friends of the Association for the Wellbeing of Israel's Soldiers "Adopt a Combat Soldier" Project. The Bank adopts "Squadron 916" of the Israel Navy, which is responsible for the security of Israel's southern coast, and the Regiment "Tiger" of the Artillery Corp. The Bank supports the said units with a monetary contribution of NIS 100 thousand per year for each unit for the welfare of the soldiers as well as with current volunteer work by branches of the Bank located in the areas adjacent to these units. Servicemen of these units are invited to participate in various events of the Bank.

As part of the current relations with these combat units and following an examination of their needs, joint activities of the units with employees of the Ashdod and Zfat branches were held in 2018, and a gift was granted to the units at each meeting.

Employment of visually impaired teenagers

"Ofek Liladenu" (Our Children's horizon) Association - The Bank has formed a partnership with this Association, which accompanies families of blind or visually impaired children and teenagers. The "Work in the Horizon" program trains teenagers for work including employment during the summer vacation. Since the year of 2005, the Bank employs these teenagers during the summer months at the branches and at units of the Bank, after providing them with training at the Discount College. In this framework, 27 teenagers were employed by the Bank in 2018.

A school bag for each pupil

Since 2017, the Bank participates in the "School bag for each pupil" social project, the aim of which is to create a bond between citizens of this country through mutual guarantee and joint responsibility for the benefit of the public. The Bank promotes this project by encouraging its employees to donate school bags, thus assisting pupils coming from weak populations to begin their school studies on an equal footing with no feeling of being different.

ARTS

Discount's art collection comprises a fascinating and varied assortment of making over more than fifty years and includes sculptures, paintings, tapestries, video art and photographs.

The collection is managed by an advisory committee numbering four external experts (museum curators and such like) and two representatives of the Bank. The committee convenes several times a year discussing new acquisitions and the structure of the collection. The committee operates since 2004 and its members are appointed on a voluntary basis for a period of three years. In recent years the collection has been mapped and examined by the committee, with emphasis on acquiring works that will complete the collection and represent young artists.

In 2018, seven new works of art by a young contemporary artist were acquired, at a total cost of NIS 149 thousand.

The Bank's art collection is considered one of the quality collections of Israeli art and guided tours of the collection are conducted at the Discount Tower. **68 tours were made during 2018, in which some 1,700 visitors have participated (as compared to 56 tours during 2017, in which some 1,650 visitors have participated).**

In 2018, the Bank continued cooperation with various museums, lending them works from the art collection of the Bank.

Additional activities in 2018 relating to the art collection:

The book "100 years of Israeli art in the collection of Discount Bank" was launched in March 2018 at the Herzliyah Museum of Contemporary Art. The book is a product of a long and comprehensive research of the collection edited by Mr. Yona Fischer, an Israel Prize laureate.

"Pictures from Family Life" exhibition, from the Discount Bank collection and guest artists. The exhibition was opened in October 2018 at the Eretz Israel Museum in Ramat Aviv, and was open to the public until the end of the year.

"Credit point" - Within the framework of the sponsorship granted by the Bank to the annual support event of the "Israeli Spirit" Association, a sponsorship was also granted in 2018 for the exhibition by providing professional assistance and attracting artists who donated their works to the event. The Association raised an amount of NIS 400 thousand from the sale of the art works.

"A stage for the Artist" project. In 2018, Discount Bank continued the project intended to support and provide exposure to artists and to encourage creativity and original art of different classes. **Four exhibitions were**

held in 2018 within the framework of the project.

"HERZELILINBLUM"

Banking and Tel Aviv Nostalgia Private Museum



The Herzlilinblum Museum, founded by the Bank in 2009, is located in Schiff House, one of the first houses in Ahuzat Bayit. The Museum forms an integral part of the Bank's social responsibility concept, and is open to the general public free of charge.

The Museum exhibits the economic history of Israel simultaneously with the development of the City of Tel Aviv by showing original historical objects together with films and advance technological means.

The building, declared as preserved building under strict limitations, has undergone over three years a detailed restoration and preservation process. In 2011, the building was declared a heritage site by the Society for Preservation of Israel Heritage Sites, and is one of some one hundred similar sites around Israel.

The activities conducted at the private Herzlilinblum Museum:

Tours and workshops - Tours and different workshops are being conducted at the Museum, led by a skilled team of guides, all of them employees of the Bank. Inter alia, economic tours for children and adults, and workshops for middle and high school students on subjects of economics and civics are being conducted.

Since its opening in May 2009 and until the end of 2018, the Museum hosted 370

thousand visitors.

In addition, the Museum hosts social organizations, associations and business entities and enables them to hold conventions, seminars and lectures in conjunction with guided tours. **In 2018, some 85 events were held for corporations, business forums and organizations.**

Exhibitions at the Museum - Herzlilblum presents permanent exhibitions and changing exhibitions on varied and different subjects relating to the characteristics of the house. Among the outstanding exhibitions held at the Museum in 2018, may be mentioned:

"The Zionist side of the Coin 1947-1954". The exhibition, which was opened in July 2018, presented the processes, difficulties and dilemmas facing the leaders of the State from the economic aspect in the initial period following its establishment, by means of photographs, texts and rare exhibits.

Cooperation with different entities - The Herzlilblum Museum is recognized by the museum department of the Ministry of Education and forms part of the study program in matters of economics, civics and the financial education field.

Within the framework of visits to the Museum, Students deal with economic development in Israel, acquiring knowledge regarding the capital market, banking and business as well as in socioeconomic theories by which they examine present issues of the Israeli reality. **During the academic year, some 100 tours per quarter on an average are being conducted for school children of seventh to twelfth grade.**

The Museum was closed in June 2019. The Bank is examining alternatives for use of the building and enables the public access to the building to get an impression of the preservation work that had been done.

GOALS

GOALS PRESENTED IN THE PREVIOUS REPORT

Discount Bank	✓ Done	Increasing the contribution of the Bank to the community.
	✓ Done	Increasing the rate of volunteering of employees, on a personal and collective basis, by 20%.
	✓ Done	Creating a favorable and appreciative atmosphere regarding the volunteering value and its importance.
ICC	✓ Done	Expanding the number of employees involved in social work initiatives at ICC, and increasing the total of voluntary work hours of company employees by at least 5%.

FUTURE GOALS

Discount Bank		Increasing the contribution of the Bank to the community.
		Increasing the number of volunteering employees on a personal and group basis, by at least 10%.
		Creating a favorable and appreciative atmosphere regarding the volunteering value and its importance.
ICC		Expanding the number of employees involved in social work initiatives at ICC, and increasing the total of voluntary work hours of company employees by at least 5%.

MDB – INVOLVEMENT IN AND CONTRIBUTION TO THE COMMUNITY

The work for the community of MDB is an integral and significant part of its overall activity and organizational culture. The activities in the community are diverse and include financial contributions, sponsorships and participation in community projects, as well as activities of employees in the community. MDB has chosen to focus on the promotion of education and knowledge, alongside diverse activities in other fields also. This is in pursuit of advancing the future generation and contributing to an advanced and valued society.

The activity includes several central projects:

"Sprint Mercantile" project - For details, see above under "Sprint Discount".

"Computer for each child" project - For the past decade MDB has participated in this project involving the contribution of computers, software and instruction for children of low means families. Over the years, the Association has distributed thousands of computers to children and in addition, provided them with software, instructions and study courses regarding the different software. **In the years in which MDB participates in the project, it donated approximately 1,500 computers.**

"Yad Eliezer" project - MDB has joined the "Yad Eliezer" Association, engaged in providing assistance and support to thousands of families in need (single

parent in particular) in the ultra-orthodox sector. The Association provides support in various fields including education, and in this activity the bank participates. **Within the framework of this cooperation, the bank grantet in 2018 some 300 scholarships to mentors of the ultra-orthodox community,** who in consideration for the scholarship assist in their studies school children of second to eight grades, who are orphans or belong to a single parent family.

Cooperation with the "A Different Lesson" Association - During 2018, employees of the bank conducted enrichment study courses at schools of the Arab and ultra-orthodox sectors, in which the pupils acquired basic practical concepts of banking subjects, with a focus on issues such as management of a responsible budget and the importance of savings.

Sponsorship for excelling athletes – In 2018, the MDB signed a sponsorship agreement with Israel's high jump champion – Chanin Nasser from the Arabe village.

Activity in aid of the community conducted by employees of MDB - Employees of the bank participate in voluntary work, including: financial education workshops and assistance in studies, participation in Holiday parties at welfare homes, old age homes and hospitals (as part of these activities, Bank employees distribute gift parcels purchased within the framework of social purchasing), the collection of medication in cooperation with the "Friends for Health" Association, and more.



ICC – INVOLVEMENT IN AND CONTRIBUTION TO THE COMMUNITY

→ The work of ICC in the community is performed while emphasizing the connection to the core business and the company's vision: realization of dreams, needs and wishes at any time and place.

Following are examples:

"ICC is to wish and dream" - The flagship program of social endeavors, which aligns with ICC's business vision, which emphasizes the realization of dreams and needs at any time and place. The program marked the sixth year of operation. Within the framework of the program, company employees volunteered for work at boarding houses of the Fair Chance for Children Association, with the aim of realizing the dreams and providing response to the needs of children living in boarding houses with no family support. Dreams have been realized over the years for thousands of children and youth at risk from all over the country.

"ICC IS TO WISH AND DREAM", THE FLAGSHIP PROGRAM OF ICC, WHICH EMPHASIZES THE REALIZATION OF DREAMS AND NEEDS AT ANY TIME AND PLACE, HAS MARKED THE SIXTH YEAR OF OPERATION.

"ICC for a Fair Chance" - a social enterprise which intertwine ICC credit card holders together with various trading houses and the "Fair Chance for Children" Association. Within the framework of the enterprise, a discount is granted to the credit card

holder in respect of any transaction made through an ICC credit card at trading houses participating in the program, and concurrently, a donation is made to the 'Fair Chance for Children' Association.

"A different lesson" - ICC participates in the project of the "A different lesson" Association active in promoting equality of opportunities in education. Employees and managers of the company come to schools of low socio-economic background, and pass classes mostly on matters of financial education, the credit card world and more. At the conclusion of the activity and towards the end of the academic year, the students are invited to the offices of ICC for an enriching and experiential visit.

"Synergy" - Powerful leadership alongside contribution to the community. ICC, together with Israel Joint, participates in the "Synergy" program, which integrates senior managers of ICC in executive boards of social organizations and associations on a purely voluntary basis. The connection between the parties takes into account the needs of the social organization and the qualifications of the volunteering manager, with a view of bringing to the associations and the different organizations their professional and administrative skills.

I BELONG ISRAEL (Masa Israeli) - ICC works in aid of IDF wounded as part of a joint program with the IDF Disabled Organization and the "Masa Israeli" organization. ICC employees and a group of IDF wounded who are associated with the fighters' centers embark on a social values journey to empower Israelis and deepen their sense of belonging.

"Round-Up" - ICC participates in the activities of the "Round-Up" Association engaged in improving the Israeli society, and offering to ICC customers credit card holders the option of rounding-up to the nearest shekel the amount of a credit card

transaction, and to contribute the rounded-off amount to chosen associations.

The friendship line of Orly and Guy - A project operating within the framework of the TV morning show of "Orly and Guy" on Channel 13 TV and provides response to persons entangled in bureaucratic red-tape or in economic distress. ICC provides assistance on a current basis to customers referring to the friendship line with the request for assistance in matters such as the spreading of repayment of debts, the granting of rebates, etc. In the course of 2018 ICC helped many customers applying for assistance through the friendship line.

Supporting sport - ICC supports Israeli athletes throughout their training with the aim of reaching new achievements. ICC grants sponsorship to Noga Geller, a windsurfer and member of the Israeli Team on her way to the 2020 Tokyo Olympics. As part of the sponsorship, the athlete receives financial support. This activity is in line with the vision of the Company, focusing on the realization of dreams and needs.

Company employees initiate for the community - The company is open to any employee wishing to offer ideas and leading social initiatives. The company assists in providing ideas and financial support and by following the actual work. Of the various activities led by employees may be mentioned the distribution of gift parcels during the Holidays to children in hospitals and boarding houses, participation in Chanukah parties at senior citizens homes, and more.

Granting sponsorships and purchasing tickets for fundraising events - ICC supports associations and social organizations by providing sponsorships and the purchase of tickets for fundraising events, to which company employees active in community work are invited from time to time.

DISCOUNT CAPITAL – INVOLVEMENT IN AND CONTRIBUTION TO THE COMMUNITY

→ **"Or Shalom" Association** - the Association deals with children and youth at risk who had been removed from their homes by the Welfare Authorities and are being treated in "off-home" frameworks. In the years 2017-2018, Discount Capital supported the Association in activities which were extra-curricular to the basic framework financed by the States. These activities, combining contributions and voluntary work, were part of the "Or Camp" program operating during vacation times. Several times annually, Discount Capital organizes activities in which all its employees participate jointly with the children staying at the camp, the whole event on that day being financed by the company (for example: the "Farmer House" activity - the Ayalon Valley Farm, experience yielding tours of the Holon Children Museum, inflatables activity at the camp, etc).

"Open Heart" Association - Several times annually, Discount Capital funds Holiday food parcels for needy families.



08 GREEN DISCOUNT

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↓ **4.5%**

ENERGY CONSUMPTION (G)

All data relate to the rate of change compared to 2017

↓ **5.2%**

ELECTRICITY CONSUMPTION (KW-H)

↓ **35.6%**

PAPER CONSUMPTION (TONS)

↓ **7.6%**

CARBON FOOTPRINT (IN CARBON DIOXIDE EQUIVALENT TONS)

APPROX. NIS

10.3 MILLION

INVESTMENT IN ENERGETIC EFFICIENCY PROJECTS

NIS

822 MILLION

CREDIT EXPOSURE TO PROJECTS INVOLVING SOLAR ENERGY

GREEN DISCOUNT

THE BANK ENDEAVORS TO CREATE A POSITIVE IMPACT THROUGH ENVIRONMENTAL RISK MANAGEMENT IN ITS BUSINESS ACTIVITIES AND THROUGH SAVINGS AND EFFICIENCIES IN ITS OPERATIONAL ROUTINE



POLICY

Discount Bank attributes importance and relevance to the subject of the environment, from the social and economic aspects. The Bank endeavors to create a positive impact through environmental risk management in its business activities and through savings and efficiencies in its operational routine. The Bank adopted a policy of **maintaining the proper balance between business activity and environmental protection** and it is committed to present an ongoing improvement in its environmental performances, without compromise regarding the quality of services provided to its customers.

As a corporation that provides financial services, the Bank's direct environmental effects result from its consumption of office materials, primarily electricity and paper. Accordingly, the Bank focuses its efforts on managing, measuring and monitoring and on making savings and increasing efficiency in these areas.

ULTIMATE OBJECTIVES

- > The Bank is committed to the principle of sustainable development;
- > The Bank is committed to preventing environmental damage and ongoing improvement in contribution to the environment;
- > The Bank supports an entrepreneurial and proactive approach to reducing the harmful effects on the environment in the area of assets;
- > The Bank continuously examines energy-saving alternatives, in the operation of electrical equipment and air conditioning.

ENVIRONMENTAL ACTIVITY PRINCIPLES

- > The Bank strives to comply with all environmental laws, regulations and governance and received no complaints in 2018 regarding its environmental conduct;

- > The Bank allocates manpower and financial resources to examine and mitigate as much as possible its direct and indirect environmental impact;
- > The Bank integrates environmental risk management within its business activity;
- > The Bank is committed to identifying the environmental impacts in the construction and properties field. The Bank's Management appointed a senior officer, the manager of the construction and properties group, who reports directly to the Head of the Human Resources and Properties Division;
- > The Bank strives to involve its employees and the community in its activities on behalf of the environment.

"GREEN CREDIT"

POLICY REGARDING ENVIRONMENTAL RISKS

In recent years, there has been a significant increase in the global awareness of ecological and social damage caused as a bi-product of the development of projects, mainly in the industrial, real estate and infrastructure sectors. As a result thereof, the widening legislation on the subject and the claims by those who had suffered damage which were admitted by courts around the world, corporations engaged in these areas began taking into account environmental criteria in considering the feasibility of projects. Legislation in this field has widened also in Israel, though it is not yet wide-ranging compared to Europe and the U.S.

Banking corporations may be exposed to environmental risks in the various aspects of their operation, and such risks may be included with other risks, such as: credit risk, market risk, operational risk, legal risk and liquidity risk.

The Bank's policy as regards environmental risks relating to credit is focused on the

identification of the risks, evaluation thereof and reporting it to the decision makers, as well as conducting a continuous monitoring of borrowers having a high environmental risk potential.

The aim of this policy is to identify borrowers having a high risk potential, and making specific decisions with respect to cases where the risk is viewed as material (having a high probability of materialization and upon the potential materialization the credit loss, may be material).

In this framework, the Bank has defined an evaluation process with respect to the level of environmental risk and of the quality of risk management regarding business customers upon the granting of credit and upon performing the periodic evaluation of customer quality, with special reference to customers having a high environmental risk potential. The monitoring of the credit risk exposed to significant environmental risks is performed on an ongoing basis during the year.

For further details regarding the risk management at the Discount Group, see the 2018 Annual Report (pp. 54-91) and in the document "Disclosure according to the third pillar of Basel and additional information regarding risks" for 2018.

EXTENDING "GREEN CREDIT"

As part of the overall process of environmental risk management, the Bank offers credit to "green" businesses, everything subject to adherence to the credit granting rules in effect at the Bank, including the examination of the repayment ability of the borrower.

"Green credit" - credit extended for:

- > Financing the operations of a company producing green products that contribute to the protection of the quality of the environment;
- > Credit to a company that has a green production process protecting the quality

of the environment;

- > Credit extended for the establishment of a green operation, including the purchase of green equipment (machinery);
- > Upgrading of production systems of those protecting the quality of the environment.

FINANCING IN THE SOLAR ENERGY FIELD

→ A relevant field, which has become relatively significant to the Bank's activity, is credit extended for the installation of solar systems.

The sub-sector engaged in photovoltaic installations (PV) is a part of the renewable energy field. This field is based on regulations under power of the Electricity Market Act, designed to regularize the establishment of electricity production installations using solar and wind energies. These systems have many advantages when it comes to promoting environmental quality and clean electricity generation through the use of renewable energy. In addition, the Bank extends credit for projects in the CSP (thermo solar) field.

The Bank has a specific policy for the granting of credit to the solar energy systems field, both to business and private consumers. Among other matters, the processes for granting credit, controls and specific collateral for this field are established within the framework of the policy.

The Bank's credit exposure in respect of financing solar energy projects amounted as of December 31, 2018, to NIS 822 million, compared with NIS 884 million as of December 31, 2017. This, in excess of the financing extended by the Bank to corporations engaged in this field.

PROMOTING GREEN BUILDING

ESTABLISHMENT OF THE DISCOUNT CAMPUS

→ In 2016, the Discount Group, through Discount Leasing, began to promote the Discount Campus project in Rishon Le'Tzion, in the framework of which, the Group acquired a piece of land of 21 dunums in that city. The campus is intended to house in the future the Head Offices of Discount Bank, MDB and ICC, including computer installations. This project constitutes the principal non-banking investment of the Group for the coming years.

The Discount Campus is planned in accordance with strict environmental standards, while being based on green construction principles and qualified in accordance with the LEED V4 rating of the U.S. Green Building Council.

By means of integrative planning work by all consultants engaged on the project, opportunities have been identified for the creation of healthy, convenient and resources saving work environment. Employees would enjoy improved air quality and daylight conditions, and have an outside view.

In the Campus buildings would be integrated a set of advanced building fronts that include the planning of structured shadings developed with the assistance of energetic analysis, efficient electrical and air conditioning systems, and the planning of an economical lighting system, which would lead to a significant energy saving and reduce the carbon-dioxide emission of the Campus.

Planned in the middle of the Campus are different garden areas providing the employees with resting and leisure areas.

→ Continued on page 168

GRANTING OF GREEN CREDIT BY THE PRINCIPAL SUBSIDIARIES

The principal subsidiaries are also engaged in promoting the granting of "green credit".

MDB

→ MDB provides from time to time, credit for the financing of solar systems, mainly to corporations specializing in joint ventures with Kibbutz settlements (where control is in the hands of the Kibbutz). The volume of credit to this type of activity amounted in 2018, to NIS 35 million, compared with NIS 23 million at December 31, 2017, a relatively insignificant amount in relation to the operations of this bank.

Loans secured by State guarantees for the purpose of increasing energetic efficiency

In October 2018, MDB participated in the tender for the operation of a Fund for increasing energetic efficiency secured by a State guarantee, and soon afterwards began preparations for its execution. This Fund, the first of its kind in Israel, is intended to support the effort for achievement of the national goal of increasing energetic efficiency and reducing the consumption of electricity. An inter-ministerial committee would examine the feasibility of loan applications prior to their submission to the bank, which would carry out the underwriting of the credit. Within the framework of the Fund, the bank will grant loans secured by State guarantees, at a rate of 75% of the amount of the loan, for a period of up to seven years. With respect to projects that mostly involve the integration of innovative Israeli technologies, the rate of the State guarantee would be increased to 85%.

At the beginning of 2019, after being successful in the tender, MDB began the marketing of the loans.

ICC

→ ICC is setting up a collaboration with Enerpoint Ltd., one of the oldest and largest solar energy companies in Israel, for the financing of domestic solar energy systems. ICC and Enerpoint signed in May 2017, an agreement in principle for cooperation in providing loans for the installation of home solar energy systems. Within this framework, ICC will provide loans to private customers installing the Enerpoint solar energy systems on their home rooftops. The project is being conducted at a low intensity.



→ Continued from page 166

In addition to the above, the project includes a unique planning process based on the Integrated Design Process, which includes identification of opportunities and synergies for the creation of a qualitative environment in the project and the determination of measurable designing goals.

