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# Financing the Israeli Occupation

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The Direct Involvement of Israeli Banks in Illegal  
Israeli Settlement Activity and Control over the  
Palestinian Banking Market

*Who Profits from the Occupation*  
*October 2010*



## The Coalition of Women for Peace

brings together ten feminist peace organizations and non-affiliated activist women in Israel. Founded soon after the outbreak of the Second Intifada in 2000, CWP today is a leading voice against the occupation, committed to feminist principles of organizing and Jewish-Palestinian partnership in a relentless struggle for a just peace. CWP continuously voices a critical position against militarism and advocates for radical social and political change. Its work includes direct action and public campaigning in Israel and internationally; a pioneering investigative project exposing the occupation industry; outreach to Israeli audiences and political empowerment of women across communities; and, capacity-building and support for grassroots activists and initiatives for peace and justice.

## Who Profits from the Occupation

is a research project of the Coalition of Women for Peace. Initiated in response to the Palestinian call for boycott, divestment and sanctions (BDS) on Israel, this research project is dedicated to exposing the commercial involvement of Israeli and international companies in the continuing Israeli control over Palestinian and Syrian land. The project publishes information about these companies on its website ([www.whoprofits.org](http://www.whoprofits.org)), produces in-depth reports and serves as an information center.

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# Executive Summary

Israeli banks provide the financial infrastructure for all activities of companies, governmental agencies and individuals in the continuing occupation of Palestine and the Syrian Golan Heights. The services provided by the banks support and sustain these activities. Additionally, as this report shows, it is evident that the banks are well aware of the types and whereabouts of the activity that is being carried out with their financial assistance.

Our research has identified six categories of involvement of Israeli banks in the occupation. There is solid evidence of the involvement of most of the major Israeli commercial banks in these categories<sup>1</sup>:

## **1. Providing mortgage loans for homebuyers in settlements**

Israeli banks provide mortgages to individuals who wish to buy or build housing units in West Bank settlements. The purchased property is used as collateral for the return of the loan, as is standard with mortgage loans. Thus, the bank that provided the loan is a stakeholder in a real estate property in a settlement and, in cases of foreclosure, the bank may end up fully owning that property.

## **2. Providing special loans for building projects in settlements**

Israeli banks provide loans for various construction firms for the explicit purpose of constructing housing projects in Israeli West Bank settlements. These are loans provided under terms which are regulated through “accompaniment agreements” (Heskemay Livuy), certain aspects of which are regulated under the Sale (Apartments) (Assurance of Investments of Purchasers of Apartments) Law - 1974. The relevant articles in the Sale Law ensure homebuyers that a bank vouches for the construction project, backs the construction company and protects

the buyers’ investments by providing the purchasers with a bank guarantee. In some cases, the accompanying bank also holds the real estate property as collateral until all of the housing units in the project are sold to buyers. Homebuyers’ payments for the property are then all deposited in a dedicated bank account in the accompanying bank, and the bank monitors the financial status as well as the development of the project.

## **3. Providing financial services to Israeli local authorities in the West Bank and the Golan Heights**

Regional councils, local councils and municipalities of Israeli settlements in the occupied West Bank and the Golan Heights depend on the financial services provided by Israeli banks. Most importantly, Israeli banks provide loans to the local authorities of settlements, loans which are used for the development of infrastructure, the construction of public buildings and for providing municipal services to the residents of these settlements. Additional services to these local authorities include managing bank accounts, the provision of fund management services and the transfer of funds from the government and other sources, such as grants from the Israel National Lottery (Mifal HaPayis), to local authorities for the construction of schools, community centers and the like.

## **4. Operating branches in Israeli settlements**

Most Israeli banks have several branches in Israeli settlements. Through these branches the banks provide financial services to settlers and to commercial companies in settlements. The bank branches are part of the service infrastructure that enables the continued development of the settlements.

<sup>1</sup> Although not all of them are involved in all six categories.

