

# Fair Conduct Statement

Integrity in business and the customers' trust are a part of Leumi's business management culture, forming the basis of the Bank's strength and robustness. Accordingly, the fair banking approach puts the customer's best interests at the front and center of business activity and sets clear criteria for ethical and proper conduct with customers.

This notion is in line with **Leumi's Vision** "to champion proactive, innovative and responsible banking for its customers, and grow rapidly with the customers at heart," with an emphasis on the Bank's commitment to high standards of service, transparency, full disclosure to the customer, fair pricing and customizing products to the customer's characteristics, abilities and needs. This philosophy is enshrined in "**The Leumi Way – Code of Ethics and Conduct**," and is broken down in the **principles** of proper conduct in the policy.

We adhere to our system of values and professional ethics, including preserving human dignity, protecting privacy and refraining from discrimination and prejudice, while complying with the laws, rules and regulations.

A Conduct of Business risk management policy vis-a-vis the Bank's customers is integrated in the organization. The management of the risk is based on the understanding that the best interests of the customer and the best interest of the bank are one and the same and on the aspiration to create and maximize mutual value – an aspiration which underlies the Bank's vision and its core values.

The Board of Directors and the Bank's management lay out the framework for the **risk management culture**, whereby the Bank's managers and employees must maintain high professional standards in all their business activities. The risk management culture also includes a **compensation policy** and sets goals that do not encourage taking conduct risks in order to meet profitability objectives.

Below several mechanisms are presented, that were put in place to ensure compliance with the principles of fair banking:

- **Adequate disclosure to customers**: When a service or product are sold (credit/deposit) - adequate disclosure is provided regarding the product and service cost. Before executing a transaction, the customer is required to approve the terms and conditions presented to him/her by signature. Only after the customer's approval and signature have been received is the transaction carried out and the customer receives confirmation of its completion, terms and conditions.
- **Clarity regarding fees and commissions**: Bank Leumi notifies customers who open an account about the fees and commissions the Bank charges and the current fees and commissions tracks. In the account opening process, the fee plan is chosen, the customer is informed of the terms, and signs documents that describe the terms in detail. We shall note that the Bank also grants longstanding customers and customers with disabilities additional benefits on fees and commissions beyond those awarded to regular customers.  
  
Each branch has a public information station where any interested customer can view comprehensive information about the fees and commissions in different plans. In addition, the fees and commissions rates are published on the Bank's website.
- **Fair conduct when granting credit to customers**: There are work procedures, conversation scripts, and automated support in place to guide Leumi's bankers when granting private credit (offering loans) to customers.
- **Identifying customer needs fairly**: Bank Leumi seeks to identify the needs of its customers in order to adapt the products and services offered to them. The Bank carries out a needs identification process for customers applying for credit from the Bank. The process includes talking to the customer about the purpose of the credit, the customer's assets and liabilities, understanding the customer's needs and financial situation, and matching the relevant product to the customer's needs and making a full disclosure regarding the service.

- **Preventing customer debt increase:** Bank Leumi strives to detect severely overdrawn accounts at early stages. For this purpose, internal procedures and processes have been put in place, as well as in the Bank's conduct vis-à-vis customers, including, as applicable, debt arrangements and/or recycling the debt without taking legal action. Leumi believes in transparent and practical, matter-of-fact dialogue with customers who find themselves in financial difficulties, while examining the customers' repayment capacities on a case-by-case basis.

#### Fairness in service

Handling of complaints is an integral part of the service we provide to our customers, as a result of which we take every complaint very seriously. Complaints are reviewed by public inquiry officers, who do their utmost to investigate complaints quickly and efficiently, and to make decisions that are based on the values of honesty, fairness and responsibility towards customers.

#### Fairness in capital market activity

The traders in the trading room comply with the regulatory rules that apply to them in their work, including the rules of professional ethics, while the Bank implements the relevant controls. The Bank has a dedicated code of ethics for trading room traders, and there is a dilemma book designed to help implement the code in the regular conduct and among newly hired traders.

Accordingly, Bank Leumi adopted the FX global code in 2022. By adopting the code, the Bank made a statement that the Leumi trading room complies with the global best practice in its foreign currency trading, and implements transparency and fairness in its activity in the capital market and for its customers.

Fairness in capital market consulting: Investment and pension consulting at Leumi are carried out professionally and objectively, in accordance with the customers' needs and subject to all relevant provisions of the law. Leumi's consulting services always places the best interests of the customer as its top priority and operates according to high professional standards, presenting the customers with the full picture, with sensitivity to conflicts of interests. Leumi's consultants are guided by the Bank's Code of Ethics for Investment Consultants and the values of "Leumi's Way".