STUDY OF ENVIRONMENTAL EFFECTS IN EXISTING BUILDINGS

- The Bank studies the environmental effects also as regards existing buildings, as a basis for taking decisions in the field of construction and properties:
- > The process of choosing and planning the head office and branch buildings integrates green criteria, both in engineering and in the choice of materials;
- > Environmental control is conducted, which includes the measurement and monitoring of radiation in the Bank buildings;
- > The Bank, has a building which complies with Standard 5281 of the Standards Institute for green construction, at 17, Yehuda Halevi Street in Tel Aviv.

RESPONSIBLE CONSUMPTION OF RESOURCES

ENERGETIC EFFICIENCY

→ As stated, Discount Bank's direct environmental effects are extremely limited, resulting mainly from office operations: the consumption of energy, water, paper, etc. Despite the nature of its

environmental effects, the Bank strives to reduce the environmental effects stemming from its operations. In this respect the Bank has adopted measures for increasing the awareness regarding sensible consumption, including the saving of electricity. Inter alia, the Bank issues a monthly electricity consumption report. This report includes a comparative analysis and is distributed to all the branch and unit managers. With the aid of the report, electricity consumption data is brought to the attention of the managers, encouraging energy saving. In addition, a summary report is issued half-yearly and yearly to all the Bank's unit managers.

In 2018, additional measures were taken to reduce electricity consumption, including:

- > Replacement of air conditioning systems with advanced VRF systems at 14 locations of the Bank;
- > Energetic efficiency of lighting in 22 locations of the Bank through the installation of LED lamps;
- > Allotment of approx. NIS 10.3 million for energetic efficiency measures at branches and head office premises.

In 2018, Discount Bank's fuel consumption rose slightly, at a rate of approx. 0.3%.

ENERGY CONSUMPTION

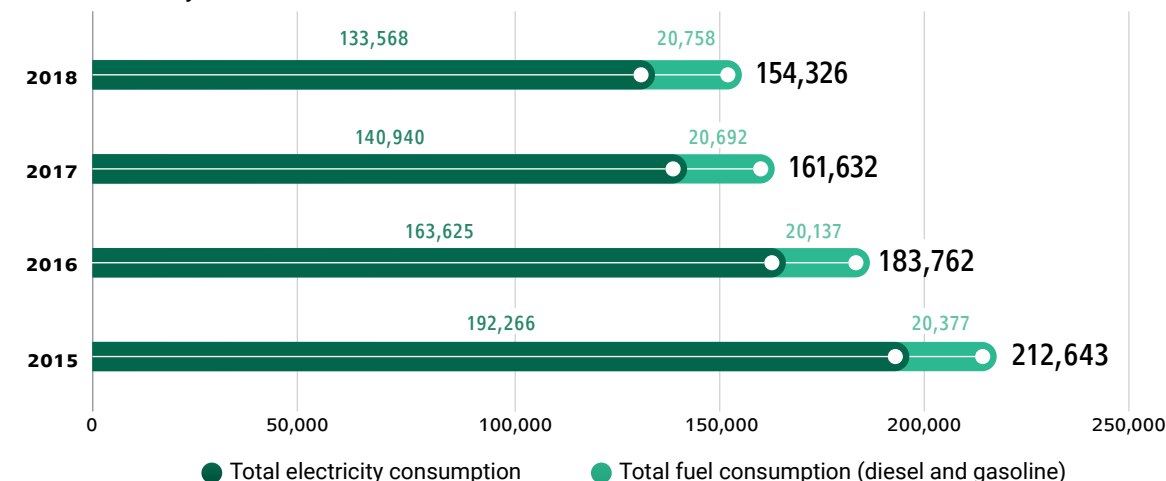
→ In 2018, the Bank's total energy consumption¹ amounted to 154,326 GJ, and the Bank managed to achieve a 4.5% saving in energetic consumption compared to the previous year.

Reducing electricity consumption - in 2018, Discount Bank managed to reduce total electricity consumption by approx. 5.2% compared to the previous year.

Following is a summary of the data regarding Discount Bank's consumption of energy from various sources in the years 2015-2018:

BREAKDOWN OF THE CONSUMPTION OF ENERGY FROM VARIOUS SOURCES - DISCOUNT BANK

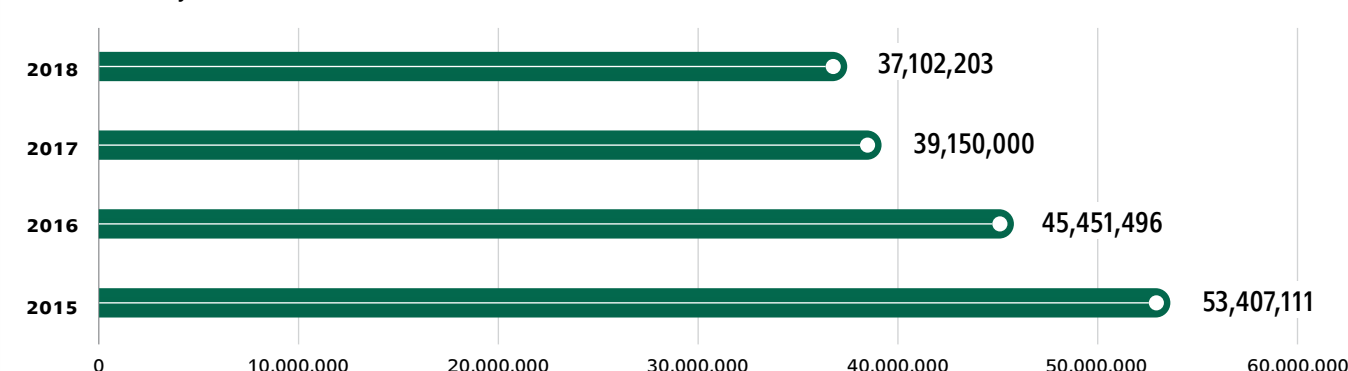
in GJ¹, in the years 2015-2018



Notes: 1 GJ - Energy measurement unit (Gigajoules).
2 The total energy consumption of Discount Bank is the summation of the total consumption of electricity and total consumption of fuel by the Bank.

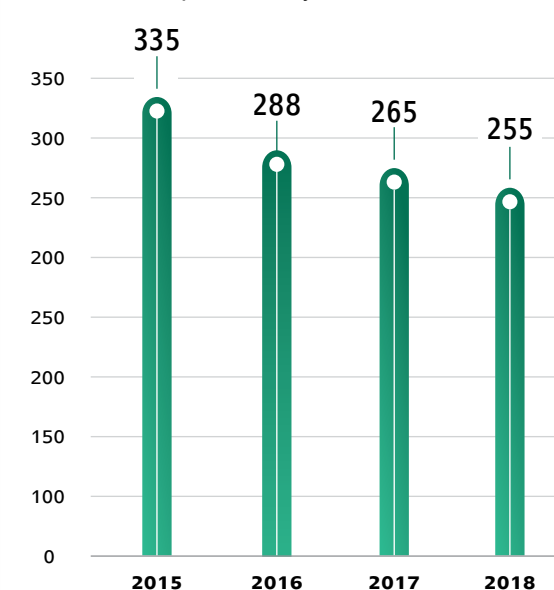
DISCOUNT BANK'S ELECTRICITY CONSUMPTION

kW-h, in the years 2015-2018



DISCOUNT BANK'S ENERGETIC INTENSITY

total kW-h/sq.m. in the years 2015-2018

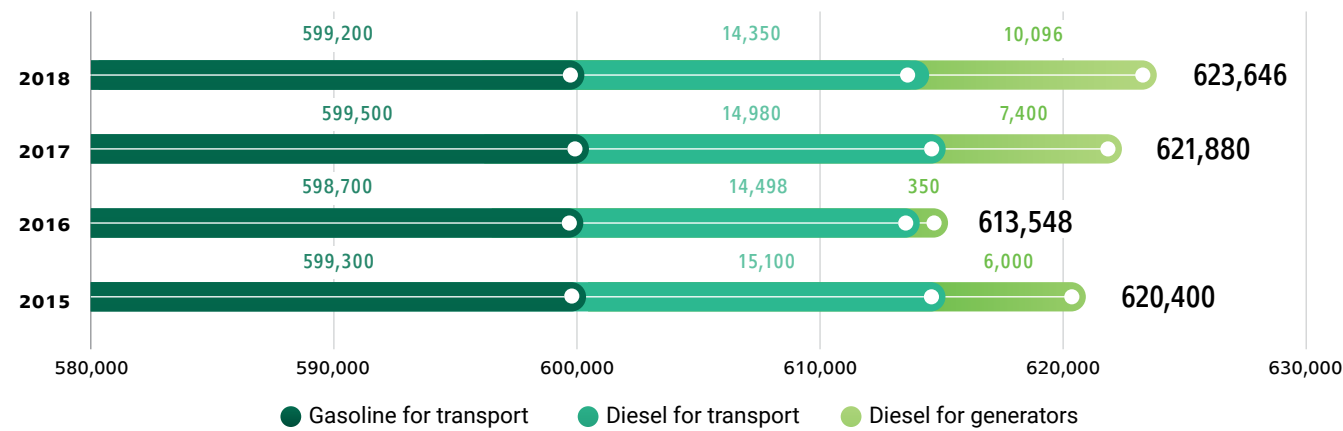


IN 2018, DISCOUNT BANK WAS SUCCESSFUL IN REACHING SAVINGS OF 4.5% IN THE CONSUMPTION OF ENERGY COMPARED TO THE PREVIOUS YEAR



DISCOUNT BANK'S FUEL CONSUMPTION

in liters for employee trips and generators

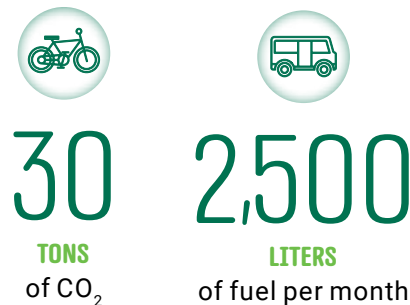


FUEL CONSUMPTION - EMPLOYEE SHUTTLE SERVICE

The Bank provides to its employees a shuttle service available during the whole day (at specified hours), operating with respect to two central locations of operation: from the 160 Herzl Street location to the Discount Bank building in the center of Tel Aviv, and another shuttle service from Jerusalem to the Discount College in Rishon LeTzion. In addition, the Bank has installed in one of the buildings in Yehuda Halevi Street, shower cabins for employees working in the Discount Tower building, who cycle to work, and also provided parking installations for bicycles, in order to

encourage employees to use this means of transportation on their way to work.

SAVINGS IN DISCOUNT BANK'S ARRAY OF SHUTTLE SERVICES



DATA REGARDING THE ESTIMATED SAVINGS RESULTING FROM THE PROVISION OF A SHUTTLE SERVICE FOR EMPLOYEES IN DISCOUNT

Leaves from	Destination	Frequency		Average number of passengers per circuit	Average number of passengers per month	Length of journey (in minutes)	Estimated savings in travel time (in hours)
		Days per week	Circuits				
Central Jerusalem	Discount College Rishon LeTzion	4	2	6	192	60	192
Within Tel Aviv	Discount Tower, 160 Herzl St.	5	9	10	1,800	20	600
Total monthly savings							792
Total annual savings							9,504

Notes: For the purpose of the calculation, an estimate has been made of the distance travelled, the cost of fuel and the refueling coefficient taken from the data of the Central Bureau of Statistics.

PAPERLESS ACTIVITY

The Bank promotes measures for the reduction in paper consumption, as part of several projects, **and with the aid thereof, the Bank managed to reduce its consumption of paper by 35.6% in 2018.**

Digitalization of the archives

During 2018, the Bank continued to convert and transform its branch documents into electronic source documents. In addition, the Bank took out all the material from its central archives, scanned it and it is now presented in the customer's digital file. This move enabled savings in work and storage space, and reduced the quantity of paper reports produced, as well as a transition to producing digital reports;

Computerized forms system

Banking work uses a large number of forms. Until now, the forms were printed in advance, requiring extensive storage space. The inventory of forms was destroyed whenever they were updated. The Bank switched to a computerized forms system, which enables each employee to print the updated form when needed, while it contains the particulars of the specific customer, thereby avoiding recording errors. This process also saves space for storage of the blank forms, and enables customers to receive faster and more efficient service;

System for managing and distributing procedures and circulars

The Bank has an internal communications network, the "intra-net", which is used in distributing circulars and procedures to the employees, thereby enabling the Bank's procedures to be readily accessed and retained for long periods, while making savings in the cost of printing and distributing circulars to employees;

Discount mail service in the Internet

The Bank contacts its customers and enables them to receive updates about their account activity by means of a secured

mailbox on the Bank's website. This process makes it possible to reduce the distribution of notices and letters to the customer's home by mail. Furthermore, the service allows the safekeeping of mail messages and management of a personal archive, where mail may be retrieved during a period of up to seven years. Concurrently, the Bank has conducted the mapping of prevalent notices sent to customers, examining their regulatory requirement, and reduced the number and frequency of such notices;

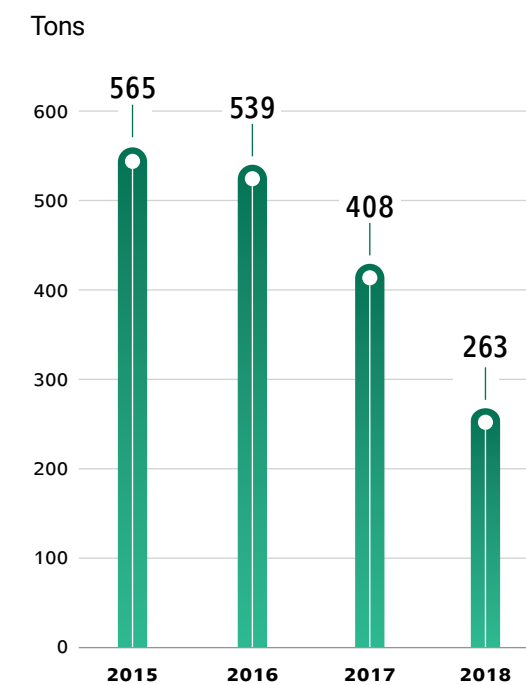
Envelope savings

Replacement of inter-office envelopes with multi-use envelopes. In addition, documents sent for scanning are delivered in expendable nylon envelopes as an alternative to paper envelopes;

Use of the "Fax to Mail" software

Cancellation of the need to print fax notices, and the keeping of documents sent to the Bank as computer files.

DISCOUNT BANK'S PAPER CONSUMPTION



RECYCLING AND USE OF RECYCLED MATERIALS

The Bank promotes the recycling of materials by its employees. In 2018, some 391 tons of paper were sent for recycling, comprising 100% of the Bank's paper waste. In addition to paper, the Bank sends used light bulbs, bottles, batteries and electronic waste for recycling. In 2018, some 6,800 light bulbs, 121,700 drink bottles, 10,200 batteries and 43.7 tons of electronic waste were sent for recycling.



6,800
light bulbs



121,700
drink bottles



10,200
batteries



43.7
tons of electronic waste

CARBON FOOTPRINT

On its own initiative, the Bank has committed to a reduced greenhouse gas emissions target and is working accordingly to gradually reduce its carbon footprint, through energetic efficiencies at its branches and head office. In each year, the Human Resources and Properties Division monitors the progress in this area by collecting performance data in the various areas and formation of a comprehensive report. In addition, in each year the Bank voluntarily reports emissions created by it to the reporting and recording center of the Israel Ministry of Environmental Protection.

The carbon footprint of Discount Bank and its principal subsidiaries in Israel, whose data are presented below, comprise three scopes:

- > **Scope 1** - Total direct emissions, originating in the consumption of fuel and refrigerant gases;
- > **Scope 2** - Total indirect emissions deriving from electricity consumption;
- > **Scope 3** - Total indirect emissions affected by the operations, but not resulting there from. Business flights, paper consumption and water consumption are included in this scope.

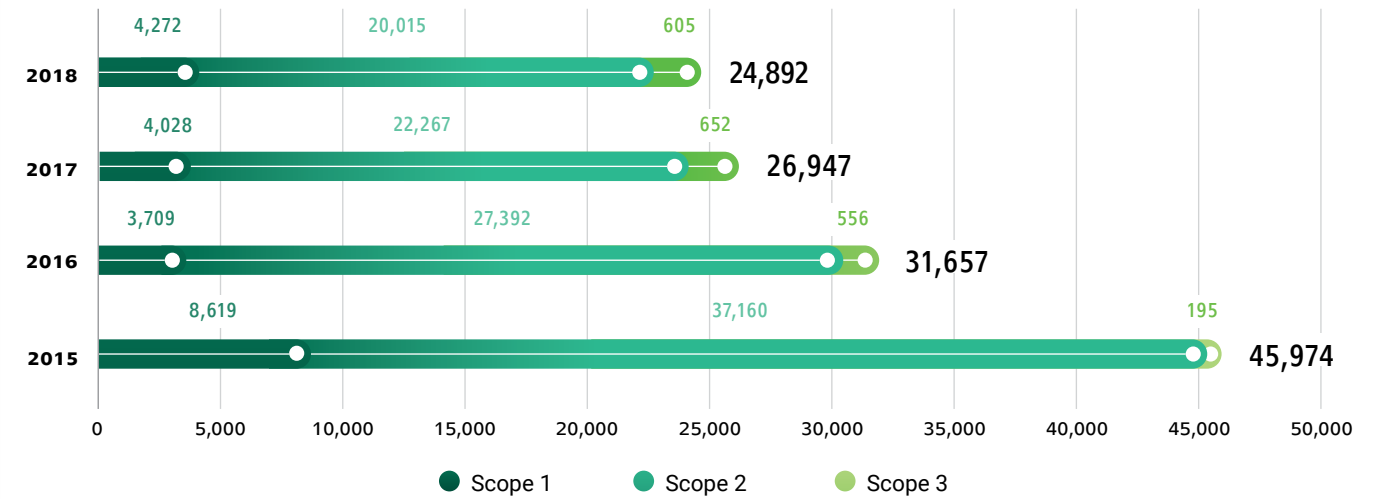
In 2018, Discount Bank managed to achieve a reduction of approx. 7.6% in its overall carbon footprint, compared to 2017. The reduction results mainly from approx. 5.2% decrease in electricity consumption and from the reduction in indirect emissions in Scope 2 accordingly.

EMISSION OF ADDITIONAL MATERIALS

Discount Bank makes use of refrigerant gases for the air conditioning of its branch and head office buildings. In 2018, the Bank consumed approx. 0.8 tons of R-22 type refrigerant gas and approx. 0.28 tons of R-410 type refrigerant gas. The Bank is acting for the replacement of a major part of its old air conditioning systems with the more economical VRF systems.

DISCOUNT BANK'S CARBON FOOTPRINT ACCORDING TO SCOPES

Carbon dioxide equivalent tons



- Notes:**
- 1 The computation of the greenhouse gases emission in scope 1 and 2 are based on emission coefficients published by the Israel Ministry of Environmental Protection for the years 2015-2018.
 - 2 The computation of emission in scope 3 is based on the emission coefficients of DEFRA and GHG Protocol.
 - 3 As from the year 2016, the calculation of Scope 3 includes also water consumption, paper consumption by the Bank and paper sent for recycling.

THE INTENSITY OF DISCOUNT'S GREENHOUSE GAS EMISSIONS

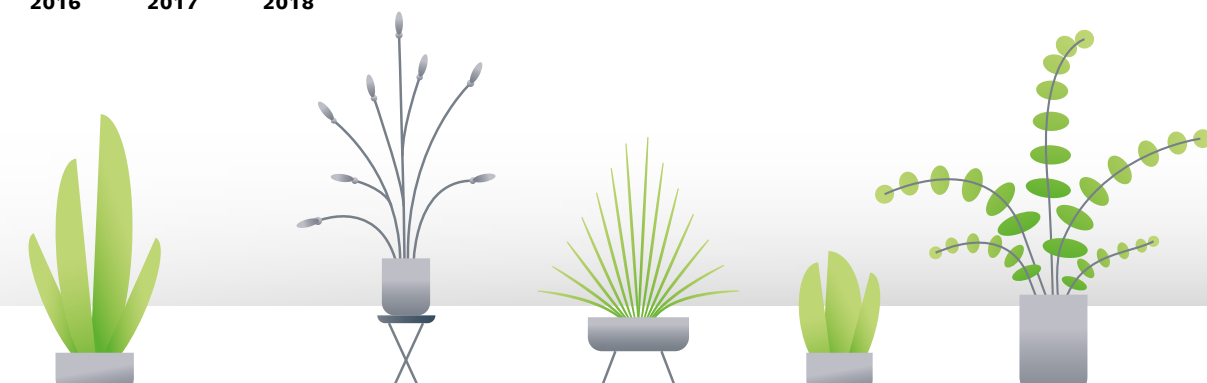
Carbon dioxide/sq. m. equivalent tons



INCREASING THE AWARENESS OF EMPLOYEES

The Bank uses the Intranet system for operating an organizational environmental portal, where all information and activity in this respect is being published. The portal also serves as an address for employee questions and approaches in the matter.

Additionally, in the offices and conference rooms, stickers are affixed to the switches, reminding to shut off the lights at the end of the work day and, all of the cafeterias have hung banners calling for saving resources and encouraging employees to make use of the recycling bins placed in them.



RESPONSIBLE CONSUMPTION OF RESOURCES AT THE PRINCIPAL SUBSIDIARIES IN ISRAEL

MERCANTILE DISCOUNT BANK

Similarly to Discount Bank, MDB has also adopted many and varied energetic efficiency measures, inter alia:

Cutting down fuel consumption

Motor vehicles were put at the disposal of employees for joint travel for work purposes. Preference was given to vehicles on lease having a low pollution level. Also the bank started to hold meetings by way of video conferences, while increasing during 2018 the number of conference rooms enabling such meetings.