**5. Providing financial services to businesses in settlements**

Israeli banks provide financial services to businesses in the settlements and to businesses whose entire commercial activity is related to the occupation. For instance, Israeli banks provide loans and offer bank accounts to factories which are in the industrial zones of settlements or whose main area of activity is the construction of settlements or infrastructure projects for the use of Israelis in the occupied area. The property of these businesses in the occupied area is, many times, used as collateral for such loans.

**6. Benefiting from access to the Palestinian monetary market as a captured market**

Restricted by the agreements which were signed between the Palestinians and the Israelis as part of the Oslo process, the Palestinian monetary market cannot operate a currency of its own. Palestinian banks are therefore dependent on other banks for the provision of financial services. While there are four currencies that can be used in the Palestinian market (Israeli shekel, EU euro, Jordanian dinar and US dollar), the Israeli shekel dominates most of this market because of the subordination of the Palestinian market to that of Israel. As is most often the case with non-Israeli banks that deal with the Israeli shekel, Palestinian banks have to rely on Israeli banks, which serve as correspondence banks, for the transfer of funds and shekel-clearing services. However, according to official Palestinian sources, to provide these services, the Israeli banks which supply them demand high cash collaterals, of more than a billion shekels in total, which are deposited, by the Palestinian banks, in the Israeli banks. Additionally, the Israeli banks charge high commissions for these services and impose limitations on the transfer of money, both of which increase the costs of such operations and the risks involved for the Palestinian banks. It should

be noted that the Israeli banks are only willing to work with some of the Palestinian banks; the banks refuse to include the newer banks in these agreements. Due to this restriction, the ability of the newer Palestinian banks to operate is severely impaired, since they cannot directly transfer shekels to the Israeli banks and, thus, become dependent on other Palestinian banks. Consequently, this restriction hinders the ability of the Palestinian monetary market to grow and develop. Additionally, as of the end of 2008, Israeli banks have severed their contractual connections with the Palestinian banks in Gaza and stopped providing any and all services to them. This has had a significant impact on the financial market in Gaza, bringing it to the brink of total collapse.

The six categories of activity specified herein clearly portray the scope and extent to which banks in Israel are implicated in the financing of occupation-related endeavors. It is evident that Israeli banks provide the financial basis for the construction of settlements, for the sustainability and maintenance of the settlements and for Israeli commercial activity in the occupied territory. Our report clearly illustrates that Israeli banks do not only provide these services and enable these activities, but are also fully aware of the type of activities for which they provide financial support. In addition, Israeli banks reap financial benefits for Israeli financial institutions from the subordination of the Palestinian financial market as a captured market.

In a more general perspective, it can be stated that any and all aspects of Israeli control over the occupied territory have a financial foundation and that none of these financial activities of individuals, organizations, governmental institutions and commercial companies could take place without the active support of banks. The findings of this research show that as the providers of these services, Israeli banks are principle beneficiaries of financial activity in the illegal Israeli settlements in the occupied territories and in Israeli control over the Palestinian financial market.



# Introduction: The Israeli Banks

The Israeli occupation is most often thought of as motivated by ideological and political impulses, but Israeli control over the Palestinian and Syrian territories has significant economic implications. There are many commercial companies involved in Israeli control over the occupied population, the exploitation of natural resources from occupied territory and the settlement of Jewish-Israeli citizens in occupied land. While it may seem obvious to state that all of this economic activity is dependent on support by financial institutions in general, and banks in particular, the aim of the current report is to expose the nature and extent of these activities on the part of banks that operate in Israel.

As an activist research project dedicated to ending Israeli control of occupied land our aim in this research was to learn about the explicit participation of Israeli banks in providing the financial framework for this continued occupation. For this purpose we have searched for publically available documents and relevant publications. These documents include both official registry records, as provided by Israeli governmental agencies, and information that the banks and the companies involved publish themselves. We have also conducted interviews with concerned parties. The following report has used some of the documents collected to highlight specific examples of economic activities that serve to delineate patterns of banking activity. Our research has exposed and categorized the patterns of activities in which Israeli banks provide the financial infrastructure for all activities of companies, governmental agencies and individuals that are economically active in the occupation of Palestine and the Syrian Golan Heights. It shows how the services provided by the banks support and sustain these activities. Additionally, this report shows that the banks are well aware of the types and whereabouts of the activity that is being carried out with their financial assistance.