Code of ethics for investment advisors: In 2011, Leumi became the first bank in Israel to launch a code of ethics for investment advisors. The code sets out clear rules of operation regarding what consultants may or may not do, and reflects the uniqueness, sensitivity and complexity of the investment consulting profession. The code helps consultants prepare for providing personalized service to customers, while taking into account their specific needs, presenting them with the full picture, exercising significant caution in managing their money, with transparency and sensitivity to any conflict of interests.

#### Fairness in advertising

Before substantial advertising measures are taken, their adequateness is examined by the Bank's legal counsel. Among other things regulatory requirements are examined and reputational and ethical considerations are taken into account. In addition, the divisions' respective conduct authorities carry out examinations as well. Advertisements contain adequate disclosures and clarifications about the project, while referring to financial terms, terms of service, the risks associated with the product or the service, the target audience, an indication of the product supply date, service, etc., as much as possible.

According to the Banking Rules (Customer Service) - Advertising for Minors, 1995 (Revised 02/11), the Bank set out principles and rules for targeting minors in advertising, prohibited content and internal and external procedures were outlined (with the advertising agencies) regarding advertising to minors. The rules require, inter alia, that advertising aimed at minors be consistent with the values of Leumi's Code of Ethics and positive social values (e.g., mutual guarantee, kindness, honesty, justice, tolerance, equality, non-violence). The rules also require that ads are in line with the target audience's level of knowledge, understanding and maturity and that the information contained in it is clear, precise and correct.

The principle in the conduct policy

The Bank seeks to adapt the content of its advertisements to the actual product or service terms, on top of the basic requirements arising from the prohibition of deception that must be strictly complied with. This

includes including disclosures and adequate clarifications about the product, as much as possible, in the advertisements: financial terms, terms of use, the risks associated with the product or service, the target population, an indication of the date of supply of the product or service if they are not available immediately, etc. Using clear wording and avoiding using hidden messages that may give rise to misleading expectations or associations. The Bank avoids using wording and terminology that are not commonly used by the target audience. In certain cases, the manner of delivering messages will be modified such that it is suitable to the relevant target audience.

**For a full declaration about responsible marketing and advertising**

#### Training and integration of the conduct risk

- A **conduct tutorial** has been developed for all Bank employees, as well as a designated conduct tutorial for the Capital Market Division, and they are distributed annually among the regulation tutorials.
- Including the subject in courses and in the training provided to employees in various fields, such as new mortgage consultants, the Pepper bank credit officers, and subsidiaries.
- A **dedicated workshop** has been held **at the Public Inquiries Office** on identifying and classifying conduct-related complaints, in order to use the gathered information to manage the risk, with a bird's-eye view.
- The **Conduct Forum**, headed by the Chief Risk Officer, **divisional forums** in the Capital Markets Division, the Banking Division, the Mortgage Division, and the Legal Counseling Division, and the **Working Hands Forum**, led by the Operational Risk Division with the participation of risk managers in the front-line units.
- In the **Banking Division**: A refresher on highlights of proper marketing processes when initiating credit offers, working according to a structured conversation script, highlights on completing credit calls with transparency and fairness, reinforced integration within the business sector, including a credit sale dialogue that complies with the rules of conduct, a “read and sign” document on fair and decent conduct toward the customer, and more.

- The Leumi campaign for protection against fraud, emphasizing the senior citizen demographic.

### Risk management policy for new products

The Bank manages risks for material new projects and products on the basis of a methodology which includes risk identification and mitigation with the aim of complying with Leumi's business and operating goals; the policy includes a hierarchy of authority, according to the product's significance.

When making strategic decisions regarding major changes, such as regarding restructuring or the launch of new products and services, the Bank examines the possible impact of these decisions on its stakeholders, whether they are in line with needs of different customers - with emphasis on accessibility and adaptability of the services to the needs of specific population groups, such as small businesses, senior citizens, the ultra-orthodox sector, Arab society, marginalized populations, people with special needs, etc.

### Antitrust activities

The Bank's business activity is conducted with strict adherence to the antitrust laws which govern the Bank, and whose purpose is to ensure free economic competition.

To ensure compliance with the provisions of the law, the Bank has an internal compliance program for the Antitrust Law, which includes training, audit, reporting and supervision mechanisms, as well as a procedure for the Bank's employees, which governs the Bank's activities in the field of antitrust, according to its various interfaces - with competitors, customers and suppliers. The compliance program is managed by the Legal Division.

The procedure is intended to enable the Bank's employees to act within the framework of antitrust laws and to seek legal advice and obtain guidance where needed. The procedure is updated from time to time in accordance with regulatory changes.

Information on the actions performed by Leumi in this context can be found in the Report and on the ESG website, at

[\(Add a link to the Corporate Responsibility page.\)](#)