"Paperless project"

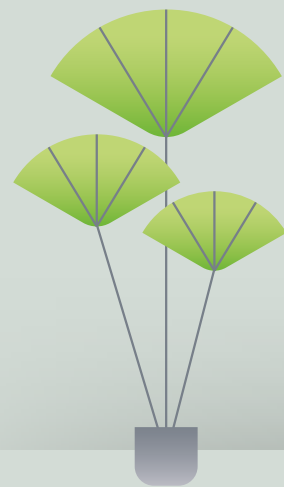
A designated project for the savings in paper was introduced since the beginning of 2017, inter alia, with the aim of turning MDB into an environment friendly green bank. Processes using large quantities of paper and processes in which the use of paper is superfluous are being identified within the framework of the project, and following the mapping and examination of such processes, a digital process is introduced and/or printing is obviated, to the extent possible within the framework of the regulatory requirements and procedures.

Following are a number of examples of paper reducing: reducing the number of notices sent to customers via ordinary mail, adding them to the "green mail";

encouraging customers to transact business online, e.g. using applications; installation of two monitors in each work position enabling the parallel use of two systems, thus obviating monitor printings (installation at all work stations of the bank has not yet been completed); use of software for managing internal tasks in the organization (AB), thus obviating internal printed forms (e.g. real time credits and transfers, joining "business+", etc.); reducing archiving time for documents, thus reducing the archives. The process of digital signature upon monitors is expected to be introduced at the branches at the beginning of 2020, thus avoiding a large quantity of paper printing.

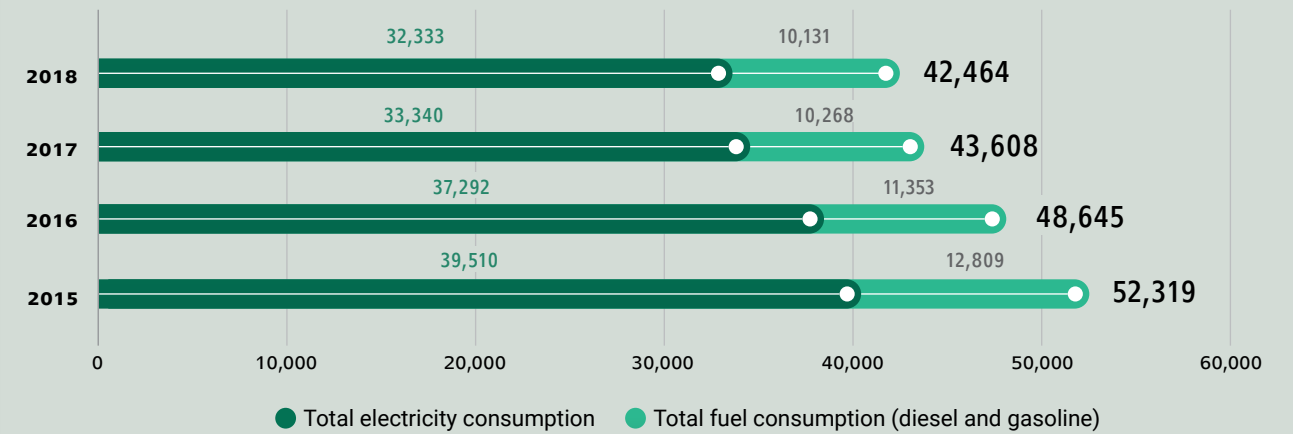
Presentation of proper disclosure in information desks

MDB is required to publish daily proper disclosure at each of its branches. As an alternative to a physical notice board, screens have been developed in the information desks designed for the presentation of proper disclosure.



MDB'S CONSUMPTION OF ENERGY FROM VARIOUS SOURCES²⁶

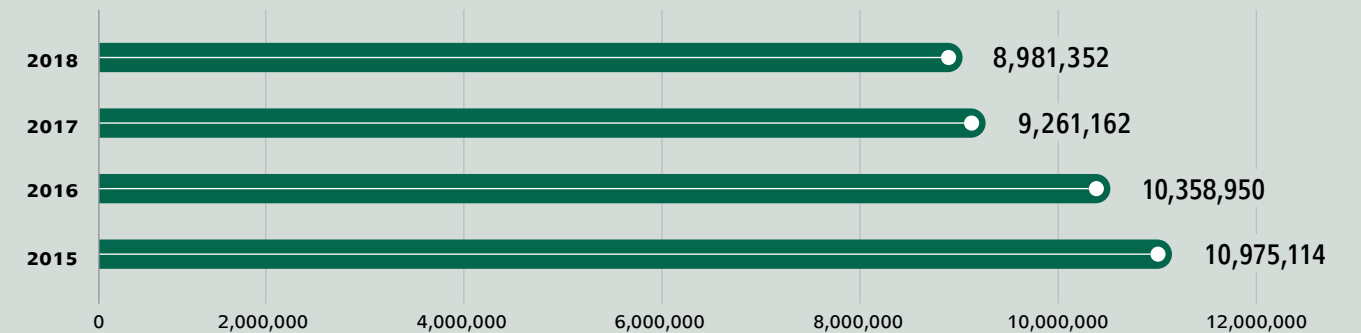
in GJ units, in the years 2015-2018



Notes: 1 GJ - Energy measurement unit (Gigajoules).
2 The fuel consumption data for 2017 were improved.

MDB'S CONSUMPTION OF ELECTRICITY

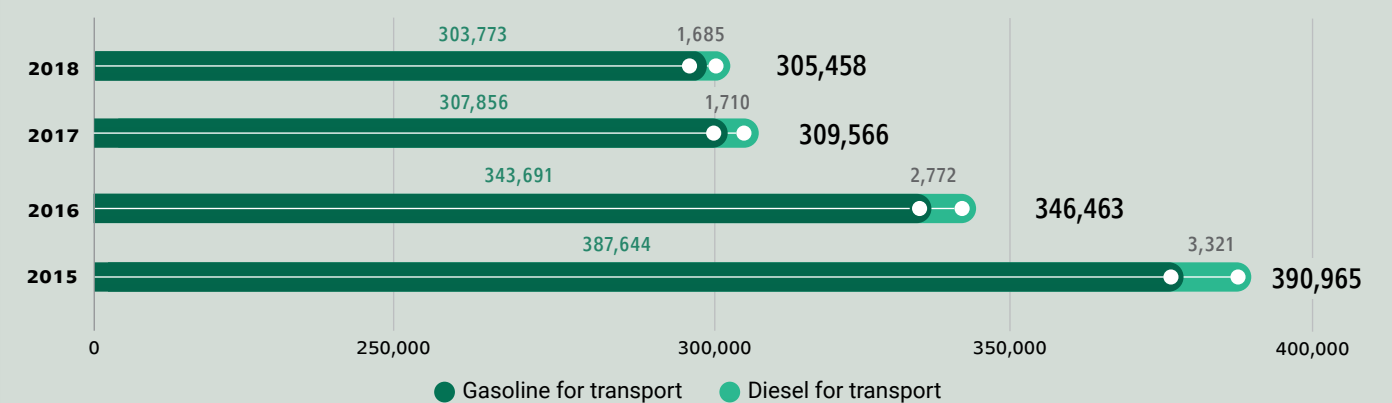
In kW-h in the years 2015-2018



Notes: The electricity consumption at the rental properties of MDB is assessed on the basis of the average kw/h price.

MDB'S FUEL CONSUMPTION²⁷

in liters, for employee transport and for generators



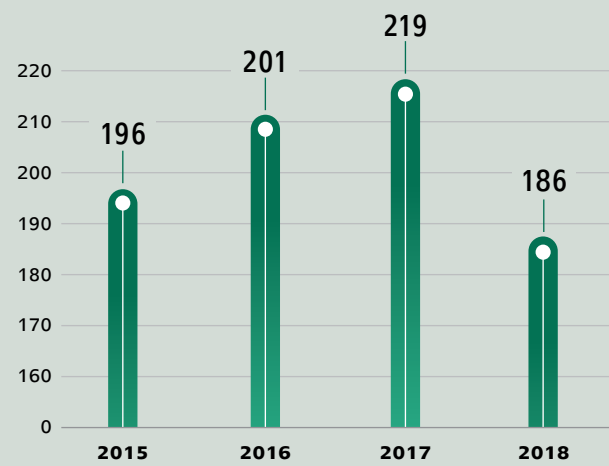
Notes: MDB does not consume diesel oil for generators.

26 102-48

27 102-48

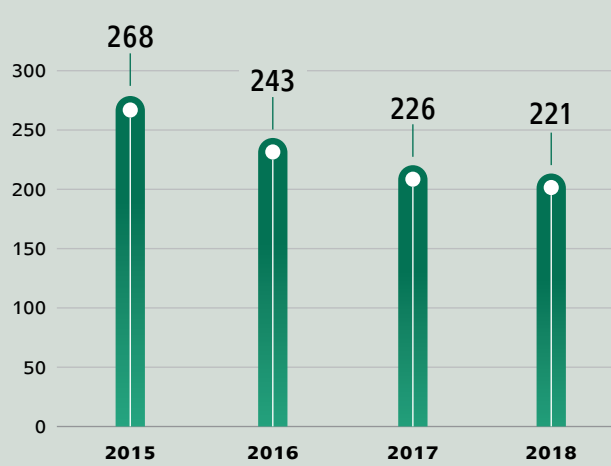
MDB'S PAPER CONSUMPTION

Tons, in the years 2015-2018



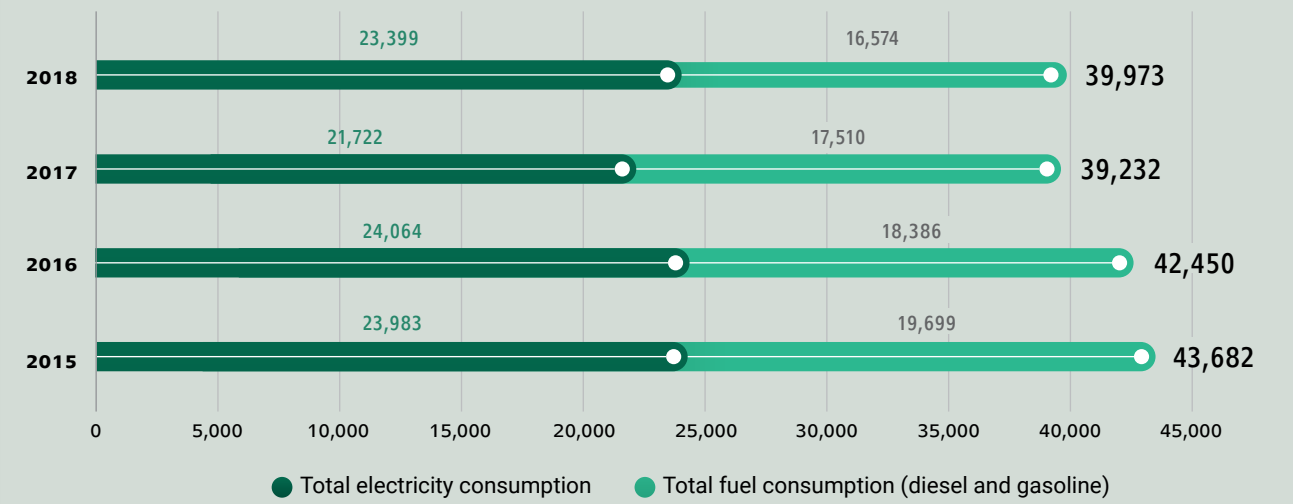
MDB'S ENERGETIC INTENSITY

total kW-h/sq.m.



ICC'S CONSUMPTION OF ENERGY FROM VARIOUS SOURCES

in GJ, in the years 2015-2018



Notes: GJ - Energy measurement unit (Gigajoules).

ICC

ICC is also promoting the responsible consumption of resources and the reduction in its carbon footprint. For this purpose, the roofs of buildings owned by it are coated once a year with a white insulation material that contributes to the reduction in the warming up of buildings in the summer months, thus saving energy consumption required for air-conditioning. Furthermore, to the extent possible, ICC utilizes natural light for the lighting of its offices, and in planning new premises and operational locations, use is made of materials that are not harmful to the environment, while adhering, to the extent possible, to green building principles.

CALMAIL

In 2015, ICC began a move for the reduction in the consumption of paper in its operations, proposing to its customers to receive their monthly statement of transactions by electronic mail instead of by regular mail. In this framework, since 2015, the number of customers joining this service has grown considerably, and the matter is under an organizational focus. As of the end of 2018, 44% of the company's customers have joined the service and are receiving their statements by CALMAIL instead of by regular mail.

The validity of a part of credit cards has been extended for five years. This move shall contribute to the reduction in the company's consumption of plastics in the long-run.

The company's vehicle fleet

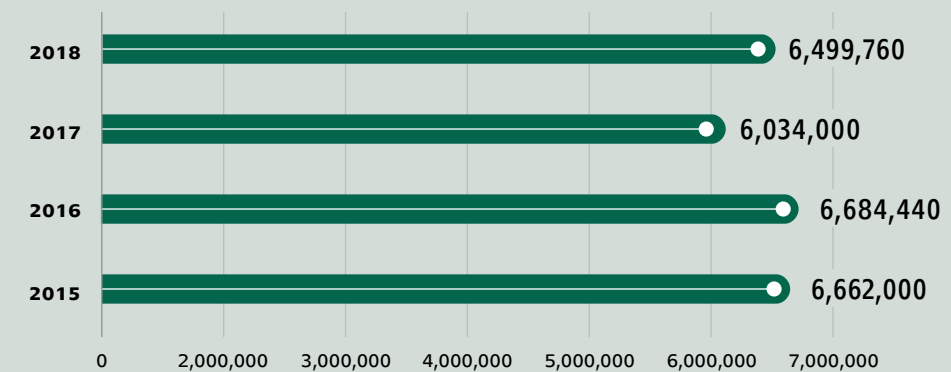
The fleet which numbers approx. 230 motor vehicles, has been replaced during the recent years and includes at present vehicles having smaller engines, which consume less petrol and emit lesser pollution. Replacement of the company's vehicle fleet led to a 5% saving in the company's fuel consumption. Furthermore, the company operates a transportation service for employees living in Ashdod and Rehovot, with a view of reducing the use of private vehicles by employees. Besides the transportation service, the company operates a nightly taxi cab service, numbering on an average approx. four taxi cabs per night, for transportation of authorized personnel.

Environmental control

ICC conducts environmental control activity, which includes measurement and monitoring of radiation in company premises. Current monitoring of the work environment is conducted, including attendance and radiation surveys, performed by outside independent companies.

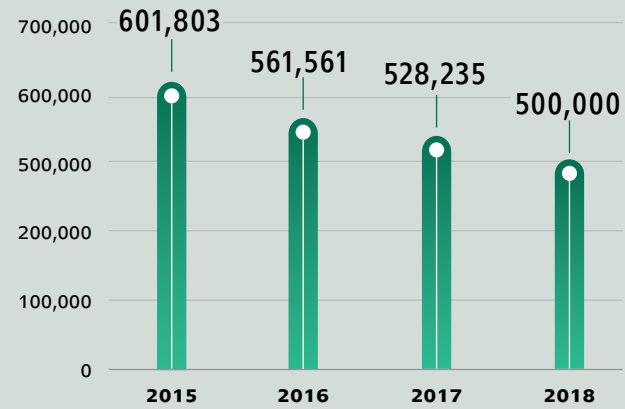
ICC'S CONSUMPTION OF ELECTRICITY

kW-h, in the years 2015-2018



ICC'S FUEL CONSUMPTION

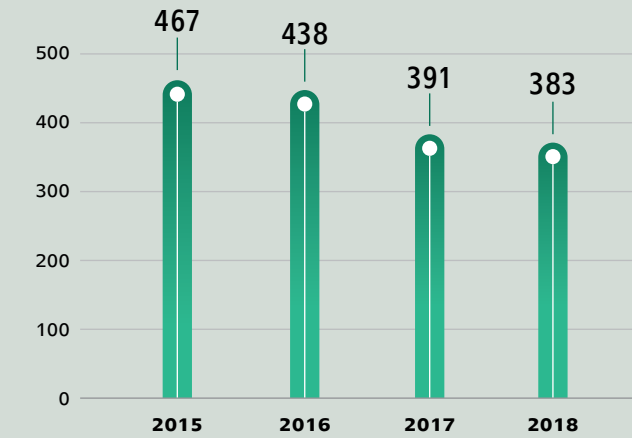
in liters, for employee transport and for generators



Notes: Use of emergency power generators by ICC is negligible (a few tens of liters per year).

ICC'S ENERGETIC INTENSITY

total kW-h/sq.m.



IDB BANK

Recycling project

All businesses in the city of New York are required by law to recycle certain materials and do their utmost to verify that recyclable material is properly treated by their suppliers of waste removal services.

IDB Bank has engaged a private authorized waste removal supplier IESI (Waste Connection) and has developed a waste removal plan.

The Municipal Authority of New York has issued to IDB Bank Business Integrity Commission (BIC) stickers, which identify the authorized private waste removal service supplier of the bank. The sticker is attached to a front window and is clearly visible from the sidewalk edge at the entrance to the building.

IDB Bank is authorized to collect recyclable waste with no prior sorting. Recycling with no prior sorting means that all recyclable material (metal, glass, plastic [MGP] and paper) may be placed in the same waste bin. IDB Bank's building Management has provided at least two waste bins on each

floor (in a warehouse / pantry and other public areas): one of the waste bins with a black plastic bag is labeled for general garbage. The other bin (blue) with a clear plastic bag is labeled for all recyclable materials (MGP and paper).

In addition, Management of the building has posted (at eye level, as required by law) guiding posters detailing the type of waste to be placed in the recycle bin and the waste intended to the general waste bin.

Management of the IDB Bank building has also placed posters intended for the cleaning staff at the waste collection area and at the loading ramp at the back of the building. The recyclable waste and the other waste is collected and transported separately during the night by the waste removal service supplier of IDB Bank.



GOALS

GOALS PRESENTED IN THE PREVIOUS REPORT

Discount Bank	<p>✓ Done A decrease of 5.2 in kW-h consumption.</p>	Energy - reducing electricity consumption - 4% annually.
	<p>An increase of 0.3%.</p>	Reducing gasoline consumption - 1% annually.
	<p>✓ Done A reduction of 7.6%.</p>	Reducing the carbon footprint in Scope 1 and Scope 2 by 1% per year. It is the intention of the Bank to examine different means for exposure of employees and increasing their awareness to environmental issues relevant to the Bank's operations.

FUTURE GOALS

Discount Bank	Reducing the carbon footprint in Scopes 1 and 2 by 1% per year.
	Energy - reducing electricity consumption - 2% annually.
	Planning of the "paperless staff" project and the "paperless branch" project and bringing them to the approval of the bank's Management.
MDB	Preparation for the implementation at the branches of digital signature on documents to be carried out during 2020.
	Preparation for the implementation at the branches of digital signature on documents to be carried out during 2020.



09 CORPORATE GOVERNANCE

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CORPORATE GOVERNANCE

WITHIN THE BANK'S CORPORATE GOVERNANCE CODE, IT HAS BEEN DETERMINED THAT THE BOARD OF DIRECTORS IS RESPONSIBLE FOR PRESCRIBING HIGH STANDARDS OF CONDUCT, DESIGNED TO ENHANCE PROFESSIONAL CONDUCT AND INTEGRITY AND FOR THEIR ASSIMILATION THROUGHOUT THE ORGANIZATION. THE BANK ACTS AND WILL ACT IN ACCORDANCE WITH AN ETHICAL CODE THAT IS INTENDED TO REFLECT THE VALUES OF THE BANK AND TO DETERMINE PROPER STANDARDS OF BEHAVIOR AND FAIR AND TRANSPARENT CONDUCT WITH RESPECT TO THE CUSTOMERS



CORPORATE GOVERNANCE CODE FOR THE DISCOUNT GROUP

The Corporate Governance Code, approved by the Bank's Board of Directors in October 2009, reflects the implementation of a "best practice" policy in the corporate governance field. The Code is based on the provisions of the law and various regulations applying to the Bank in the corporate governance field. In December 2017, the Board of Directors approved updates to the document. The updated document is available for review on the Bank's website.

This document is designed to present the corporate governance rules that guide the activity of the Discount Group. These rules are intended to govern the conduct of the Discount Group, inter alia, with the aim of ensuring that the Group will manage its risks in a proper and useful manner, will increase its earnings in favor of its shareholders and will act to maintain the interests of its customers. The corporate governance rules detailed in the document reflect the perception of the Discount Group regarding everything relating to the values of the Group, to the decision-making processes, risk management and proper and adequate control and supervision procedures.

Within the framework of the implementation of the corporate governance plan, the Board of Directors approved a work procedure vis-à-vis the subsidiary companies. Moreover, the Bank's Board of Directors approved a procedure for the approval of transactions with interested parties in the Bank.

IDB Bank's Board of Directors reviews and approves the Corporate Governance

Guidelines from time to time, but at least annually. The Guidelines were first approved in 2008 and most recently in 2018.

The Corporate Governance Code of MDB was approved by the Board of Directors of MDB in January 2013 and was updated most recently in June 2018.

The Corporate Governance Code of ICC was approved by the Board of Directors of ICC in November 2014 and was most recently validated in March 2018. The Code is available for review on the company's website.