In analyzing the types of activities of Israeli banks in the occupation, we focused on six categories. While the involvement of banks can unquestionably be found in many of the occupation-related economic activities, the current report focuses on activities in which the involvement of the banks is explicit, unambiguous and well documented. By focusing on these types of activities we hope to prove that banks knowingly and actively provide financial services to commercial endeavors that are explicitly part of Israeli control over occupied territory or are directly involved as economic players themselves. While not all banks are involved in all six categories, there is solid evidence for the involvement of most of the major Israeli commercial banks in most categories. A table summarizing the categories of activity for each of the banks can be found in Appendix A.

There are five categories of operation in which Israeli banks provide financial services to occupation-related activity: banks give mortgage loans for homebuyers in settlements; they provide financial services to Israeli local authorities in the West Bank and the Golan Heights; banks offer special loans for building projects in settlements; they operate branches in Israeli settlements; and they provide financial services to businesses in settlements. Additionally, two Israeli banks, Bank Hapoalim and Discount Bank, benefit from access to the Palestinian monetary market as a captured market. The report includes six chapters; each details the activities of banks in one of the examined fields of activity.

The first chapter focuses on mortgage loans to individuals who wish to buy or build housing units in West Bank settlements; the second details the special loans for building projects in settlements which banks offer. By providing these two types of loans banks actively support the transfer of the population of the occupying



The branch of Bank Poalei Agudat Israel of First International Bank in the settlement of Modi'in Illit  
*Photo: Who Profits, April 2009.*

power to occupied land (a specific violation of international law), and its sustainment. Furthermore, real estate in Israeli settlements is used in these instances by banks as collateral for the loans. Thus, through these loans banks become stakeholders in a settlement real estate and, in cases of foreclosure, the bank may end up fully owning that property.

In order to function, local and regional councils and municipalities of settlements in the occupied territories receive financial services from banks. The third chapter is dedicated to this issue. These services include the opening and managing of bank accounts, the transfer of funds and the provision of loans. Through these loans the local governance of settlements can sustain itself, develop and expand the existing settlements, build facilities for the benefit of the settlers and attract more Jewish-Israelis to these settlements.

In the forth chapter we specify the branches which Israeli banks operate in settlements. Through these branches the banks provide financial services to settlers and to commercial companies in settlements. The bank branches are part of the service infrastructure that enables

the continued development of the settlements, and they constitute the direct physical presence of the property and personnel of the banks in the settlements, ownership of property rights in the settlement, as well as direct participation in the settlement economy as municipal tax payers.

As explored in the fifth chapter, Israeli banks also provide financial services to businesses in the settlements and to businesses whose entire commercial activity is occupation-related. For instance, Israeli banks provide loans and offer bank accounts to factories which are in the industrial zones of settlements or whose main area of activity is the construction of settlements or infrastructure projects for the use of Israelis in the occupied area. The property of these businesses in the occupied area is, many times, used as collateral for such loans.

In the sixth chapter we specify benefits that Israeli banks gain from their access to the Palestinian monetary market. Restricted by the agreements which were signed between the Palestinians and the Israelis as part of the Oslo Accords, the Palestinian monetary market cannot have a currency of its own. The Israeli shekel dominates

most of the Palestinian monetary market because of the subordination of the Palestinian economy to that of Israel. Thus, Palestinian banks have to rely on Israeli banks, which serve as correspondence banks, for the transfer of funds and shekel-clearing services. To provide these services, the Israeli banks which supply these services to the Palestinian banks demand high cash collaterals, of more than a billion shekels, which are deposited, by the Palestinian banks, in the Israeli banks. Additionally, the Israeli banks charge high commissions for these services and impose limitations on the transfer of money, both of which increase the costs of such operations and the risks involved for the Palestinian banks. Thus, Israeli banks enjoy exclusive access to the Palestinian monetary market as a captured market.

In each of the chapters, the report produces some explicit and typical examples for each of the six categories of activity specified herein. These, in our eyes, clearly portray the scope and extent to which banks in Israel are complicit in occupation-related endeavors. Israeli banks provide the financial basis for the construction of settlements, for the maintenance of the settlements and for Israeli commercial activity in the occupied territory and reap financial benefits from the subordination of the Palestinian financial market as a captured market. Moreover, this participation in highly controversial political projects, which in some cases are explicitly contrary to international law, is clear and unambiguous to bank officials as well as to the public. The findings of this research show that as the providers of all of these services, and as direct participants in this economy, Israeli banks are beneficiaries and stakeholders in the financial activity of illegal Israeli settlements in the occupied territories and in Israeli control over the Palestinian financial market.

## Methodology

Research for this report was conducted using both desk studies and field research. The desk studies included the collection and analysis of public information, published by the banks themselves, by the Bank of Israel, by the companies involved and on official records as they are published by the Israeli government. For instance, information concerning mortgage loans is based on official records of the central mortgage registry of the Israeli Ministry of Finance. Similarly, details of loans given to businesses that operate in settlements were collected from the central Israeli registrar of companies. Information from Mifal Hapais, the Israel National Lottery, was retrieved using questions submitted to Mifal Hapais according to the freedom of information act.

Field research included the visiting of construction sites in settlements, the collection of information about construction companies and about the activities of banks in settlements. Information concerning accompaniment agreements was collected from the construction companies which are constructing the different projects in the settlements and, when possible, verified with the relevant banks. Much of the data in the chapter concerning the involvement of Israeli banks in the Palestinian monetary system is based on interviews conducted with Riyadh Abu Shehadeh, Director of Inspection and Supervision Department, Palestine Monetary Authority (PMA). Additionally, we sent this report prior to its publication to all of the mentioned banks and asked for their response. Bank Discount was the only one which provided a response and it can be found in Appendix C.



# 1

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## Mortgages for Homebuyers in Occupied Territory

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To encourage Israelis to settle in areas that are outside of the main urban zones, the Israeli government provides economic incentives to people who live in what is defined by the Israeli government as Priority Areas. An individual living in a Priority Area is entitled to tax deductions and subsidized mortgage loans<sup>2</sup>. There are two types of areas that are defined as Priority Areas: one is of areas in the periphery zones of the State of Israel (including the Golan Heights) and the second is of Israeli settlements in the West Bank. Since many of the major settlements in the occupied West Bank are relatively close to the large urban centers inside Israel, mainly the Tel Aviv and Jerusalem metropolises, defining them as Priority Areas enables individuals to enjoy these

benefits while living at a comfortable distance from these urban centers. Additionally, a military decree forbids Palestinian residents of the West Bank from entering the Israeli settlements, let alone purchase houses in them, and different administrative and bureaucratic mechanisms are in place to prevent Palestinians who hold Israeli citizenship from moving into settlements in occupied land. Thus, these benefits form a type of structural discrimination that operates according to racial segregation which privileges only Jewish Israelis.

There are six Israeli banks that offer mortgage loans for homebuyers, and these make up all of the major Israeli commercial banks: Bank Hapoalim, Leumi Mortgage Bank (of Bank Leumi),



A sign advertising the construction of a new neighborhood in the settlement of Barkan (64 housing units). The logo of Mizrahi Tefahot Bank appears on the top left corner of the sign and at the very bottom of the sign it says: "Mizrahi Tefahot Bank, Mortgages available from the experts of Tefahot, home-buyers here get preferential conditions and service."

Photo: Peace Now, June 2009

<sup>2</sup> See here for a full list of areas which qualify as priority areas: [www.moital.gov.il/cmstamat/ishuvim.aspx?sValue=%E0](http://www.moital.gov.il/cmstamat/ishuvim.aspx?sValue=%E0) (in Hebrew). See here for a specification of the criteria according to which individual homebuyers can receive subsidies when applying for mortgage loans: [www.moch.gov.il/Moch/HousingSupport/AshafHasiua.htm](http://www.moch.gov.il/Moch/HousingSupport/AshafHasiua.htm) (in Hebrew).