CORPORATE GOVERNANCE QUESTIONNAIRE

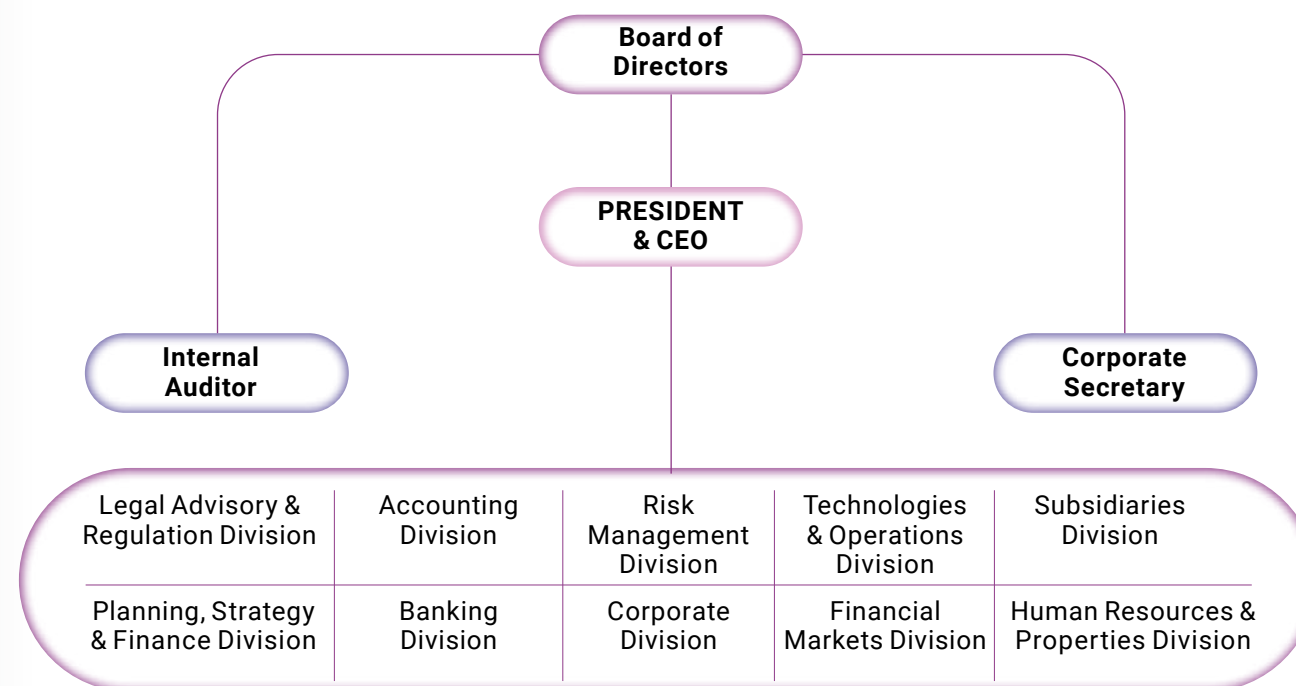
The Bank's corporate governance questionnaire for 2018 is available for review on the MAGNA website of the Israel Securities Authority and on the MAYA website of the Tel-Aviv Stock Exchange Ltd. together with the Bank's 2018 Annual Report.

THE GENERAL MEETING OF SHAREHOLDERS

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

In accordance with the provisions of the law, the Bank has to publish a notice at least twenty-one days prior to the notice convening a general meeting of shareholders, when a proposal for the

DISCOUNT BANK'S ORGANIZATIONAL STRUCTURE CHART



Note: Discount Bank's organizational structure chart in 2018

appointment of directors or the termination of their office appears on the agenda of the meeting. The preliminary notice includes details of the subjects on the agenda of the coming general meeting. In the notice convening a general meeting of shareholders, the Bank provides details of the agenda of the meeting being convened, the proposed resolutions and the majority required for the different resolutions.

The above stated, excluding the determination of the agenda by the Board of Directors, does not apply to MDB and to ICC, both being private companies.

THE BOARD OF DIRECTORS

PROCEDURE OF APPOINTMENT OF DIRECTORS

→ The appointment of members of the Bank's Board of Directors is made by the general meeting of shareholders, and everything according to the provisions of the law applying to the Bank as a public company and as a banking corporation having no core controlling interest and in accordance with the Bank's articles. The provisions determine special qualifying conditions regarding the qualifications and experience required from whoever serves as director of a banking corporation. According to the Banking Ordinance the Supervisor of Banks has to be informed in advance of the intention to appoint a director, and the Supervisor has the authority to oppose such an appointment.

The Bank is a banking corporation without a core controlling interest, subject to special provisions regarding the appointment of directors, their service and termination of service. In

accordance with these provisions, voting on the appointment of directors shall take place only at the annual general meeting or at a meeting convened under Section 35A of the Banking Law (Licensing), 1981 (hereinafter: "the Banking Law"); the period of service of a director who is not an external director is limited to three years, and the cumulative period of his service is limited to nine years; the number of directors who are to be replaced in each year shall not exceed one half of the number of the serving directors.

Within the context of an amendment of Proper Conduct of Banking Business Directive No. 301, the maximum number of directors in a banking corporation is to be reduced from 15 to 10 from July 1, 2020. For further details, see the 2018 Annual Report (p. 376). The Supervisor of Banks has directed that the Bank is to gradually reduce the number of directors and that the Board of Directors is to comprise 10 directors following the Bank's general meeting for 2020.

According to the Banking Law, a statutory committee was established for the appointment of directors in a banking corporation not having a core controlling interest, the duty of which is to propose to the general meeting candidates to serve as directors. Concurrently with the committee, in the case of a banking corporation having no core controlling interest, a shareholder and/or a group of shareholders that hold more than two and a half percent of a certain class of means of control in the corporation, are entitled to propose to the general meeting candidates for election as directors.

For additional details regarding the Bank's Board members, see the 2018 Annual Report (p. 296) and the Periodic Report for 2018 (Regulation 26). For additional details regarding members of the Board

of Directors of Mercantile Discount Bank, see the 2018 Annual Report of this bank (pp. 261-263 of the Hebrew report). For additional details regarding members of the Board of Directors of ICC, see the 2018 annual report of this company (pp. 175-177 of the Hebrew report).



PROCEDURE OF APPOINTMENT OF DIRECTORS AT THE PRINCIPAL SUBSIDIARIES

→ MDB and ICC are private companies. The appointment of directors at MDB and at ICC is made in accordance with their qualifications and in accordance with Proper Conduct of Banking Business Directive No. 301. Appointment of members of the Board of Directors in ICC is made in accordance with the ratio of holdings between Discount Bank and FIBI and in accordance with guidelines set in the shareholders agreement and the company's articles. The Bank's Board of Directors approves the decision regarding the appointment of directors of MDB and of ICC.

The appointment of a director at MDB and at ICC requires the approval of the Bank of Israel, following a full "fit and proper" (F&P) process, with this also applying to external directors according to Directive No. 301. The appointment and the renewal of the approval is done every three years.



COMPOSITION OF THE BOARD OF DIRECTORS¹

The Corporation	Discount Bank	Mercantile Discount Bank	ICC	IDB New York
Number of directors	13	11	9	10
Directors qualified as external directors	13	4	3	6 ₋
External directors ²	4	5 ₋	5 ₋	6 ₋
External directors in terms of Directive no. 301 ³	5	4	3	6 ₋
Directors with professional qualifications ⁴	13	9	8	7 ₋
Directors with accounting and financial expertise	12	5	8	7 ₋
Women	3	1	2	3
Men	10	10	7	7
Age: Up to 50	1	1	1	2
51-60	1	1	5	3
61-70	9	8	3	3
Over 70	2	1	-	2

- Notes:**
- 1 The data is updated through the date of publication of the 2018 Annual Report.
 - 2 In terms of the Companies Law, 1999.
 - 3 External directors in terms of Directive No. 301 of the Proper Conduct of Banking Business Directives, and as such also qualify as external directors in terms of the Companies Law.
 - 4 Within the meaning of the term in the Companies Regulations (Conditions and Tests for Directors Having Accounting and Financial Expertise and a Director Having Professional Qualifications), 2005.
 - 5 The duty to appoint external directors in accordance with the Companies Law does not apply to MDB and to ICC, both being private companies.
 - 6 The provisions of the Companies Law and of Proper Conduct of Banking Business Directive No. 301 do not apply to IDB Bank. This notwithstanding, IDB Bank's corporate governance guidelines require that a minimum of one-third of the directors be independent and define the criteria for that independence.
 - 7 The provisions of the Companies Law and of Proper Conduct of Banking Business Directive No. 301 do not apply to IDB Bank. This notwithstanding, the three members of IDB Bank's Audit Committee all have general financial literacy, as required by the Audit Committee's deed of authority. Two of them have expertise in banking or in financial management matters. All directors, pursuant to IDB Bank's corporate governance guidelines, must have experience or expertise in one or more of the following fields: banking, finance, economics or business, law, management or accounting.

SEGREGATION OF THE CHAIRMAN OF THE BOARD'S DUTIES

Dr. Yossi Bachar served as the Chairman of the Board of Directors through December 3, 2018 and, since that date, Mr. Shaul Kobrinsky has served as the Chairman of the Board of Directors. Neither Dr. Bachar nor Mr. Kobrinsky held any other office at the Bank. In 2018 the Chairman of the Board of Directors of MDB was Mr. Yair Avidan, a Senior Executive Vice-President of Discount Bank, who does not hold any other office at MDB. The Chairman of the Board of Directors of ICC through April 10, 2018 was Mr. Yuval Gavish, a Senior Executive Vice-President of Discount Bank, and, since that date, Mr. Ran Oz has served as the Chairman of ICC's Board of Directors. Neither Mr. Gavish nor Mr. Oz held any other office at ICC.

ACTIVITY OF THE BOARD OF DIRECTORS

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

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

- > The board of directors will outline the strategy of the banking corporation, including the risk strategy and risk appetite, and will approve the banking corporation's policy that will guide the banking corporation in its ongoing activities;
- > The board of directors will supervise the activities of management and their

consistency with the policy of the board of directors;

- > The board of directors will ensure the establishment of clearly defined spheres of responsibility and accountability within the banking corporation;
- > The board of directors will outline the organizational culture of the banking corporation, which requires the implementation of high standards of professional conduct and honesty;
- > The board of directors will ensure that the banking corporation operates in compliance with the law and regulations.

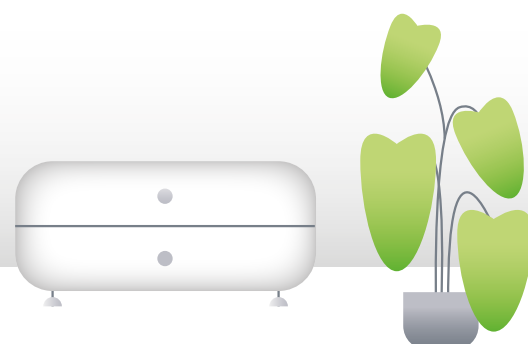
In accordance with the Directives, the Board of Directors appoints the President & CEO and approves the appointment of the members of management by the President & CEO. The Bank's Board of Directors also approves the appointment of directors at the Bank's principal subsidiaries.

It should be noted that the corporate governance code of the Discount Group, has determined, among other things, principles regarding the responsibilities of the Board of Directors, the independence and qualification of the Board, the conduct of the Board and its meetings, committees of the Board, separation of powers between the Board and management, duties of the Board, of the President & CEO and of management.

Determination of the agenda of the Board of Directors

The agenda for the meetings of the Bank's Board of Directors is determined by the Chairman of the Board, taking into consideration the different regulatory requirements, including corporate legislation, the Proper Conduct of Banking Business Directives, etc.

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



Work procedure of the Board of Directors and its committees


The Board of Directors and its committees operate in accordance with a procedure determined for their work, within the framework of which are prescribed, among other things, the duties and powers of the Board itself and of the various Board committees, their manner of operation, the reports that have to be submitted to them and their frequency, and issues and transactions that require their approval. The Board of Directors updates the procedure from time to time, as required.

Assessment of the effectiveness of the work of the Board of Directors

In accordance with Proper Conduct of Banking Business Directive No. 301, the Board of Directors performs, once every two years, for internal purposes, a process of self-assessment. This is intended to test the efficiency of the Board of Directors' work, to identify weaknesses in its work and make the necessary changes where required.

The self-assessment process is conducted by means of questionnaires relating to aspects of the work of the Board of Directors and its committees, including: the commitment and independence of the Board of Directors, outlining the strategy of the Bank and of the Group and monitoring its implementation, the activities of the subcommittees and the coordination between them, supervision and control over the performance of the Bank and management, and so forth. The process at Discount Bank is conducted with the assistance of an external party, which, among other things, assists in the formation of the questionnaire and in the gathering and analysis of the findings stemming therefrom. The process was last performed in October 2018 (at MDB – in November 2017, at ICC – in April 2018).

COMMITTEES OF THE BOARD OF DIRECTORS

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

Credit Committee

The Committee is authorized to deal with various matters concerning the credit operations of the Bank and the Group. Inter alia, the role of the Committee is to support the Board of Directors in outlining the credit management strategy, as well as to discuss and make recommendations to the Board of Directors with regard to the Bank's credit policy document.

The Committee discusses, inter alia, the following matters: the Bank's credit policy; the Group and the Bank's (on a standalone basis) credit risks document; compliance with the credit policy document; effectiveness of the credit policy; retail credit portfolios of the Bank, and of the subsidiaries ICC and MDB; debt collection procedures policy and the periodic report of the head of the function that handles debt collection; drawing conclusions with regard to default cases; and so forth. The Committee discusses the yearly and multiyear credit control work plan and the annual report of the credit controller. The Committee also holds a discussion with the credit controller on his own.

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

Audit Committee

The Committee discusses the annual and multiyear internal audit work plan, makes recommendations regarding such plan to the Board of Directors and monitors the plans' implementation.

The Committee discusses material audit reports of the internal audit, the quarterly and semi-annual reports submitted by the internal auditor, which, inter alia, include a summary of the audit reports prepared by the Internal Auditor and the annual report regarding the operations of the internal audit. The Committee discusses the audit reports of the Supervisor of Banks, of authorities and of the Bank's independent auditors, and the proposed response of management to the issues raised in such reports.

The Committee makes recommendations to the Board regarding the appointment of an internal auditor or his removal from office and also makes recommendations to the Remuneration Committee regarding the salary and remuneration of the internal auditor and his promotion. In addition, the Committee makes recommendations to the Board of Directors regarding the letter appointing the Internal Auditor/internal audit function and approves the plan for assuring the quality of the internal audit function.

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

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

The Committee approves the annual work plan of the Compliance Officer and conducts semi-annual monitoring of its implementation. The Committee discusses the annual work plan of the Anti-Money Laundering Officer and conducts semi-annual monitoring of its implementation.

The Committee approves the policy document regarding the handling of public complaints and the service charter and discusses the periodic report of the Public Complaints Commissioner.

The Committee discusses the independent internal audit review with regard to ICAAP (a document summarizing the internal capital adequacy assessment process).

The Committee holds discussions with the audit and control functions on their own, in the presence of the Committee members and the relevant officer alone.

The Committee discusses transactions with "related persons", as required under Directive no. 312 of the Proper Conduct of Banking Business Directives, and actions and transactions as required by the provisions of the Companies Law.

The Audit Committee is responsible for supervising the work of the Bank's independent auditors, including making recommendations to the Board of Directors regarding the remuneration of the independent auditors, as well as examining the scope of their work and their remuneration and presenting its recommendations to the Board of Directors. It is also responsible for bringing its position before the general meeting whenever the agenda of a general meeting includes the termination of office of the independent auditor or the non-renewal of its office. Once every three years, the Audit Committee holds a discussion regarding the possibility of replacing the existing independent auditors of the Bank.

The Committee discusses the Bank's draft of the annual report and the quarterly reports to the public ("the Financial Statements") and submits recommendations to the Board with respect thereto. As part of the discussions on the Financial Statements, the Committee discusses the matter of customers where the allowance recommended to be made with respect thereto in the relevant quarter is in an amount greater than that prescribed by the Board. Furthermore, the Committee discusses the matter of disclosures regarding the accounting policy on critical topics and regarding critical accounting estimates. Moreover, the Committee discusses and makes recommendations to the Board of Directors regarding the formal disclosure policy of the Bank.

Prior to the issue of a prospectus, the Committee discusses the draft prospectus before its submission for approval of the Board and makes recommendations to the Board regarding the draft.

Furthermore, the Committee makes recommendations to the Board in all matters relating to internal control over the financial reporting, in everything relating to the supervision over the current management of financial reporting risks, in accordance with Section 404 of the Sarbanes Oxley Act. The Committee approves the financial reporting risk management policy and the annual work plan for financial reporting risk management (SOX 404), and also monitors the progress of the plan's implementation.

The Committee receives an annual review from the independent auditors regarding the audit of the Financial Statements and regarding new developments in standards and regulation in Israel and the world over, as well as a quarterly review (the independent auditors' communications with the functions responsible for overall control).

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

The Committee discusses and makes recommendations to the Board of Directors in matters regarding the existence of permanent conflict of interests of a director of the Bank. The Committee also discusses the issue of negligible relations regarding a director/candidate for office of director of the Bank, in accordance with the provisions of the Banking Ordinance and the Companies Law.

The Audit Committee has to approve whether and to what extent a candidate, who meets the qualification terms of an external director, also meets the qualification terms of an independent director under the Companies Law.

Risk Management Committee

The Committee is authorized to discuss and to make recommendations to the Board of Directors in any matter relating to the overall risk strategy, including the risk management and risk exposure policy, in the Bank and in the Group. Within this framework, the Committee's role is to exercise control and supervision over the manner in which Management implements the overall risk strategy, including the risk appetite, as outlined by the Board of Directors, and also to discuss the scope of the exposure to the various risks and limitations on exposure; organizational preparations and corporate governance for the implementation of the risk strategy for exposure management and control; and also updating of the Board of Directors' procedures in the risk management field.

Furthermore, it is up to the Committee to ensure that new or developing risks are managed as required, and that the Bank's Management allocates appropriate resources to these. Moreover, it is the Committee's task to exercise control and supervision over the risks involved in the activities of the Bank's investee companies from the perspective of risk-based materiality.

The Committee is in regular contact with the

Chief Risk Officer (CRO) and with the other audit and control functions so as to update the latest risk profile, the risk appetite, the limits and the exceptions thereto, material default events and the risk mitigation plans, as well as to establish a work interface with the Audit Committee of the Board of Directors on material matters relevant to its sphere of responsibility.

The CRO submits immediate reports to the Committee, and if required also to the Board of Directors, on any matter, finding or deficiency found in the area within the duty and authority of the Committee, which might have a material effect on the risk management at the Bank and the Group and/or on their business as well as other topics, at its discretion before the Committee for discussion (the aforesaid is also applicable in relation to MDB and ICC).

The Committee discusses periodic reports on the issues from the risk management field in the Bank and in the Group, in accordance with Proper Conduct of Banking Business Directives and according to need. Inter alia, annual discussions regarding the risk appetite declaration, the adequacy of the strategy, the Bank of Israel's uniform stress testing, and the results of the holistic stress testing and the effects thereof on the capital, within the framework of the ICAAP, and the SREP letter and the Group's preparations for its implementation. Moreover, the Committee receives annual reviews regarding the stress testing of market risks and the main assumptions used in managing the interest exposure, fraud and embezzlement, material operational risks and changes to the catalog of models.

The Committee holds discussions on the Group policy documents and on the core documents on the field of risk management, at the frequencies prescribed for such discussions, and approves them/makes recommendations to the Board of Directors for their approval. The Committee is authorized to discuss and

make recommendations to the Board of Directors with regard to the internal capital adequacy assessment process (ICAAP), with regard to insurance of the Bank and the Group, including the renewal of the banking insurance policy (BBB) and the insurance of officers (D&O) and with regard to business continuity. Furthermore, the Committee is authorized to approve, or recommend that the Board of Directors approves, new products and activities, unless it is recommended that a new product/activity is to be discussed at another committee that has special expertise on the relevant topic.

The Committee holds a quarterly discussion, sitting as a sub-committee for the management of operation risks in the United States. inter alia in accordance with proper Conduct of banking Business Directive in the matter of overseas extensions.

Resources Committee

The Committee discusses matters relating to human resources, labor relations and labor agreements. The Committee monitors the process of updating the code of ethics and formulating the vision, values and rules of conduct of the Bank. It discusses the policy for social responsibility management, including reviewing the Bank's social commitment activity, and also the Corporate Social Responsibility Report.

The Committee discusses the mobility policy for the Bank's officeholders and monitors the policy's implementation.

The Committee will also discuss the Bank's properties (real estate) management policy.

Remuneration Committee

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

The Committee discusses and makes

recommendations to the Board of Directors regarding the remuneration policy for the Bank's employees and its senior officers.

Where required, and prior to approval by the Board of Directors and the general meeting, the Committee approves the terms of engagement of the Bank with its senior officers as regards their remuneration.

The Committee discusses the assessment of effectiveness of the remuneration policy and mechanisms. The Committee approves the annual bonus to the officers.


Technologies & Innovation Committee

The Committee is authorized to discuss and approve and/or to make recommendations to the Board of Directors on the following issues: the IT strategy and policy and its management, including data security and cyber, the Bank's technological infrastructures, management and usage of databases, technological innovation in support of the business innovation and their alignment with the Bank's overall strategy and policy; how the Bank prepares for banking in the future and coping with the business challenges arising from technological innovation in general and disruptive innovation in particular; a framework for managing technological risks, including data security and cyber risks and innovation risks; annual work goals and plans; and, allocation of appropriate resources to achieve the planned activity of the banking corporation in the IT area, data and innovation management and the operational sphere.

The Committee discusses the following policy documents and makes recommendations to the Board of Directors regarding their approval: IT management policy, IT risk management policy, strategy and policy for cyber protection and data security management, the policy for using cloud computing technology and the policy for managing E-Banking risks.

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

MECHANISMS FOR THE PREVENTION OF CONFLICT OF INTERESTS AMONG DIRECTORS

 In accordance with Proper Conduct of Banking Business Directive No. 301, it is not permitted to appoint a director whose current business interests create a permanent conflict of interest between himself and the banking corporation or where fear of such conflict exists. According to legislation, a director has a fiduciary commitment toward the corporation in which he serves, including a commitment to avoid any conflicting activity between his duties as director and any other office he may hold or between his personal interests and/or of any action constituting competition with the business of the company and avoiding the utilization of any business opportunity of the company with a view to obtaining benefits for himself or for another person. The Bank's Board of Directors has approved guidelines and quantitative criteria for the prevention, on a permanent basis, of conflict of interest, based on the scope of the business relations of the director, which raise suspicion of conflict of interest and the materiality of the business relations with the Bank. The Bank's Board of Directors has also approved guidelines for cases where a Director has a personal conflict of interests.