Mizrahi Tefahot Bank, Discount Mortgage Bank (of Israel Discount Bank), The First International Bank of Israel (FIBI) and Jerusalem Bank. All of these banks provide mortgages for individuals wishing to build or purchase homes in Israeli settlements in the occupied territory, including the West Bank, the Golan Heights and the settlement neighborhoods of East Jerusalem. By providing these loans to homebuyers in settlements, the Israeli banks take part in the structural racial discrimination as described above.

By providing these mortgage loans for the construction or the purchasing of homes in settlements, the banks turn themselves into active participants in the development and sustainment of the Israeli settlements in the occupied territory. Furthermore, as is most often the case with mortgage loans provided for the purchasing of property, the property is used as collateral for the loan. When accepting property in a settlement as collateral for the mortgage loans the banks have a stake in these properties, and in cases when the homebuyers fail to pay back the mortgages, the banks also find themselves as the owners of these properties. Thus, through providing these mortgage loans the banks also become owners of property in these settlements.

משרד המשפטים  
מדינת ישראל  
רשם המשכונות

על פי חקקה 13 לחקיקת המשכונות (סדרת רישום ארץ), התשנ"ד - 1994

**מוצאות עיון מקוון**

הרישום לאשר בזאת כי בתאריך 21/03/2010 בשעה 12:55 נערך עיון במאגר הממוחשב הארצי של רשם המשכונות, לפי מספר תעודת הזהות של אורח ישראל: [REDACTED]  
תמוני המאגר מעודכנים מה- 01/04/1994 ועד ל- 21/03/2010 בשעה 10:53

**נמצאו הרישומים הבאים:**

חש' חתימה	פרטי החייב	פרטי הנכס הממושכן	פרטי הנכסה	מספר רישום משכונות
1	[REDACTED]	תשאר הנכס דירה הרישומה בחברה ה משכנת ארצות חן בע"מ. נכסיה: המארחי ארץ. 71003618 ס הנכס שמועמם בו המדרגים ביום 6/12/09 נא. מדרגות [REDACTED] מדרגות. זכויות חודות וחודות שיש לחייבים. לבעלי הנכס בזכר. לרבות עתידות. זכו ספקי שירותי לנס דמי חוק. נספי ביטוח. דמי נאמיות. חבל. כפופות בהסכם. מחובות רחוב. 15 דירה 3. אריאל.	[REDACTED]	2009197557
2	[REDACTED]	מגרש/בית 18-23 מדרגות. זכויות חודות וחודות שיש לחייבים. לבעלי הנכס בזכר. לרבות עתידות. זכו ספקי שירותי לנס דמי חוק. נספי ביטוח. דמי נאמיות. חבל. כפופות בהסכם. 22 דירה 1. אריאל.	בנק דיסקונט להשכונות בע"מ 520022856	2010002532

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טל: 1-800-50-22-32  
אתר הממשלה: <http://www.gov.il>  
אתר המשכונות: <http://meshkonot.justice.gov.il>  
שם: [REDACTED] מס' 9 מתוך 23

A record of a mortgage given to a homebuyer in the settlement of Ariel by Discount Bank in 2010.  
Source: Israeli mortgage registrar



The branch of Bank Leumi in the settlement neighborhood of Pisgat Ze'ev in East Jerusalem.

Photo: Who Profits, April 2009



# 2

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## Providing the Financial Basis for Building projects in Settlements

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The Israeli housing construction market is highly dependent on special loans which finance construction projects from the early stages until completion. These loans are provided under special terms known as “accompaniment agreements” (Heskem Livui). The agreements are regulated by the Sale of Apartments Law (Assurance of Investments for Apartment Buyers)<sup>3</sup> and by management regulations of the Bank of Israel. These loans are also supervised by the Israeli Ministry of Construction and Housing.

Our research has exposed that Israeli banks provide such loans for construction companies for the purpose of constructing housing projects in settlements in occupied territory.

Accompaniment agreements are an integral part of development plans and many of the major projects in Israel and the occupied territories would have difficulty reaching completion without the financial backing of the accompanying banks. In these agreements, the accompanying bank holds the real estate property as collateral until all of the housing units in the project are sold to buyers. The accompaniment agreement ensures that the bank provides the construction company with all of the main financial services until the completion of the project. This includes credit for the company to build the project and financial guarantees on the housing projects for the apartment buyers.