In addition, within the frameworks of the Companies Law and the Proper Conduct of Banking Business Directives, procedures and mechanisms have been prescribed for dealing with cases where a conflict of interest exists, or may exist, between the corporation and an interested party therein. In this framework, the Law has determined the duties of disclosure, according to which a director is bound to declare any personal interest that he has

in an existing or proposed transaction, to the extent required, for the purpose of determining a process of approval of a transaction, as stated, by the various organs (audit committee and/or the board of directors and/or a general meeting), as the case may be.

Inter alia, it has been prescribed that a director who has declared that he has such a personal interest regarding a specific matter, will not receive information from the banking corporation with regard to that matter, will not be present at a discussion pertaining to the matter in which he has a personal interest, and will not vote on such matter. The Directives also prescribe that a director who has an affiliation to a corporation in a secondary sector (a holding of at least 5% in one or more of the means of control over the corporation in the secondary sector, or serving as an officer of the corporation in the secondary sector), will not be present at discussions of the board of directors or of its committees that relate to a customer of the banking corporation, which is also a corporation in the same secondary sector, and will not receive information and reports with regard to that customer from the banking corporation.

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

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

COMMITTEES OF THE BOARD OF DIRECTORS AT THE PRINCIPAL SUBSIDIARIES

MERCANTILE DISCOUNT BANK

Operating at MDB are the following committees of the Board of Directors: Audit & Remuneration, Risk Management, Administration, Credit. The Administration Committee deals, among other things, also with the following matters: manpower, computerization, branches, organizational structure and efficiency. The Administration Committee receives reports from the President & CEO or from the VP Human Resources and Administration or from other parties in accordance with the subject matter. The Committee also receives reports regarding activity in aid of the community, and the Committee was also presented with the new code of ethics, and it monitors the plan for implementing measures for assimilating the code.

ICC

Operating at ICC are the following committees of the Board of Directors: Strategy & Business Committee, Remuneration Committee, Computer System Committee, Risk Management Committee and the Audit Committee. The Remuneration Committee discusses also issues of manpower. The ICC's code of ethics was approved in July 2014 by the Board of Directors of the company. Reports regarding the social responsibility areas are submitted on a current basis to the Board of Directors of ICC.

The duties of the said committees and their authority, in ICC and MDB, are similar to those of the parallel committees of Discount Bank, as described above.

shareholder and/or an officer of the Bank, as the parent company, and subsidiaries of the Bank.

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

Under the powers conferred upon it pursuant to the Companies Law, the Audit Committee of the Board of Directors has established yardsticks concerning transactions between the Bank and interested parties of the Bank, according to which decision would be made as to what transactions need to be brought before the Audit Committee for approval, whose duty it is to decide whether it is an irregular transaction that requires special approvals, in accordance with the Companies Law.

Furthermore, the Bank acts in conformance with the provisions of Proper Conduct of Banking Business Directive No. 312, in the matter of related persons, which sets requirements regarding obtaining approval of the Audit Committee for transactions between the Bank and persons related to the Bank, including transactions between the Bank and Officers of the Bank. In accordance with this Directive, the Audit Committee is required to confirm that the transaction is not under terms that are more beneficial than the customary terms of similar transactions that the Bank enters into with other parties.

Accordingly, the Board of Directors has approved a procedure for approving transactions with related persons and transactions in which an officer of the Bank has a personal interest. the aim of the procedure is to describe the manner of treatment required for transactions

with related persons and transactions in which an officer of the Bank has a personal interest (whether transactions of the Bank with the officer himself or transactions of the Bank with others), in accordance with Proper Conduct of Banking Business Directive No. 312 and in accordance with the Companies Law.

It should be noted that according to Proper Conduct of Banking Business Directive No. 301, directors of the Bank are prohibited from serving also as directors of corporations controlled by the Bank, as well as from serving as directors of a financial body, the volume of whose assets exceeds NIS 2 billion.

The aforesaid applies also to the board of directors of ICC. Furthermore, it should be noted that, due to the membership mix of ICC's board of directors, which, inter alia, is composed also of directors who act as officers of the owner banks of ICC, discussions by the board which might expose commercial and business secrets, as well as a potential for the violation of the antitrust laws, are not held in the presence of the directors who act also as officers of the owner banks and – due to the complexity of the subject – these are actually brought before ad-hoc committees, composed of external directors and an independent director, for an in-depth review of the matter.

THE BANK'S MANAGEMENT

THE PRESIDENT & CEO

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

MEMBERS OF MANAGEMENT

→ Members of management are appointed by the President & CEO,

DETAILS REGARDING MEMBERS OF MANAGEMENT¹

	The Corporation	Discount Bank	Mercantile Discount Bank	ICC	IDB New York
Number of members of management	12	10	8	13	
Women	4	2	2	4	
Men	8	8	6	9	
Age: up to 50	6	4	7	7	
51-60	5	5	1	2	
61 and over	1	1	-	4	

Notes: 1 The data is updated through to the date of publication of the 2018 Annual Report.

subject to the approval of the Board of Directors.

For additional details regarding the Bank's members of management, see the 2018 Annual Report (p. 297) and the Bank's periodic report for 2018 (Regulation 26A). For additional details regarding members of management of Mercantile Discount Bank, see the 2018 annual report of this bank (pp. 265-266 of the Hebrew report). For additional details regarding members of management of Israel Credit Cards, see the 2018 annual report of this company (pp. 178-179 of the Hebrew report).

REMUNERATION OF SENIOR OFFICERS

REMUNERATION OF DIRECTORS (EXCLUDING THE CHAIRMAN OF THE BOARD)

In accordance with Proper Conduct of Banking Business Directive No. 301A ("Directive 301A"), the remuneration for all directors of the Bank, excluding the

Chairman of the Board, is to be determined in an identical manner and in accordance with the manner of determining the remuneration of an external director, in accordance with the Regulations. In addition, the Amendment to Directive 301A, from August 2015, prescribes that the remuneration of all members of the board of directors, including the chairman, will be fixed remuneration alone.

Directors' remuneration, excluding the chairman of the board, is determined in accordance with the Companies Regulations (Rules Applying to Remuneration and Reimbursement of Expenses of External Directors), 2000 (in this section: "the Regulations").

The amounts of the remuneration for external directors and for other directors, serving with the Bank and defined in the Regulations as "expert" directors, are in accordance with the maximum amount determined in the Regulations for an expert external director. A director who is not defined as an "expert" director is entitled to remuneration in accordance with the remuneration to which an external director who is not defined as an "expert" is entitled. The remuneration is composed of a fixed annual amount with the

addition of remuneration for participation in each meeting of the Board or of one of the committees of the Board. The remuneration does not include any component that is connected to the performance of the Bank.

Directors' remuneration at MDB is determined in accordance with the Regulations, based on the capital grading relevant to MDB. The annual remuneration of directors, who serve as officers of Discount Bank, is paid to Discount Bank.

Directors' remuneration at ICC is determined in accordance with the Regulations and is payable to directors who do not serve as officers of the owner banks. The remuneration is based on the capital grading relevant to ICC.

THE TERMS OF SERVICE AND EMPLOYMENT OF THE CHAIRMAN OF THE BOARD AND THE PRESIDENT & CEO

For details regarding the terms of service and employment of the Chairman of the Board of Directors and of the President & CEO of the Bank, see Note 35 to the financial statements as of December 31, 2018 (pp. 282-286).

REMUNERATION PLAN FOR OFFICERS

Remuneration policy for officers of the Bank (2017-2019)

The annual general meeting held on November 8, 2016, approved the remuneration policy for officers of the Bank, in accordance with Section 267A of the Companies Law. This policy replaced the previous remuneration policy.

It should be noted, that the Companies Law (Section 267A) states, among other things, that the majority of votes at the general meeting, which approves the remuneration policy for officers, will comprise the majority of all the votes of shareholders participating in the meeting,

who are not the controlling shareholders of the company or who do not have a personal interest in the approval of the remuneration policy.

For further details regarding the remuneration plan for officers of the Bank, see Note 23 to the financial statements as of December 31, 2018 (pp. 182-186).

Mechanism for the reimbursement of variable remuneration (Clawback)

Directive 301A states that variable remuneration paid to a key employee will be subject to the obligation of reimbursement in exceptional circumstances where the employee was involved in activity causing exceptional damage to the corporation, including: unlawful activity, violation of fiduciary duty, deliberate violation or disregard of gross negligence of the policy of the banking corporation, its rules and procedures, or in the event of fraud or deliberate inappropriate conduct, which caused the restatement of data in the financial statements.

For further disclosure regarding "remuneration", see the document "Disclosure according to the third pillar of Basel and additional information regarding risks", available for perusal on the Internet.

For details regarding remuneration at MDB, see "Additional disclosure according to the third pillar of Basel - as of December 31, 2018" (pp. 100-107 of the Hebrew report). The said report is available on the website of MDB. For details regarding the remuneration plan for the CEO of ICC, its managers and employees, see the annual report of the company for 2018 (pp. 137-138 of the Hebrew report) and the "Additional disclosure according to the third pillar of Basel" - 2018 annual report (pp. 59-66 of the Hebrew report). The said reports are available for perusal on the website of the company.

PRINCIPAL CONTROL FUNCTIONS

THE INTERNAL AUDIT

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

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

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

The internal audit is carried out according to the provisions of the Internal Audit Law, 1992, and of Proper Conduct of Banking Business Directive No. 307, "The Internal Audit Function". For further details regarding the internal audit at the Discount Group, see the 2018 Annual Report (p. 298).

The Internal Auditor of MDB is Ms. Tsiona Cohen, who has served in this position since August 2012. For details regarding the internal audit at MDB, see the 2018 annual report of this bank (p. 422 of the Hebrew report).

The Internal Auditor of ICC is Mr. Nir Abel,

RISK MANAGEMENT HAS BEEN DEFINED BY THE BANK AS A FUNCTION HAVING GROUP RESPONSIBILITY. ACCORDINGLY, EMPHASIS IS BEING PUT ON TIGHTENING THE INTERFACES WITH THE SUBSIDIARIES IN ISRAEL AND ABROAD AND ON THE GUIDANCE PROVIDED TO THEM REGARDING THE ADOPTION OF PROCESSES AND TOOLS ACCORDING TO METHODOLOGIES DETERMINED BY THE PARENT COMPANY, MUTATIS MUTANDIS

who has served in this position since May 2011. For details regarding the internal audit at ICC, see the 2018 annual report of ICC (p. 182 of the Hebrew report).

The Internal Auditor of IDB Bank is Mr. Mario Lemos, who has served in this position since November 2017.

RISK MANAGEMENT DIVISION

The Chief Risk Officer is Mr. Avi Levi who took office on July 21, 2016 and heads the Risk Management Division. The Chief Risk Officer is a member of management and reports to the President & CEO independently from the business lines that create the risk. The Chief Risk Officer assists the Board of Directors in fulfilling its duties regarding risk management, and he has full access to the Board of Directors and to the Board's Risk Management Committee. The Chief Risk Officer is responsible for the management of all risks at the Bank and the Group, within the framework of the second line of defense.

Risk management has been defined by the Bank as a function having Group responsibility. Accordingly, emphasis is being placed on tightening the interfaces with the subsidiaries in Israel and abroad and on the guidance provided to them regarding the adoption of processes and tools according to methodologies determined by the parent company, mutatis mutandis.

RISK MANAGEMENT DIVISION IS INVOLVED IN MATERIAL PROCESSES, SUCH AS: SUPPORTING THE STRATEGIC PLANNING AND ACCOMPANYING STRATEGIC AND BUSINESS PROCESSES

Among the main tasks of the Division:

- > Recommendations regarding the risk appetite and risk management policy, identification and correct evaluation of the risks and exposures;
- > Monitoring and current reporting to management and the board of directors, as a risk-based management and control tool;
- > Verification of capital adequacy, ensuring the long-term stability of the group;
- > Involvement in material processes, such as: supporting the strategic planning and accompanying strategic and business processes, integration of new work procedures derived from regulation;
- > Leading the credit policy and the integration of risk-based pricing, providing a second opinion on credit applications and on investments that involve a material credit exposure and approval of ratings, classifications and allowances, challenging of the capital planning, strengthening of risk-based remuneration aspects, improving tools, models and systems supporting risk management, identification of developing risks, etc. This, with the aim of verifying the integration of risk management aspects as an integral part of the business processes and testing their anticipated impact on the risk profile;
- > Active involvement in managing the processes regarding prohibition of money laundering and the financing of terror at the bank, as well as management of the risk and conducting current controls regarding compliance matters, administrative enforcement and cross-border risks.

The Risk Management Division incorporates

independent functions that support the risk management, comprising the units managing credit risks, market risks, liquidity and investment in securities, operational risk, including business continuity risks and fraud and embezzlement risks, IT risks and cyber risks, as well as compliance risks, prohibition of money laundering and finance of terror risks and cross-border risks.

The managers of the risk management units operate as the second line of defense and conduct a variety of processes for the identification, measurement, evaluation as well as control and risk mitigation. Furthermore, the Chief Risk Officer is responsible for control functions, including the credit controller, a second opinion unit for credit applications, as well as a supervision and evaluation function, which performs comprehensive assessment processes of the risk profile of the Bank and of the Group, including management of the annual Internal Capital Adequacy Assessment Process (ICAAP), and also performs supervision and control processes over the subsidiaries in Israel and abroad from risk management aspects and is responsible for an IT unit, providing support for the promotion and management of risk management systems, and hence also the work desk system for the Chief Risk Officer.

The above stated applies in essence also in relation to IDB Bank, MDB and ICC.

For further details regarding the risk management at the Discount Group, see the 2018 Annual Report (p. 55) and in the document "Disclosure according to the third pillar of Basel and additional information regarding risks", which is available for perusal on the MAGNA website of the Israeli Securities Authority, on the MAYA website of the Tel-Aviv Stock Exchange Ltd. and on the Bank's website.

The Chief Risk Officer of IDB Bank is Mr. Paul Caulfield, who has served in this position since July 2017.

The Chief Risk Officer of MDB is Mr. Gilad Alyagon, who has served in this position since May 1, 2012. For details regarding risk management at MDB, see the 2018 annual report of this bank (pp. 80-146 of the Hebrew report) as well as the document regarding "Disclosure according to the third pillar of Basel and additional information regarding risks" of this bank (in Hebrew).

The Chief Risk Officer of ICC is Mr. Alex Beltush, who has served in this position since July 2013. For details regarding risk management at ICC, see the 2018 annual report of ICC (pp. 39-62 of the Hebrew report), as well as the document regarding "Disclosure according to the third pillar of Basel and additional information regarding risks" of ICC (in Hebrew).

PREVENTION OF CORRUPTION

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

FRAUD AND EMBEZZLEMENT RISKS

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

The management of fraud and embezzlement risks is conducted by the Discount Group as part of the operational risk management. Management of the

risk is achieved by three lines of defense:

First line of defense

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

The risk survey conducted at the Bank and at companies in the Group, within the framework of which are examined, inter alia, fraud and embezzlement risks, covers a period of three years and is repeated every three years. A new survey began in 2017, to be performed over three years. The survey applies to all of the units, in the Bank and in the Discount Group. In addition, each manager of a risk center has the duty of updating the risk map on an ongoing basis, whenever there have been material changes and/or changes in work processes, systems or in the effectiveness of the controls.

An independent control function operates at each division, which serves as a first line of defense and partly activates control systems for identifying suspicious activity.

AS PART OF THE BATTLE AGAINST BRIBERY, FRAUD AND EMBEZZLEMENT, THE BANK HAS INTEGRATED DIFFERENT PROCEDURES, INCLUDING PROCEDURES PROHIBITING EMPLOYEES FROM BEING IN A SITUATION OF CONFLICT OF INTERESTS, IN GENERAL, AND FROM ACCEPTING GIFTS FROM PARTIES WITH WHOM THEY MAINTAIN RELATIONS IN THE COURSE OF THEIR WORK, IN PARTICULAR

Second line of defense

Risk Management Division. In its role as the second line of defense, the Risk Management Division determines the operational risk management policy, which includes a designated chapter regarding the management of embezzlement and fraud risks. The policy defines the manner of management, monitoring, mitigating and reporting of such risks. Furthermore, the Risk Management Division challenges the risk assessment that the first line of defense performs in accordance with the determined methodology, where each risk is awarded a rating according to parameters evaluated by the risk center manager. The operational risk management department has established a designated unit – the embezzlement and fraud risk management unit. Among the unit's duties are: increasing awareness of this issue, current monitoring of irregular transactions, reporting them, where required, to the internal audit function, etc. An advanced system for monitoring embezzlement by employees was deployed in 2018.

Third line of defense

The Internal Audit function. As the third line of defense, the internal audit function examines the risk surveys and the manner of challenging them, and also examines the effectiveness of controls. Clear procedures and guidelines have been established as regards the manner of reporting of events suspected of being embezzlement. In this context, among others ways, a "hot line" to the internal audit function has been installed for the Bank's employees to be able to report suspicious/irregular events. As part of this process, the internal audit function performs an extensive examination, which includes the issue of an audit report, and where required, submitting the case to the Disciplinary Committee.

The internal audit function taking explanatory procedures and an extensive

drawing of conclusions in lectures in the field units, executive conferences and various forums, and distributes several times a year learning pages of extraordinary events to all Bank employees. The internal audit function at MDB applies similar procedures.

It should be noted that, in addition to the examinations made following reports being received, the second and third lines of defense entities carry out initiated examinations in order to monitor irregular transactions. The internal audit function examines on an ongoing basis the accounts of employees within the framework of audit work performed during the year or of specific audits. Some dozens of such accounts are examined yearly. Specific examinations of employee accounts are also conducted as a result of approaches made by customers, employees, public complaints or the intensification of current audit following audit findings.

In cases where irregular activities are found or where there is suspicion of actions contrary to employee work procedures, treatment of the case is conducted by the Disciplinary Committee, which may decide on termination of employment, reprimand, removal from office, transfer from the unit, etc.

The special examinations and the resulting findings are reported to the Audit Committee, within the framework of current reporting and within the framework of the periodic reporting (quarterly and annual) with respect to the activity of the Internal Audit Division.

45 special examinations were conducted in 2018. In 18 instances, no irregular activity was revealed. Six employees terminated their employment with the Bank. 45 special examinations were conducted in 2017. In 19 instances, no irregular activity was revealed. Five employees terminated their employment with the Bank. All other

instances were concluded with either a reprimand in writing or with an oral reprimand, transfer from the unit, selective restriction of advancement and such like.

The instances examined in 2017-2018 included two cases of theft of money. The remaining cases referred to conflict of interests, personal privacy, transactions in accounts of related persons, prohibition on money laundering, investment consulting, accepting loans from customers, etc.

The internal audit function at the Bank, at ICC and at MDB, performs audits of the manner in which embezzlement and fraud events are handled, and of the drawing of conclusions and their assimilation.

In 2018, the Bank and MDB participated in a uniform and comprehensive survey on the topic of fraud and embezzlement in the banking system that was conducted by the Banking Supervision Department. No material gaps were revealed in the course of conducting the survey at the Bank and at MDB.

ADDITIONAL MEANS FOR THE PREVENTION OF BRIBERY, FRAUD AND EMBEZZLEMENT

As part of the battle against bribery, fraud and embezzlement, the Bank has integrated a conflict of interests policy and different procedures, including procedures prohibiting situations of conflict of interests applying to employees in general, and acceptance of gifts from parties with whom they maintain relations in the course of their work, in particular. In accordance with the said procedures, the receipt or payment of "facilitation payments", inter alia, are prohibited. Moreover, there is a wide assimilation of the code of ethics concerning, among other things, these issues.

The payment procedures at the Bank involve strict approval and control procedures. Donations are approved by

an internal committee (the Donations Committee), and with respect to each donation, an examination is performed regarding the substance of the receiving association, its objects and as to whether it has all the required approvals. For additional details, see below in "Compliance with the provisions of the law and regulations".

Mechanism for exposing corruption – "Whistle-blower"

A "hot-line" was installed at the Internal Audit Division for reports to be made anonymously, and a circular was issued in this respect to all employees. The circular stated that the internal audit function would ensure that the identity of the complainant would not be exposed without his permission, unless so required by the Court. The circular also clarified that the Bank's management shall not permit employment of any measures against employees whose complaint had been submitted bona fide.

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

In the aforementioned information sheets that it distributes several times a year, the internal audit function notes the existence of the "hot-line" and its number. In addition, as part of "FaceBank", the central tool for intra-organizational communication, details are provided regarding the "hot-line" and its aims, within the framework of "complaints and reporting centers". A report concerning complaints received through the "hot-line" is submitted to the Audit Committee of the Board of Directors.

PREVENTION OF CORRUPTION AT THE PRINCIPAL SUBSIDIARIES

MERCANTILE DISCOUNT BANK

In the course of 2017-2018, several special reviews were performed regarding the bank accounts of employees, where in a number of cases irregular activity has been revealed. As a result, four employees terminated their employment with the bank. As regards additional employees, measures were taken such as reprimand, either in writing or orally, transfer from the unit, restriction of advancement and awards. Of the instances examined only one case of money pilfering had been found. The other cases mainly involved transgression of procedures and transactions in accounts of related persons.

ICC

In 2018, a number of exceptional events took place, which related primarily to improper activity of employees, sales promotion representatives, the collapse of trading houses, and an air conditioning problem. All the events were examined and dealt with by the company (by the fraud risk management, the ERM unit and the business functions), investigations were conducted regarding the events, and lessons were learned. The company has acted to terminate the employment of employees in the situations where this is required and has taken disciplinary action appropriate to the severity of the findings (in instances relating to employees' activities).