Prior to an accompaniment agreement, the bank appoints a special officer to examine the profitability of the project. After entering the agreement, an officer of the bank monitors the development of the construction and supervises the project. Usually the bank is also involved in determining the price rates of the apartments and the schedule for the completion of the construction. In addition, the payments of homebuyers are deposited in a dedicated bank account in the accompanying bank, designated exclusively for this purpose. This account is controlled by the accompanying bank and the entire cash flow of the project is managed through it. Thus, the signing of

an accompaniment agreement deeply implicates the bank in the construction project; in a sense, the bank has taken on itself a form of partnership with the construction company for the purpose of completing the particular construction project. In case the project goes bankrupt, the bank becomes the owner of the property, responsible to the apartment buyers.



An advertisement for a construction project called Yair Heights in the settlement of Ma'ale Adumim. In the bottom it says: “Bank accompaniment and mortgages: Bank Tefahot”.

Photo: Dror Etkes, December 2004

In 2008, the Sale of Apartments Law was amended and oversight over accompaniment agreements was tightened. The amendment was legislated following the exposure of a fraud case known as the Heftziba Affair. One of the largest construction companies in Israel, Heftziba, which specialized in developing low-cost housing projects, went bankrupt. The company was involved in the construction of many residential buildings in West Bank settlements. Consequently, the owner of the company, Boaz Yona, was convicted of fraud and of stealing millions of dollars from his clients without providing them the apartments purchased by them. Following the Heftziba affair, the Sale of Apartments Law was amended to include the appointment of a commissioner in the Ministry of Construction and Housing for the registration of the accompaniment agreements.

<sup>3</sup> Sale of Apartments Law (Assurance of Investments for Apartment Buyers), see: [www.nevo.co.il/Law\\_word/law01/240\\_006.doc](http://www.nevo.co.il/Law_word/law01/240_006.doc)

Generally, information about the involvement of specific banks in accompaniment agreements remains inaccessible to the public. Technically, the law requires the Commissioner to manage a registry of all new accompaniment agreements, including the name of the accompanying bank. The law also obligates the Commissioner to submit an annual report about his activities to the Knesset Finance Committee. But, in practice, accompaniment agreements are usually privileged information kept between the bank and the construction company and are not available to the public. The only report so far was submitted last year, and it lacks information about the identity of the accompanying banks. We appealed to the Ministry of Construction under the Freedom of Information Act and asked them to reveal the names of banks that are accompanying construction projects in settlements. In reply they stated that the Ministry does not have this information. Consequently, we collected this information from the construction companies and from the banks.

As with all other construction projects, the banks that accompany the construction of settlement housing projects finance the project, hold the real estate property of the projects as collateral, and offer financial guarantees to the purchasers of residential properties. The Israeli settlements in the occupied territories constitute a breach of international law. The construction of housing projects in these settlements is the foundation of the settlement enterprise. Hence, *prima facie*, through the accompaniment agreements and the consequent involvement of the banks in the construction of housing projects in settlements, the banks are accomplices in the violation of international law.

Our research has found evidence of accompaniment agreements of six Israeli banks for the building of projects in settlements in occupied territory. The banks are: **Bank Hapoalim, Mizrahi Tefahot Bank, Bank Leumi, Israel Discount Bank, Jerusalem Bank, and the Union Bank of Israel (Bank Igud).**

An example of these banks' deep involvement in a construction project is found in the annual report

of Hadar Group. Hadar Group owns construction and real estate companies. It builds a large-scale residential project in the Ma'aleh Adumim settlement through its two fully owned subsidiaries: Mitzpor Adumim, which is the developer of the project, and Kir-Had, which serves as the construction contractor. According to the plan, the project will include 205 residential units upon its completion. Hadar Group is currently the major builder in Ma'aleh Adumim.