ADDITIONAL MEANS FOR THE PREVENTION OF BRIBERY, FRAUD AND EMBEZZLEMENT AT THE BANK'S PRINCIPAL SUBSIDIARIES

IDB BANK

IDB Bank adheres to all federal, state, and local laws, including but not limited to the federal Bank Bribery Act, and the Foreign Corrupt Practices Federal Act. IDB Bank has a Code of Conduct which all employees are required to sign and abide by, and which includes the Bank's rules regarding compliance with internal controls, conflicts of interest and receipt of gifts. IDB Bank also manages risk through a similar approach using three lines of defense: the business unit, risk management and compliance, and internal audit.


The Discount "hot-line" serves ICC too. The mechanism for reporting by means of the "hot-line" has been communicated to employees, including by means of a link on the employee portal for reporting via the "hot-line" of the internal audit function. MDB also operates a "hot-line", which operates in a similar fashion.

PROHIBITION ON POLITICAL ACTIVITY

 The Bank supports a social and environmental agenda in Israel, though it rigidly adheres to not acting politically. The Bank does not support political bodies nor does it make any contributions to political bodies, political parties or politicians.

The rules of the Bank prohibit the use by employees of the premises of Bank or of its resources for political purposes. Whenever general elections are declared in Israel, the said rules are refreshed by the Bank.

COMPLIANCE WITH REGULATION

 Discount Bank strictly manages its business in a legal and proper manner, diligently complying with the provisions of the law and regulation in its activities.

Within the Bank's corporate governance code it has been determined, that the Board of Directors is responsible for prescribing high standards of conduct, designed to enhance professional conduct and integrity and to integrate them throughout the organization. The Bank acts and will act in accordance with a code of ethics intended to reflect the values of the Bank, to determine proper standards of behavior and fair and transparent conduct with respect to the customers. This is achieved, inter alia, through creating an environment and organizational culture that places emphasis on high standards

of business management – of integrity, decency, fairness and honesty – all while safeguarding the customer's privacy.

The duty of the Board of Directors and management was established to protect employees who report illegal actions, unethical actions or such that might impair integrity, against disciplinary actions or other negative implications toward them.

The Bank has stated in its policy documents and procedures the extent of tolerance with respect to deviation from compliance provisions and risk appetite therefor. The Bank has established detailed processes and procedures for the implementation of requirements of regulatory instructions applying to the Bank and the enforcement thereof. Due to the fact that the provisions of the law and regulation are changed frequently, the Bank has established a process by which procedures and systems are updated from time to time, in accordance with requirements resulting from such changes. The Bank also conducts processes regarding the drawing of conclusions from failure events, customer complaints and control and audit reports. At the same time, and where required, the Bank updates forms, control processes, systems, procedures, etc. that support relevant products and services. Furthermore, employee training and absorption activities are conducted. The code of ethics adopted by the Bank includes a declaration regarding the commitment to comply in letter and spirit with the provisions of all laws, regulatory guidelines and the Bank's procedures.

In accordance with Proper Conduct of Banking Business Directive No. 308, "Compliance and the Compliance Function at a Banking Corporation", compliance risk management is performed in an overall manner covering all compliance provisions applying to the Bank, which are relevant to its operations and which impose on it operative compliance duties, and not only

provisions having bank-customer relations aspects.

In accordance with instructions of the Banking Supervision Department, the Bank has appointed a Chief Compliance Officer, who assists senior Management and the Board of Directors in the effective management of the statutory and regulatory provisions applying to the Bank, including with respect to anti-money laundering and terror financing, and since 2016, also with respect to internal enforcement fields in the securities laws, and the supervision over financial services (pension consulting) regulations, and cross-border risks. This, at the Bank and at the relevant subsidiaries in the Discount Group. Among his other duties, the Chief Compliance Officer examines and verifies the Bank's readiness for any new operation, in order to verify the compliance and implementation of the provisions of the law and regulation within the area of his responsibility. The Chief Compliance Officer also conducts, through the compliance functions, a follow-up of the rectification of deficiencies concerning compliance, in order to avoid their repetition in the future, monitors audit reports and customer complaints brought to his attention, and initiates action for the detection of cross-organizational failures.

THE BANK COMPLIES WITH STATUTORY AND REGULATORY PROVISIONS AND ALSO ACTS IN CONFORMANCE WITH THE CODE OF ETHICS IN WHICH THE BANK'S VALUES ARE ANCHORED AND WHICH PRESCRIBES APPROPRIATE STANDARDS FOR FAIR AND TRANSPARENT CONDUCT AND BEHAVIOR VIS-À-VIS THE CUSTOMERS

The Legal Counsel Division at the Bank assists in the implementation of the duties applying to the Bank, by interpretation of the law and by legal counseling in the course of the current business activity. The provisions of the law

and procedures are also being enforced on an ongoing basis by the various control and supervisory systems, which are intended to ensure compliance with the provisions of the law and regulations applying to the Bank.

It should be noted that, in order to increase effectiveness of compliance at the Bank's branches and different units, employees of the first line of defense have been appointed to serve as compliance officers/trustees. Moreover, employees have been appointed to serve as compliance risk managers at the different divisions. These employees assist in verifying the implementation of the statutory and regulatory in the different matters of compliance and prohibition of money laundering, which are under their responsibility, as determined in the Bank's procedures. Such employees serve as information centers and assist in the training and implementation of compliance, fairness and decency values among the Bank's employees.

AS PART OF THE TRAINING PROGRAM FOR FAMILIARIZATION WITH THE BANK, EACH NEW EMPLOYEE UNDERGOES TRAINING IN MATTERS OF ETHICS, WHICH, AMONG OTHER THINGS DEALS WITH VARIOUS ASPECTS OF NORMATIVE-ETHICAL CONDUCT

Moreover, use is made of the "hot-line" that is operated by the internal audit function (see above) also for the purpose of reporting compliance issues.

Furthermore, the Bank's Internal Audit Group performs audits at the Bank's units and cross-organizational audits, within the framework of which, among other things, integrity, compliance with the law and compliance with various regulatory provisions and with procedures determined by the Bank, are examined. The Internal Audit Group also examines

the functioning of the parties at the Bank entrusted with supervising compliance with the provisions of the law. A similar activity is conducted at ICC too.

Several times a year, the internal audit function distributes information sheets to all the Bank's employees regarding exceptional events. In addition, staff of the internal audit function give lectures at the various units of the Bank regarding, inter alia, exceptional events and material deficiencies revealed in the compliance field.

The aforesaid also applies with respect to MDB.

INTEGRATION AND TRAINING

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

As a structured part of the compliance culture at the Bank, all bank employees, whether in senior or junior positions, undergo training in various matters of compliance, while designated employee populations undergo also training with respect to specific compliance matters. Within this framework, in 2017, the Bank held a group meeting on the subject of compliance, in which different contents relevant to the operations of the Bank and the Group were discussed, with special reference to urgent matters presently on the agenda, and to expected trends and developments both in Israel and globally. Another conference is planned to be held at the beginning of 2020. Among the actions taken for assimilating the compliance culture at the Bank, significant use has been made of auxiliary training and learning tools in order to reach every last one of the Bank's employees. In executing these duties, the Chief Compliance Officer and compliance

function employees visited also in 2018 many of the Bank's branches and held discussions with branch management teams and other employees with respect to different issues and the challenges which they face in their daily activities.

PROHIBITION OF MONEY LAUNDERING AND THE FINANCE OF TERROR

The Bank acts to implement the requirements pursuant to the Anti-Money Laundering Law and the Fight Against Terror Law, and the regulations enacted under these laws. The Bank further acts to have the Bank's employees assimilate the directives relating to the prohibition of money laundering and the financing of terror. To this end, the Bank invests resources for the updating and development of systems supporting the fulfillment of the provisions of the law.

Within the framework of integrating the regulatory guidelines and international standards in the anti-money laundering field, the Bank had formulated a Group risk management policy, which was approved by the Board of Directors at the beginning of 2018, which included also reference to the prevention of using accounts held with the Bank for offences of bribery and corruption.

The subject of the prohibition of money laundering and the financing of terror has become in recent years one of the most important enforcement and prevention subjects in international and domestic legislation, and regulation on this topic is changing and developing, intensifying the

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

In addition, the Bank uses effective control and supervisory tools in order to monitor irregular transactions and to fulfill the duties imposed upon the Bank according to the law.

The aforesaid also applies with respect to MDB and ICC.

FINES

No fines in material amounts and no non-monetary sanctions were imposed, during 2018, on any of the corporations that are covered by this report with respect to non-compliance with laws and regulations. However, it should be noted that, on December 23, 2018, the Supervisor of Banks informed the Bank on the imposition of a monetary sanction of NIS 750 thousand, due to the Bank having included the text of a warning by way of a link rather than in the Bank's advertisement itself – which constitutes a breach of Section 5(c) of the Banking (Service to Customers) Law, 1981.



COMPLIANCE WITH REGULATION AT THE PRINCIPAL SUBSIDIARIES

IDB BANK

The bank's Code of Conduct ("the Code") guides everyone at IDB Bank – employees, officers, and directors – in meeting their responsibilities to the bank and its customers, and in making ethical business decisions. It is designated to provide everyone at IDB Bank with guiding principles on how to apply its own common sense and how to exercise good judgment and conscience, for the purpose of assisting them in their work for the bank.

The Code is intended to prevent violations of the law and corporate policy, and is based on four main principles:

- 1. Honesty and candor in conduct** – Banking is a business based on mutual trust, and the Bank demands absolute fairness in all of its affairs. The bank's success in the marketplace depends to a large extent on the confidence and trust of its customers. Every employee, officer and director must conduct business in a way that fully justifies the continued goodwill of the bank and trust of its customers.
- 2. Integrity in the bank's work with customers, with one another and with the public** – the bank strives to exemplify the highest standards of personal and professional ethics in all aspects of its business.
- 3. The avoidance of conflicts of interest or even the appearance of a conflict** – Each employee, officer and director must avoid engaging in any outside business or other activity that might create a

conflict of interest, create a perception of impropriety, or jeopardize the Bank's integrity or reputation.

- 4. Compliance with laws and regulations** – The bank actively promotes and requires compliance with the laws, rules and regulations that govern the bank's business. Obeying both the letter and the spirit of the law is one of the foundations of the bank's ethical standards.

This Code, which is distributed to and acknowledged by all employees, consultants, agents and temporary workers annually through the bank's online training system, is very detailed and clearly lays out the bank's expectations from all those involved.

Furthermore, the bank ensures that everyone at the bank receives the UDAAP training course annually, which teaches and strengthens employees' knowledge of the types of actions and practices that the bank may deem unfair, deceptive, and/or abusive. There are also other fair lending training courses given to employees and members of the Board of Directors which deals, among other things, with treating customers fairly from various regulatory perspectives.

PROHIBITION OF MONEY LAUNDERING AND THE FINANCING OF TERROR AT THE BANK'S PRINCIPAL SUBSIDIARIES

IDB

IDB Bank complies with federal, state and the relevant laws of other countries that prohibit money laundering and seek to prevent the financing of terrorist activity, such as the USA PATRIOT Act of 2001, Bank Secrecy Act and other laws. IDB Bank has a Financial Crimes Program and Code of Conduct which all employees are required to sign and comply with. These documents include the Bank's framework for combating terrorist financing, money laundering and other financial crimes.

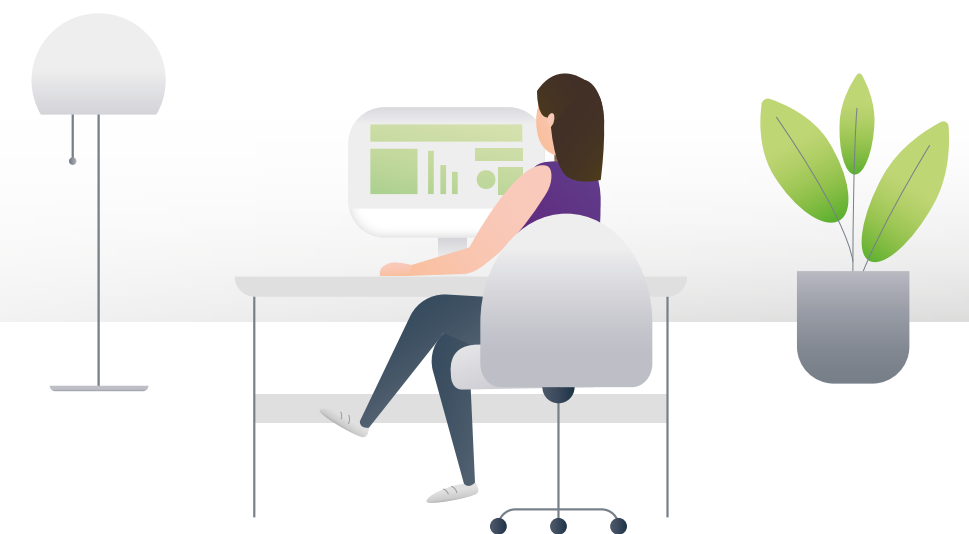
GOALS

GOALS PRESENTED IN THE PREVIOUS REPORT

Discount Bank	✓ Done	Training for different employee populations, including day seminars and courses for control and risk management functions.
	✓ Done	Conducting in-depth examinations by the risk management division, at sensitive units constituting risk foci at the Bank.
	✓ Done	Integrating additional scenarios in the system that monitors employee embezzlement - according to a work plan.
	✓ Done	Guidance regarding the new system that was installed.
	✓ Done	Acquisition and deployment of a system that complements the employee embezzlement monitoring system - a system that displays a managerial dashboard and enhances the level of the system's effectiveness.

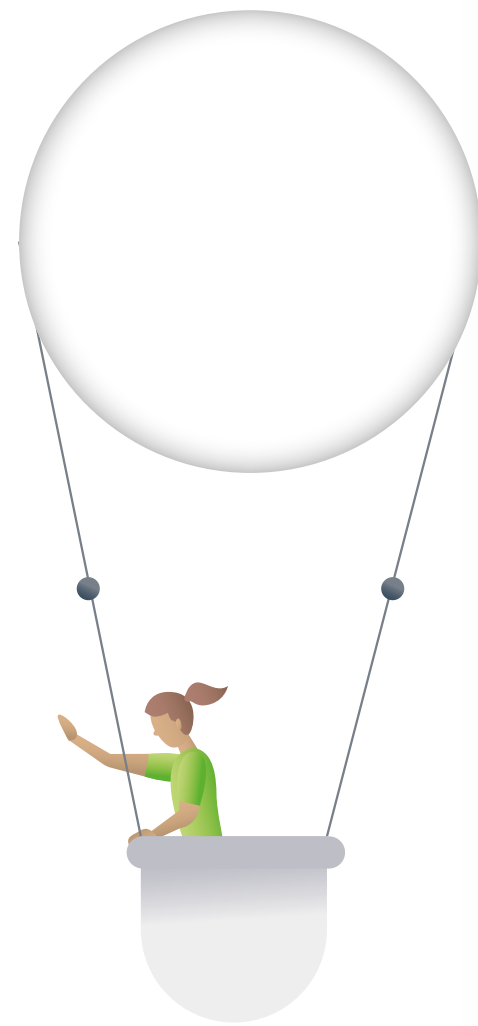
FUTURE GOALS

Discount Bank	Strengthening the assimilation of fairness and decency.
	Conducting protection of privacy training.
	Training for different employee populations including day seminars and courses for control and risk management functions.
	Conducting in-depth examinations by the risk management division, at sensitive units constituting risk foci at the Bank.
	Integrating additional scenarios in the system that monitors employee embezzlement and adding enhanced monitoring over sensitive populations.
Involvement in setting activity thresholds in relation to activities that are susceptible to fraud risk – primarily online banking activities.	



10 EPILOGUE

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THANK YOU'S!

And before Discount Bank's Eighth Corporate Responsibility Report gets going... the pleasure of thank you's!

Thank you to the dozens of Discount Bank's employees and employees of the subsidiaries MDB, ICC and IDB Bank who worked so hard gathering and processing the material, who provided responses, ideas, comment, clarifications, proofreading, initiative and encouragement.

A special thanks to "The Storyteller" Studio for upgrading the design of the report.

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Thanks to Anat Even-Chen, Yarden Kletter, Achinoam Zigel and Nofar Wallach- from the Corporate Responsibility Group at BDO Consulting for their devoted work in escorting the preparation of the report and for their support in upgrading its contents.

And last but not least - a huge thank you to all the Discount Bank's employees and employees of the subsidiaries MDB, ICC and IDB Bank who convert the corporate commitment, a daily activity, from a vision to a reality.

RESPONSES TO THE REPORT

The Bank's customers, its employees, shareholders from the public, other stakeholders or remaining readers of the Report - all are invited to respond and comment on the Report and its contents: send ideas, comments or illuminations, or just talk about the Report and the social activism of Discount Bank.

Responses may be sent:



By telephone
076-8055673



Or by email
anat.sigman@dbank.co.il



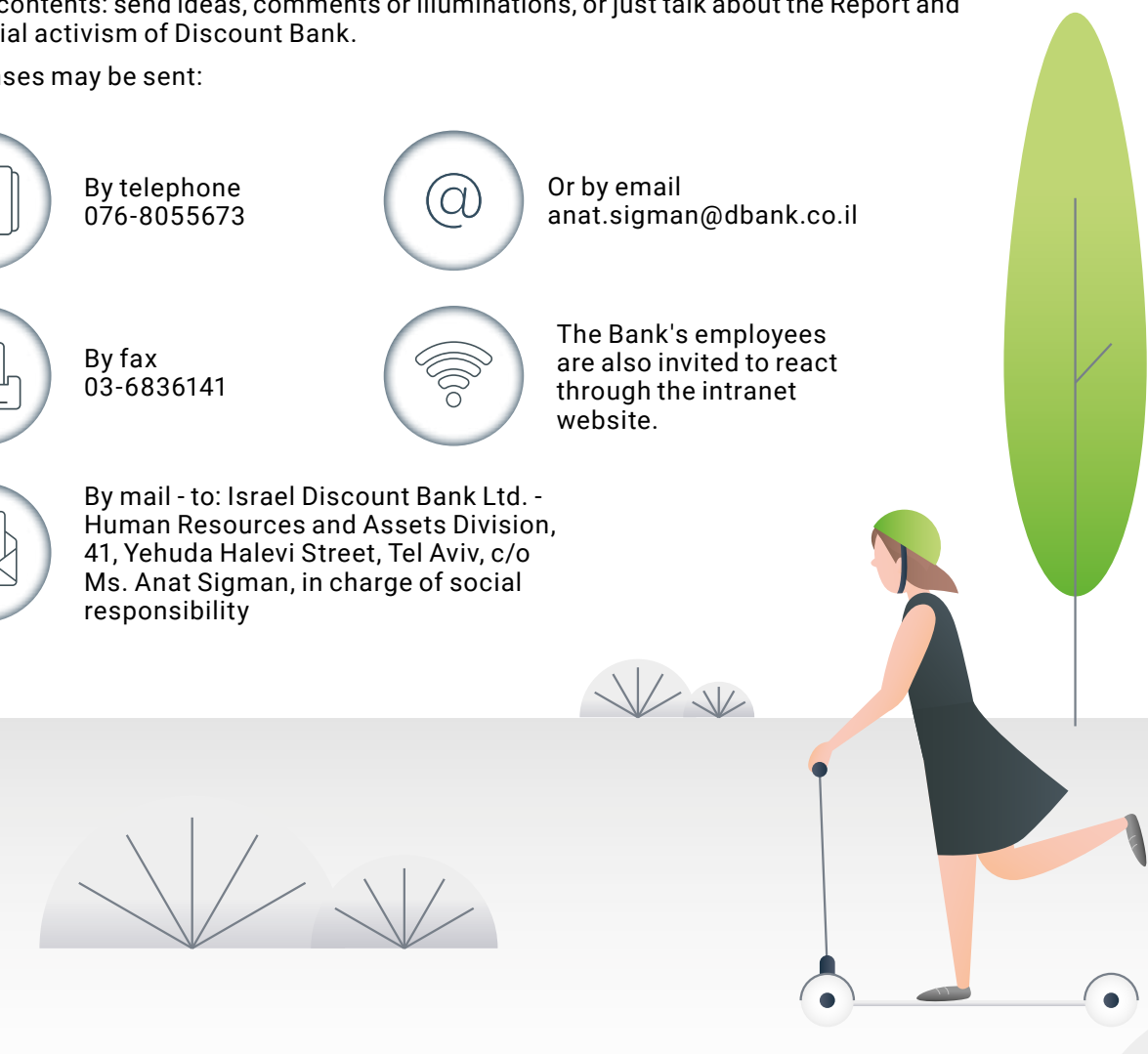
By fax
03-6836141



The Bank's employees are also invited to react through the intranet website.



By mail - to: Israel Discount Bank Ltd. - Human Resources and Assets Division, 41, Yehuda Halevi Street, Tel Aviv, c/o Ms. Anat Sigman, in charge of social responsibility



GRI CONTENT INDEX²⁸ COMBINED WITH UNGC



GRI Standard	Disclosure	Disclosures	Page number in the report				UNCG - cop	
			Discount Bank	MDB	ICC	IDB NY		
GRI 101: Foundation 2016								
	102-1	Name of the organization	24	29	31	33		
	102-2	Activities, brands, products, and services	24,59	29	31	33		
	102-3	Location of headquarters	24	30	31	34		
	102-4	Location of operations	24-25	30	31	34		
	102-5	Ownership and legal form	24	29-30	31	33-34		
	102-6	Markets served	24-25	30	32	34	No Specific requirement by the COP	
GRI 102: General Disclosures 2016	102-7	Scale of the organization	42	42	42	42		
	102-8	Information on employees and other workers	223-224	223-224	223-224	-		
	102-9	Supply chain	140-141	143	143-144	144		
	102-10	Significant changes to the organization and its supply chain	27	31	32	34-35		
	102-11	Precautionary Principle or approach	165-166	165-166	165-166	165-166		7
	102-12	External initiatives	35-36	35-36	35-36	35-36		1-10
	102-13	Membership of associations	35-36	35-36	35-36	35-36		1-10
→ STRATEGY								
GRI 102: General Disclosures 2016	102-14	Statement from senior decision-maker	12-13	12-13	12-13	12-13		No Specific requirement by the COP
	102-15	Key impacts, risks, and opportunities	12-13, 27-28	30-31	32-33	34-35		
→ ETHICS AND INTEGRITY								
GRI 102: General Disclosures 2016	102-16	Values, principles, standards, and norms of behavior	46	49	49	49		1-10
	102-17	Mechanisms for advice and concerns about ethics	51	53	53	53	No Specific requirement by the COP	

GRI Standard	Disclosure	Disclosures	Page number in the report				UNCG - cop
			Discount Bank	MDB	ICC	IDB NY	
→ GOVERNANCE							
	102-18	Governance structure	188	193	193	-	
	102-19	Delegating authority	191	N/R	N/R	N/R	
	102-20	Executive-level responsibility for economic, environmental, and social topics	16	16	16	16	
	102-21	Consulting stakeholders on economic, environmental, and social topics	16-17, 191	193	193	-	
	102-22	Composition of the highest governance body and its committees	186	186	186	186	
GRI 102: General Disclosures 2016	102-23	Chair of the highest governance body	187	187	187	-	No Specific requirement by the COP
	102-24	Nominating and selecting the highest governance body	184-185	185	185	-	
	102-25	Conflicts of interest	192-194	192-194	192-194	-	
	102-26	Role of highest governance body in setting purpose, values, and strategy	46	N/R	N/R	N/R	
	102-27	Collective knowledge of highest governance body	191	193	193	-	
	102-28	Evaluating the highest governance body's performance	188	188	188	-	
	102-29	Identifying and managing economic, environmental, and social impacts	187-188, 197-200	187-188, 197-200	187-188, 197-200	187-188, 197-200	

28 For the materiality Disclosure Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with the appropriate sections in the body of the report. The service was performed on the Hebrew version of Israel Discount Bank's report (English GRI content index).

GRI Standard	Disclosure	Disclosures	Page number in the report				UNCG - cop
			Discount Bank	MDB	ICC	IDB NY	
GRI 102: General Disclosures 2016	102-30	Effectiveness of risk management processes	190-191	190-191	190-191	-	
	102-31	Review of economic, environmental, and social topics	191	193	193	-	
	102-32	Highest governance body's role in sustainability reporting	16	N/R	N/R	N/R	
	102-33	Communicating critical concerns	191	193	193	-	No Specific requirement by the COP
	102-34	Nature and total number of critical concerns	191	193	193	-	
	102-35	Remuneration policies	195-196	196	196	-	
	102-36	Process for determining remuneration	195-196	196	196	-	
	102-37	Stakeholders' involvement in remuneration	195-196	196	196	-	
	102-38	Annual total compensation ratio	116	116	116	-	
	102-39	Percentage increase in annual total compensation ratio	116	116	116	-	

→ **STAKEHOLDER ENGAGEMENT**

GRI 102: General Disclosures 2016	102-40	List of stakeholder groups	16-17	16-17	16-17	16-17	No Specific requirement by the COP
	102-41	Collective bargaining agreements	100	102	102-103	103	1, 2, 6
	102-42	Identifying and selecting stakeholders	16-17	16-17	16-17	16-17	No Specific requirement by the COP
	102-43	Approach to stakeholder engagement	16-17	16-17	16-17	16-17	
	102-44	Key topics and concerns raised	16-17	16-17	16-17	16-17	

GRI Standard	Disclosure	Disclosures	Page number in the report				UNCG - cop
			Discount Bank	MDB	ICC	IDB NY	
→ REPORTING PRACTICE							
GRI 102: General Disclosures 2016	102-45	Entities included in the consolidated financial statements	25	25	25	25	
	102-46	Defining report content and topic Boundaries	17-18	17-18	17-18	17-18	
	102-47	List of material topics	19	19	19	19	
	102-48	Restatements of information	14, 98, 107, 153, 223, 225, 227	14,116,175	14,116	14	
	102-49	Changes in reporting	14	14	14	14	No Specific requirement by the COP
	102-50	Reporting period	12	12	12	12	
	102-51	Date of most recent report	14	14	14	14	
	102-52	Reporting cycle	12	12	12	12	
	102-53	Contact point for questions regarding the report	209	N/R	N/R	N/R	
	102-54	Claims of reporting in accordance with the GRI Standards	14	14-15	14-15	14-15	
	102-55	GRI content index	210-218	210-218	210-218	210-218	
	102-56	External assurance	20-21	20-21	20-21	20-21	

GRI 103: MANAGEMENT APPROACH 2016

GRI 201: Economic Performance 2016	103-1	Explanation of the material topic and its Boundary	41	41	41	41	No Specific requirement by the COP
	103-2	The management approach and its components	41	41	41	41	
	103-3	Evaluation of the management approach	41	41	41	41	

GRI 201: ECONOMIC PERFORMANCE 2016

GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	42	42	42	42	No Specific requirement by the COP
	201-2	Financial Implications and other risks and opportunities due to climate change	165	165	165	165	7
	201-3	Defined benefit plan obligations and other retirement plans	112	118	118	-	No Specific requirement by the COP
	201-4	Financial assistance received from government	Not received during reported period				No Specific requirement by the COP

GRI 103: MANAGEMENT APPROACH 2016									
GRI 203: Indirect Economic Impacts 2016	103-1	Explanation of the material topic and its Boundary	42-43	42-43	42-43	42-43	No Specific requirement by the COP		
	103-2	The management approach and its components	42-43	42-43	42-43	42-43			
	103-3	Evaluation of the management approach	42-43	42-43	42-43	42-43			
	GRI 203: INDIRECT ECONOMIC IMPACTS 2016								
GRI 204: Procurement Practices 2016	203-1	Infrastructure investments and services supported	73,148	76,159	76,160	-	No Specific requirement by the COP		
	203-2	Significant indirect economic impacts	42	42	42	42			
	GRI 103: MANAGEMENT APPROACH 2016								
	103-1	Explanation of the material topic and its Boundary	140	140	140	140		No Specific requirement by the COP	
103-2	The management approach and its components	140	140	140	140				
103-3	Evaluation of the management approach	140	140	140	140				
GRI 204: PROCUREMENT PRACTICES 2016									
GRI 205: Anti- corruption 2016	204-1	Proportion of spending on local suppliers	140-141	143	143-144	144	No Specific requirement by the COP		
	GRI 103: MANAGEMENT APPROACH 2016								
	103-1	Explanation of the material topic and its Boundary	199-201	199-201	199-201	199-201		10	
	103-2	The management approach and its components	199-201	199-201	199-201	199-201			
GRI 302: Energy 2016	103-3	Evaluation of the management approach	199-201	199-201	199-201	199-201			
	GRI 205: ANTI-CORRUPTION 2016								
	205-1	Operations assessed for risks related to corruption	199-201	202	202	202			
	205-2	Communication and training about anti-corruption policies and procedures	199-200	202	202	-			
GRI 302: Energy 2016	205-3	Confirmed incidents of corruption and actions taken	200-201	202	202	-			
	GRI 103: MANAGEMENT APPROACH 2016								
	103-1	Explanation of the material topic and its Boundary	164	164	164	164	7, 8, 9		
	103-2	The management approach and its components	164	164	164	164			
103-3	Evaluation of the management approach	164	164	164	164				

GRI Standard	Disclosure	Disclosures	Page number in the report				UNCG - cop	
			Discount Bank	MDB	ICC	IDB NY		
GRI 302: ENERGY 2016								
GRI 302: Energy 2016	302-1	Energy consumption within the organization	169	175	177	-		
	302-2	Energy consumption outside of the organization	Not material to the organization					
	302-3	Energy intensity	169	176	178	-		
	302-4	Reduction of energy consumption	169	175	177	-		
	302-5	Reductions in energy requirements of products and services	165-166	167	167	-		
GRI 103: MANAGEMENT APPROACH 2016								
GRI 305: Emissions 2016	103-1	Explanation of the material topic and its Boundary	164	164	164	164	7, 8	
	103-2	The management approach and its components	164	164	164	164	7, 8	
	103-3	Evaluation of the management approach	164	164	164	164	7, 8	
	GRI 305: EMISSIONS 2016							
	305-1	Direct (Scope 1) GHG emissions	173	232	232	-	7, 8	
	305-2	Energy indirect (Scope 2) GHG emissions	173	232	232	-	7, 8	
305-3	Other indirect (Scope 3) GHG emissions	173	Not measured	Not measured	-	7, 8		
305-4	GHG emissions intensity	173	-	-	-	7, 8		
305-5	Reduction of GHG emissions	173	-	-	-	7, 8, 9		
305-6	Emissions of ozone-depleting substances (ODS)	172	-	-	-	7, 8		
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Not material to the organization					7, 8	
GRI 103: MANAGEMENT APPROACH 2016								
GRI 401: Employment 2016	103-1	Explanation of the material topic and its Boundary	96-97	96-97	96-97	96-97	1, 2, 6	
	103-2	The management approach and its components	96-97	96-97	96-97	96-97		
	103-3	Evaluation of the management approach	96-97	96-97	96-97	96-97		
	GRI 401: EMPLOYMENT 2016							
401-1	New employee hires and employee turnover	225-227	225-227	225-227	-	6		
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	113-114	118-119	119	119	No Specific requirement by the COP		
401-3	Parental leave	228	228	-	-	1, 2, 6		

GRI 103: MANAGEMENT APPROACH 2016							
GRI 402: Labor / Management Relations 2016	103-1	Explanation of the material topic and its Boundary	96-97, 100-101	96-97, 100-101	96-97, 100-101	96-97, 100-101	No Specific requirement by the COP
	103-2	The management approach and its components	96-97, 100-101	96-97, 100-101	96-97, 100-101	96-97, 100-101	
	103-3	Evaluation of the management approach	96-97, 100-101	96-97, 100-101	96-97, 100-101	96-97, 100-101	
GRI 402: LABOR / MANAGEMENT RELATIONS 2016							
GRI 403: Occupational Health and Safety 2016	402-1	Minimum notice periods regarding operational changes	100	102	103	-	No Specific requirement by the COP
	GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	96-97	96-97	96-97	96-97	No Specific requirement by the COP
	103-2	The management approach and its components	96-97	96-97	96-97	96-97	
103-3	Evaluation of the management approach	96-97	96-97	96-97	96-97		
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016							
GRI 403: Occupational Health and Safety 2016	403-1	Workers representation in formal joint management-worker health and safety committees	126-127	134-135	134-135	134-135	No Specific requirement by the COP
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	228	228	228	-	
	403-3	Workers with high incidence or high risk of diseases related to their occupation	127	135	135	-	
	403-4	Health and safety topics covered in formal agreements with trade unions	126-127	134-135	134-135	135	
GRI 103: MANAGEMENT APPROACH 2016							
GRI 404: Training and Education 2016	103-1	Explanation of the material topic and its Boundary	96-97	96-97	96-97	96-97	6
	103-2	The management approach and its components	96-97	96-97	96-97	96-97	No Specific requirement by the COP
	103-3	Evaluation of the management approach	96-97	96-97	96-97	96-97	
	GRI 404: TRAINING AND EDUCATION 2016						
	404-1	Average hours of training per year per employee	122	129	130	-	No Specific requirement by the COP
	404-2	Programs for upgrading employee skills and transition assistance programs	120-121	128-129	129-130	130-131	
404-3	Percentage of employees receiving regular performance and career development reviews	123	131	131	-	6	

GRI Standard	Disclosure	Disclosures	Page number in the report				UNCG - cop
			Discount Bank	MDB	ICC	IDB NY	
GRI 103: MANAGEMENT APPROACH 2016							
GRI 405: Diversity and Equal Opportunity 2016	103-1	Explanation of the material topic and its Boundary	104	104	104	104	6
	103-2	The management approach and its components	104	104	104	104	No Specific requirement by the COP
	103-3	Evaluation of the management approach	104	104	104	104	
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016							
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	230	230	230	-	No Specific requirement by the COP
	405-2	Ratio of basic salary and remuneration of women to men	101	103	103	-	
GRI 103: MANAGEMENT APPROACH 2016							
GRI 406: Non- Discrimination 2016	103-1	Explanation of the material topic and its Boundary	99-100	99-100	99-100	99-100	1, 2, 6
	103-2	The management approach and its components	99-100	99-100	99-100	99-100	No Specific requirement by the COP
	103-3	Evaluation of the management approach	99-100	99-100	99-100	99-100	
GRI 406: NON-DISCRIMINATION 2016							
GRI 406: Non- Discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	111	111	111	-	No Specific requirement by the COP
	GRI 103: MANAGEMENT APPROACH 2016						
GRI 413: Local Communities 2016	103-1	Explanation of the material topic and its Boundary	148	148	148	148	No Specific requirement by the COP
	103-2	The management approach and its components	148	148	148	148	
	103-3	Evaluation of the management approach	148	148	148	148	
GRI 413: LOCAL COMMUNITIES 2016							
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	148-149	159	160-161	-	No Specific requirement by the COP
	413-2	Operations with significant actual and potential negative impacts on local communities	165-166	167	167	-	
	FS13	Access points in low-populated or economically disadvantaged areas by type	60	67-68	68	68	
FS14	Initiatives to improve access financial services for disadvantaged people	59-60, 69, 73-74,76	67-68, 71,76	68, 71-72, 76	68, 72, 76		

GRI 417: Marketing and Labeling 2016	GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	84-86	84-86	84-86	84-86	
	103-2	The management approach and its components	84-86	84-86	84-86	84-86	
	103-3	Evaluation of the management approach	84-86	84-86	84-86	84-86	
	GRI 417: MARKETING AND LABELING 2016						
	417-1	Requirements for product and service information and labeling	84-86	86	86	86	
417-2	Incidents of non-compliance concerning product and service information and labeling	86-87	86	86	-	No Specific requirement by the COP	
417-3	Incidents of non-compliance concerning marketing communications	86-87	86	86	86		
GRI 418: Customer Privacy 2016	GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	87-88	87-88	87-88	87-88	1
	103-2	The management approach and its components	87-88	87-88	87-88	87-88	
	103-3	Evaluation of the management approach	87-88	87-88	87-88	87-88	
	GRI 418: CUSTOMER PRIVACY 2016						
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	88	88	88	88	
GRI 419: Socio Economic Compliance 2016	GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	203	203	203	203	
	103-2	The management approach and its components	203	203	203	203	No Specific requirement by the COP
	103-3	Evaluation of the management approach	203	203	203	203	
	GRI 419: SOCIO ECONOMIC COMPLIANCE 2016						
	419-1	Non-compliance with laws and regulations in the social and economic area	205	205	205	205	No Specific requirement by the COP

PRINCIPLES OF THE GLOBAL COMPACT INITIATIVE

Discount Bank expresses support of the ten principles of the Global Compact initiative of the United Nations, and acts for the advancement of these principles.

Following is a list of the principles of the initiative:

- | | | |
|--------------------------------|-----------|--|
| Human rights | 1 | Businesses should support and respect the protection of internationally proclaimed human rights; |
| | 2 | Businesses should make sure that they are not complicit in human rights abuses; |
| Standards of employment | 3 | Businesses should support the freedom of association and actively acknowledge the right for collective bargaining; |
| | 4 | The elimination of all forms of forced and compulsory labor; |
| | 5 | The effective abolition of child labor; |
| | 6 | The elimination of discrimination in respect employment and occupation; |
| The environment | 7 | Businesses should support a precautionary approach to environmental challenges; |
| | 8 | Undertake initiatives to promote greater environmental responsibility; |
| | 9 | Encourage the development and diffusion of environmentally friendly technologies; |
| Anti-corruption | 10 | Businesses should work against corruption in all its forms, including extortion and bribery. |

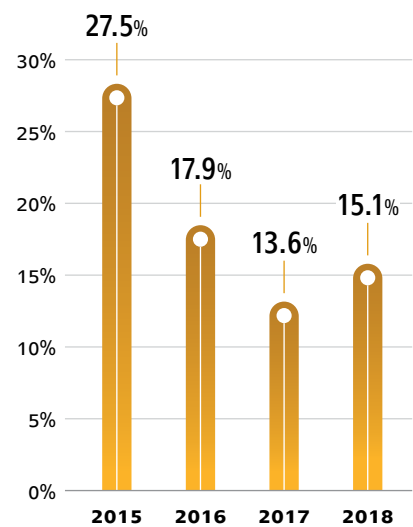
1 Link to the official website of UNGC: <http://www.unglobalcompact.org>

APPENDICES CUSTOMERS

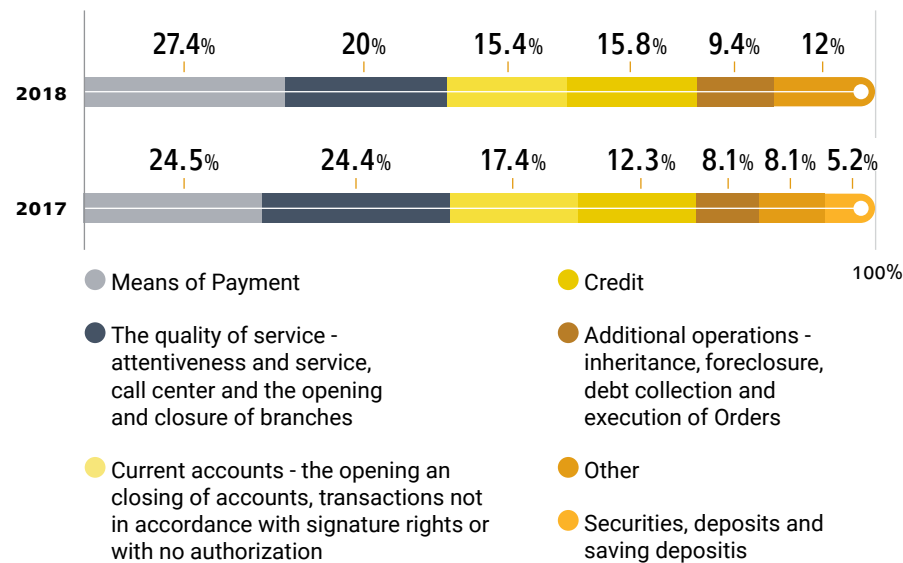
COMPLAINTS AND ENQUIRIES DATA AT DISCOUNT BANK

	2018	2017	2016	2015
Complaints and enquiries received	2,668	3,029	2,651	2,666
Complaints and enquiries dealt with	2,769	3,047	2,577	2,713
Completion of dealing with complaints	2,191	2,034	1,483	1,859
Completion of dealing with enquiries, requests and clarifications	636	1,013	1,074	854
Percentage of justified complaints	15.1%	13.6%	17.9%	27.5%

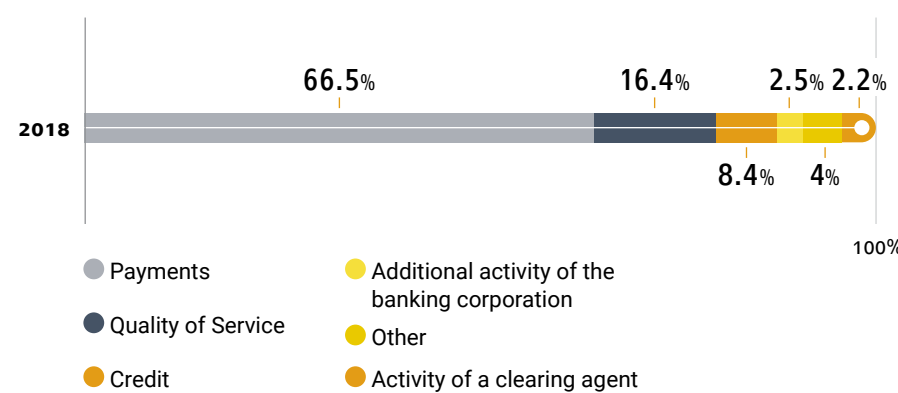
RATE OF JUSTIFIED COMPLAINTS Discount Bank



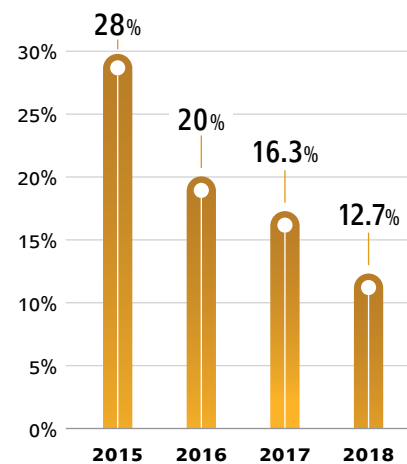
DISTRIBUTION OF THE SUBJECTS OF MAIN COMPLAINTS AT DISCOUNT BANK



DISTRIBUTION OF MAIN COMPLAINTS AT ICC



RATE OF JUSTIFIED COMPLAINTS MDB



COMPLAINTS REGARDING DISTURBANCE TO THE VICINITY

No complaints were received in 2018 by the Bank, by MDB or by ICC with respect to disturbance to the vicinity.

CUSTOMERS COMPLAINTS TO THE BANK OF ISRAEL

For details regarding complaints submitted by Discount customers to the Bank of Israel in 2017, see the 2017 Social Responsibility Report (pp. 67, 69).

The Supervisor of Banks published on September 23, a review of approaches made by the public to the Supervisor. The review was prepared in a completely different form than the reviews published in prior years. In contrast to past practice, no data was published regarding the quantity/number of justified complaints submitted against each bank separately or their ratio. Also, a change took place in the other indices examined and published by the Supervisor.

It is noted, that the data indicates an increase of 19% in the number of complaints received by the Public Complaints Officers at the banks compared to 2017, and an increase of approx. 20% in the number of complaints and requests for clarification received by the Supervisor of Banks, while approx. 8% of the concluded complaints were found justified.

According to the data produced by the Bank, the rate of justified complaints, classified by the Supervisor of Banks in 2018 as justified in relation to the Bank, is significantly lower amounting to 5.6%, compared to 17.5% in 2017. Nevertheless, as stated, this data is not reflected in the review for 2018, neither in relation to the Bank nor in relation to the banking system as a whole.

The Supervisor of Banks referred to three

central indices only, which he examined in relation to the five major banks:

1. First Index

The ratio between the share of each bank in the number of complaints and requests for clarification handled by the Supervisor of Banks to that bank's share in the system as a whole.

A low ratio denotes the satisfaction of customers with the bank with no need for submission of a complaint. The ratio between the share of Discount Bank in the number of complaints and requests handled by the Supervisor of Banks (namely, not only justified complaints or complaints in general, but also requests) and the share of the Bank in the system as a whole amounts to 1.23 and the Bank is placed fifth in this Index.

This data did not appear in the review by the Supervisor for 2017, which included reference to Bank's share in the number of justified complaints.

2. Second Index

Willingness of a bank to act in favor of the customer even if his complaint was found unjustified ("ex gratia credit")

A high ratio reflects the willingness of a bank to act in favor of a customer even where his complaint was unjustified. The Supervisor of Banks sees it as demonstrating a high level of fairness towards customers.

The ratio of Discount Bank was reduced from 30% in 2017 to 16% in 2018. Discount Bank is placed fourth in this Index.

It is noted that, in general, the average for the five major banks decreased from 26.9% in 2017 to 21.9% in 2018, namely, on the face of it, the willingness of the system as a whole to act in an ex gratia manner towards customers has decreased.

CUSTOMER COMPLAINTS TO THE BANK OF ISRAEL AT THE MAIN SUBSIDIARIES IN ISRAEL

MDB

The total complaints submitted to the Bank of Israel and passed for response to MDB amounted to 47 approaches, of which a position has been formed regarding 25 complaints, and 3 complaints have been found justified. Regarding one complaint that had been concluded by mediation, MDB acted in favor of the customer with no monetary repayment.

ICC

For details regarding ICC customer complaints submitted to the Bank of Israel in 2017, see the Social Responsibility Report for 2017 (p.69).

Ex gratia compensation to customers – Seven cases of unjustified complaints were recorded in 2018 (out of 35 complaints received by the corporation and found unjustified, approx. 20%) regarding which, an ex gratia compensation was paid in a total amount of NIS 3,600.

→ Continued from page 221

3. Third Index

The response time to handle complaints

The ratio of quick response reflects a higher level of service provided by the Complaints Officer. The Bank responded to 94% of the complaints within thirty days from date of receipt of the complaint, the average for the five major banks being response to 89.4% of the complaints within 30 days from date of receipt of the complaint. Discount Bank is placed third in this Index.

Also this data did not appear in the review for 2017, which included reference to the Index for the quality of handling responses to the Supervisor of Banks by complaints officers (composed of many parameters in addition to the response time) where the Bank received the maximum grade (100%).

Ex gratia compensation of customers

In certain cases and for business considerations, the Bank compensate customers even if their complaint had been found unjustified, this, in general, due to the wish of the Bank to retain long-standing and loyal customers. 23 cases of unjustified complaints were recorded in 2018 (out of a total of 147 unjustified claims, approx. 16%) in which an ex gratia compensation has been paid in a total amount of NIS 36,000.

A target of 18% justified complaints had been set for 2018 out of the total complaints received by the Bank and complaints received by the Bank of Israel. The Bank reached this target in respect of the total complaints received, the ratio of justified complaints being 15.1%. As regards complaints received through the Bank of Israel, the ratio of justified complaints was 5.6%.

APPENDICES EMPLOYEES

General note: The data relating to Discount Bank includes tenured employees, employees engaged on personal contracts, members of Management, temporary employees and outsource workers (software houses and TeleBank service center workers), but excludes employees on unpaid leave and on maternity leave.

Employees of Discount Bank and its principal subsidiaries

For the year ended on December 31

	2018	2017	2016
Discount Bank	5,343	5,502	5,529
MDB	1,388	1,431	1,431
ICC¹	1,568	1,481	1,427
IDB Bank	517	483	478

Note: 1 The data do not include Outsourcing

Breakdown of employees by gender

For the year ended on December 31

	2018			2017			2016		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Discount Bank	2,121	3,222	5,343	2,219	3,283	5,502	2,258	3,271	5,529
MDB	605	783	1,388	631	800	1,431	639	792	1,431
ICC¹	454	1,114	1,568	418	1,063	1,481	407	1,020	1,427
IDB Bank	291	226	517	259	224	483	256	222	478

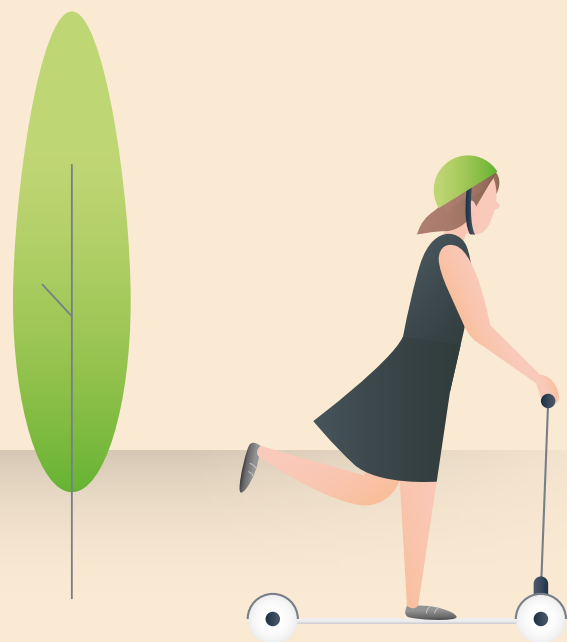
Note: 1 The data do not include Outsourcing

Breakdown of employees by geographic distribution²⁹

For the year ended on December 31

	2018		2017		
		rate		rate	
Discount Bank	Jerusalem and the South Region	608	11.4	522	9.5%
	Central Region	568	10.6	600	10.9%
	lowlands Region	634	11.9	711	12.9%
	Northern Region	573	10.7	628	11.4%
	Headquarters (Tel-Aviv)	2,960	55.4	3,041	55.3%
Total	5,343	100.0%	5,502	100.0%	

Note: 1 Distribution according to geographic areas was improved in 2018. The comparative data was improved accordingly.



Breakdown of employees by type of engagement

For the year ended on December 31

		2018	2017	2016
Discount Bank	Tenured employees, under personal contracts and members of Management	3,681	3,853	3,917
	Temporary employees	1,215	1,285	1,304
	Manpower company employees	-	-	-
	Outsourcing ¹	447	364	308
	Total	5,343	5,502	5,529
MDB	Tenured employees, under personal contracts and members of Management	1,209	1,232	1,225
	Temporary employees	143	165	167
	Manpower company employees	73	75	93
	Software house	28	27	32
	Total	1,453	1,499	1,517
ICC ²	Tenured employees, under personal contracts and members of Management	1,437	979	947
	Temporary employees	26	505	508
	Outsourcing	330	177	135
	Total	1,793	1,661	1,590

Notes: 1 Includes employees of software houses and TeleBank service center workers.
2 Includes outsource workers and does not include employees on unpaid leave and female employees on maternity leave.

Breakdown of employees by age

For the year ended on December 31

		2018	2017	2016
Discount Bank	Up to 30	668	657	689
	31-50	2,823	2,827	2,795
	Over 50	1,852	2,018	2,045
	Total	5,343	5,502	5,529
	MDB	Up to 30	127	118
31-50		849	929	987
Over 50		412	384	323
Total		1,388	1,431	1,431
ICC		Up to 30	514	490
	31-50	783	815	827
	Over 50	155	162	169
	Total	1,452	1,467	1,427

Notes: 1 Discount Bank and MDB's data include tenured employees and temporary employees.
2 ICC's data include permanent employees and non-permanent employees.
2 The Discount Bank data includes two employees of Discount Leasing Company.

AVERAGE AGE AND SENIORITY

For the year ended on December 31

	2018		2017		2016	
	Average age	Average seniority	Average age	Average seniority	Average age	Average seniority
Discount Bank	45.0	16.1	45.1	16.5	44.8	16.4
MDB	44.3	16.9	43.9	16.5	43.3	16.1
ICC	36.3	8.3	36.0	9.0	36.2	8.5

EMPLOYEE TURNOVER

Breakdown of new employees by gender³⁰

For the year ended on December 31

		2018	2017	2016
Discount Bank	Men	151	174	206
	Women	336	448	456
	Total	487	622	662
MDB	Men	9	15	7
	Women	31	38	17
	Total	40	53	24
ICC	Men	122	² 79	73
	Women	372	² 215	253
	Total	494	²294	326

Notes: 1 The data include temporary employees and tenured employees.
2 The figure has been modified.

Breakdown of new employees by age³⁰

For the year ended on December 31

		2018	2017	2016
Discount Bank	Up to 30	334	403	433
	31-50	143	203	219
	Over 50	10	16	10
	Total	487	622	662
	MDB	Up to 30	30	35
31-50		10	18	11
Over 50		-	-	1
Total		40	53	24
ICC		Up to 30	394	² 204
	31-50	97	87	80
	Over 50	3	² 3	1
	Total	494	²294	326

Notes: 1 The data include temporary employees and tenured employees.
2 The figure has been modified.

Breakdown of leaving employees by gender

For the year ended on December 31

		2018	2017	2016
Discount Bank	Men	274	250	345
	Women	496	467	641
	Total	770	717	986
MDB	Men	37	24	27
	Women	50	30	60
	Total	87	54	87
ICC	Men	92	79	109
	Women	324	230	241
	Total	416	309	350

Notes: 1 The data include temporary employees and tenured employees.
2 Discount Bank's data do not include employees leaving from maternity leave / unpaid leave.

Breakdown of leaving employees by age

For the year ended on December 31

		2018	2017	2016
Discount Bank	Up to 30	303	363	260
	31-50	215	229	407
	Over 50	252	125	319
	Total	770	717	986
MDB	Up to 30	23	8	16
	31-50	40	25	29
	Over 50	24	21	42
	Total	87	54	87
ICC	Up to 30	304	230	215
	31-50	103	75	128
	Over 50	9	4	7
	Total	416	309	350

Mobility of employees

For the year ended on December 31

	2018	2017	2016
Discount Bank	618	665	709
MDB	175	104	160
ICC	179	137	135

Breakdown of employees by reasons of leaving³¹

For the year ended on December 31

		2018			2017			2016		
		Temporary	Tenured	Total	Temporary	Tenured	Total	Temporary	Tenured	Total
Discount Bank	Encouraged retirement	-	157	157	-	15	15	-	312	312
	Natural retirement and leaving	11	78	89	8	⁵ 92	⁵ 99	⁵ 35	82	⁵ 117
	> Of which: termination of contract	11	-	11	7	-	7	34	1	35
	Resignation	386	24	410	444	24	468	400	34	434
	Dismissal (imposed by the Bank)	108	4 ³	112	119	³ 4	123	110	³ 3	113
Other	-	2	2	4	8	12	6	4	10	
Total retirement	505	265	770	575	⁵142	⁵717	550	435	⁵986	
MDB	Encouraged retirement	-	18	18	-	10	10	-	32	32
	Natural retirement and leaving	1	7	8	-	12	12	-	10	10
	Resignation	20	17	37	13	10	23	16	9	25
	Dismissal (imposed by the Bank)	17	5	22	4	4	8	17	2	19
	Other	-	2	2	-	1	1	-	1	1
Total retirement	38	49	87	17	37	54	33	54	87	
ICC	Natural retirement and leaving			4			3			2
	Resignation			283			199			230
	Dismissal (imposed by the company)			143			107			108
	Other			-			-			10
Total retirement			430			309			350	

Notes: 1 Of which passed away: 2018 - 2; 2017 - 9.
2 ICC - not including employees retiring from unpaid leave / maternity leave or employees under trial period.
3 The dismissals are of employees under trial period or for serious disciplinary reasons.
4 MDB - tenured employees including employees engaged on personal contracts and members of Management.
5 The figure has been modified.

MATERNITY LEAVE

For the year ended on December 31

		2018		2017		2016	
		Men	Women	Men	Women	Men	Women
Discount Bank	Eligible for maternity leave	129	281	140	282	160	302
	Went on maternity leave	9	255	4	248	6	261
	Returned from leave	9	254	4	219	6	237
	Employees who were still employed 12 months after returning to work	8	238	4	205	5	204
MDB	Eligible for maternity leave	41	65	44	66	52	65
	Went on maternity leave	-	65	-	66	-	65
	Returned from leave	-	34	-	53	-	38
	Employees who were still employed 12 months after returning to work	-	65	-	66	-	65

- Notes:**
- 1 Eligible for maternity leave - Anyone who had a child born to him/her between the dates of January 1, to December 31, of that year, who did not necessarily exercise his entitlement at the Bank.
 - 2 For Discount Bank:
 - a. Data for 2018 - Number of male/female employees who returned to work after a maternity leave and stayed to work - as of April 1, 2019.
 - b. Data for 2017 - Number of male/female employees who returned to work after a maternity leave and stayed to work - as of April 27, 2018.
 - c. Data for 2016 - Number of male/female employees who returned to work after a maternity leave and stayed to work - as of June 28, 2017.
 - 3 For MDB:
 - a. Data for 2018 - Number of male/female employees who returned and stayed to work - as of December 31, 2018.
 - b. Data for 2017 - Number of male/female employees who returned and stayed to work - as of December 31, 2017.
 - c. Data for 2016 - Number of male/female employees who returned and stayed to work - as of December 31, 2016.

EMPLOYEES ABSENCE

For the year ended on December 31

		2018		2017		2016	
		Men	Women	Men	Women	Men	Women
Discount Bank	Absence in respect of paid sick days	26,459	49,285	25,371	51,314	25,939	55,298
	Absence rate	6.14%		5.99%		6.24%	
	Accidents	33	82	38	79	37	105
MDB	Absence in respect of paid sick days	5,098	10,368	5,083	8,528	10,476	4,840
	Absence rate	4.6%		4.0%		4.10%	
	Accidents	274	321	8	12	8	12
ICC	Absence in respect of paid sick days	4,168	14,557	3,949	17,357	3,902	14,304
	Absence rate	5.14%		5.09%		5.12%	
	Accidents	22	28	17	57	8	18

- Notes:**
- 1 Paid sick days are counted according to the number of actual days.
 - 2 The counting of days is of workdays missed by the employee and it refers to the total number of possible workdays in the year and not to the total number of days in the calendar year.
 - 3 The absence rate is calculated as the total actual number of absence days divided by the total number of possible workdays of the employee population at the end of the reporting year. It should be noted that the total number of absence days includes all employees who in respect of which an event of "illness" was recorded, while the denominator comprises the employee population at the end of the year. As a result of this calculation format the absence rate has an upward bias.
 - 4 Data on reported accidents are data reported to the National Insurance Institute, and include accidents on the way to and from the workplace. Therefore, these data do not constitute an indication of the number of "safety at work" events.

Events involving customers and employees, who resulted in the activation of insurance policy

For the year ended on December 31

		2018		2017		2016	
		Men	Women	Men	Women	Men	Women
Discount Bank	Customers (third party)	16	24	12	12	12	12
	Employees (employers' liability)	9	8	4	4	4	4
	Total	25	32	16	16	16	16
MDB	Customers (third party)	2	4	4	12	12	12
	Employees (employers' liability)	1	-	-	4	4	4
	Total	3	4	4	16	16	16
ICC	Customers (third party)	5	2	2	2	2	2
	Employees (employers' liability)	14	19	3	3	3	3
	Total	19	21	5	5	5	5

EMPLOYEE TRAINING**Average training hours per employee**

	2018	2017	2016
Discount Bank	37	39	34
MDB	53	45	40

Details of employee training data at Discount Bank

	2018	2017	2016
Total frontal instructions	26,052	29,536	26,335
Interactions Computer-Mediated Learning	43,757	37,016	39,914
Average training hours per employee	37	39	34
Average days per employee	13.07	12.95	12.68
Cost of training - in NIS million	8.9	9.9	7

FEEDBACK INTERVIEWS OF EMPLOYEES

Percentage of employees who received feedback

	2018	2017	2016
Discount Bank	99%	99%	98%
MDB	99%	98%	96%
ICC	100%	99%	100%

DIVERSITY AMONG EMPLOYEES

Women in the different grades

		2018		2017		2016	
		Women	Rate of women	Women	Rate of women	Women	Rate of women
Discount Bank	Board of Directors	3	23%	3	25%	4	29%
	Managers	509	50%	535	49%	533	48%
	> Of which: Branch managers and above ¹	70	40%	63	39%	57	37%
	Clerks	2,713	62.8%	2,748	62%	2,738	62%
MDB	Board of Directors	1	10%	1	8%	2	17%
	Managers	173	37%	162	36%	160	35%
	Clerks	610	66%	638	65%	632	65%
ICC	Board of Directors	2	22.2%	2	22%	2	22%
	Managers	164	55%	148	56%	135	54%
	Clerks	947	75%	911	71%	881	69%

Note: 1 Including members of Management.

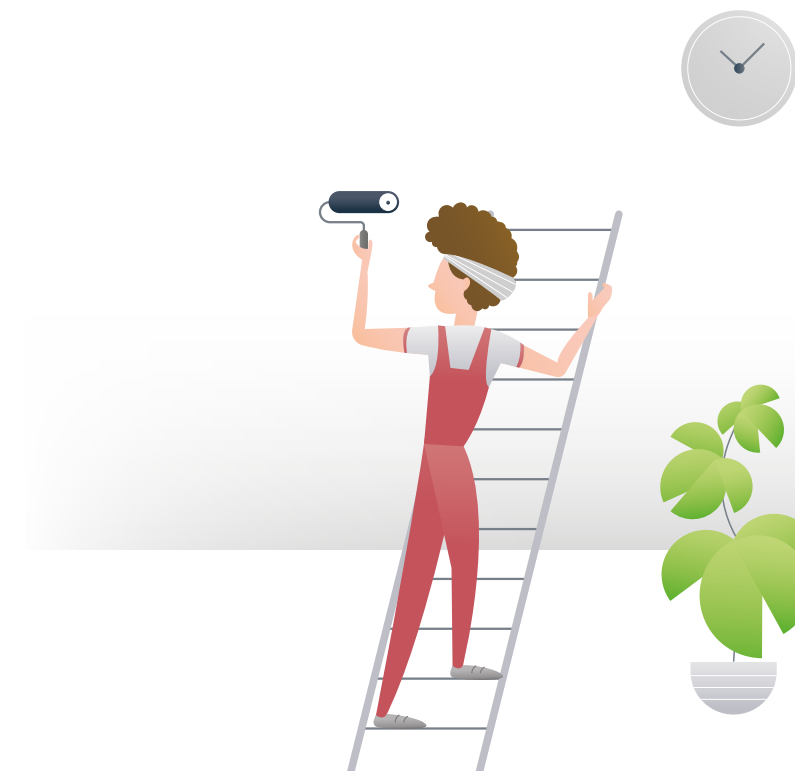


APPENDICES COMMUNITY

SCOPE OF EXPENDITURE OF THE DISCOUNT GROUP IN RESPECT OF ACTIVITIES FOR THE COMMUNITY

	2018	2017	2016
	In NIS thousands		
Direct expense including the "Lema'an" project activities	8,925	7,726	7,667
Sponsorships ¹	535	279	186
Direct current cost of operating the Hezelilienblum Museum ²	4,401	5,420	5,501
Indirect expenses - payroll ³	2,599	2,544	3,262
Miscellaneous expenses ⁴	425	299	526
Total	16,885	16,268	17,142

- Notes:**
- 1 A small part of the expense regarding sponsorships has been taken into account – only sponsorships for social associations.
 - 2 Guidance team payroll and building maintenance.
 - 3 Staff of the social responsibility unit and certain other factors who were directly engaged in social responsibility matters as part of their regular working hours.
 - 4 Mostly expenses relating to the preparation of various social and environmental responsibility reports, participation of the Banks' Management in financing the travel to Poland and direct expenses in respect of a financial education project.



APPENDICES GREEN DISCOUNT

GREENHOUSE GAS EMISSIONS IN 2017-2018

	Scope 1	Scope 2	Scope 3	Total emissions	
				2018	2017
Discount Bank	4,272	20,015	605	24,892	26,947
MDB	715	4,845	Not measured	5,560	6,254
ICC	1,169	3,506	Not measured	4,675	5,098

Notes: 1 The calculation of emissions in Scope 1 for "MDB" and "ICC" relates to consumption of fuel only; while that for Discount Bank includes also emission of air conditioning refrigerant gases.

DETAILS REGARDING THE INVESTMENT OF DISCOUNT BANK IN THE PROCESS¹ OF REDUCING GREENHOUSE GAS EMISSIONS IN 2018, AND THE ANNUAL SAVINGS DERIVING FROM THEM:

Type of activity	Description	Investment in NIS thousands	Annual energy savings (in kwh)	Annual GHG emissions reduction (CO2e tons)	Expected annual financial savings ² (estimate in NIS)
Energy efficiencies in buildings	Energy efficiencies in A/C systems	9,690	952,768	514	331,000
Energy efficiencies in buildings	Upgrading the lighting systems	640	231,442	125	83,000
Buildings – reduction of space		-	890,587	480	318,000
	Total year 2018	10,330	2,047,797	1,119	732,000
	Total year 2017	10,800	6,299,351	3,796	3,244,000

Notes: 1 Savings in the consumption of electricity in relation to 2017. Estimated as a percentage of total savings in consumption.
2 In accordance with actual savings data, estimated as a percentage of the total financial savings.

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