**Bank Leumi** extended a credit of 21 million NIS (about 5.54 million USD) to execute the construction of 32 housing units, and an additional 18.5 million NIS (about 4.88 million USD) for other purposes in the project. In return, the bank holds as collateral the land rights, the construction project, the rights to the apartment buyers and any rights the company has for VAT deductions. In addition, as a condition for extending the credit, the bank sets a timetable for the sale rate of the apartments, in which the company has to sell at least eight housing units in the early stages of the construction.

**Bank Leumi** has agreed to sign an accompaniment agreement for another housing project in Ma'aleh Adumim (called Hadar 3), under similar terms, but because the foundation of the project has not been laid, the construction fell under the category of "Settlement Construction Freeze", and "therefore it is not known whether and when this financing agreement will enter into effect," according to the report of Hadar's board of directors.

**Bank Igud** has signed an accompaniment agreement for the construction of 44 housing units. The agreement includes a credit of 8.8 million NIS (about 2.32 million USD) for the purpose of buying the property. In addition, the bank agreed to extend a credit of about 17 millions NIS (about 4.48 million USD) for the construction and/or issue guarantees for the home buyers. The collateral held by the bank includes the construction rights and the whole project, including the equipment and stock of building materials. According to the estimate of Hadar Group, the revenue of these 44 housing units will be about 44 million NIS (about 11.6 million USD), and the profit will be about 8





An advertisement for a construction project called Zufin View in the settlement of Zufin. In the bottom it says: "Mortgages in preferential conditions by Leumi Mortgage Bank".

Photo: Who Profits, July 2009

million NIS (about 2.11 million USD).

The following are a few examples of recent accompaniment agreements between other major Israeli banks and construction companies:

- **Bank Discount** signed an accompaniment agreement with B. Yair Building Corporation, a construction company, for the construction of a project of 55 housing in Har Homa, a settlement neighborhood of Jerusalem.
- **Bank Hapoalim** signed an accompaniment agreement with Avisror Moshe and Sons, a construction company of residential projects, for the construction of about 55 apartments and single-family houses in Har Homa. According to the construction company's timetable, the construction will be completed in 2011.
- **Bank Leumi** and the **Union Bank** of Israel are accompanying the construction of two housing projects in the West Bank settlement of Ma'aleh Adumim, which are called Highland (44 housing units) and Highpark (32 housing units).
- The developer of the project is the Hadar Group, and according to its estimate, the project will be completed in 2011-2012.
- **The Mizrahi Tefahot Bank** has an accompaniment agreement with Kotler-Adika, a development and construction company, in which the bank has accompanied the construction of a luxurious housing project, named "Villa Style", in the settlement of Ma'aleh Adumim. The project includes 52 housing units.
- **Bank of Jerusalem** signed an accompaniment agreement with Eli Yohanan Engineers, for the construction of a housing project in the West Bank settlement of Beitar Illit. The project is estimated to be completed in 2011-2012.

# 3

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## Providing Financial Services to Local Authorities of Settlements

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Local and regional councils and municipalities of Israeli settlements in the West Bank and the Golan Heights are financial entities like all other local governing authorities. The councils manage a budget, and this budget enables the settlements to pay salaries to the employees of the council, to fund the services the council provides to its residents and to construct facilities and infrastructure for the benefit of their settlers. Consequently, the councils of Israeli settlements in the West Bank are reliant on the financial services provided for them by banks.

Banks provide a wide variety of services to local councils of settlements that are essential for their sustenance. These financial services include the opening and running of bank accounts, the transfer of funds from the government and from different sources and the provision of credits by the banks to the councils. However, our research focused on finding loans that commercial banks provided to the councils of settlements. In providing these loans the banks do not only aid in the development and sustenance of the settlements, but also form a continual financial engagement with them. The provision of these loans makes the banks into investors in the continued development and prosperity of the settlements.

Our research found that all of the major commercial Israeli banks provided loans to councils and municipalities of Israeli settlements in the West Bank and the Golan Heights. For instance, Bank Hapoalim provided mortgage loans to the local council of the settlement of Giv'at Ze'ev in 2010 and to the regional council of Megilot in 2009. Similarly, Bank Leumi provided a mortgage loan to the municipality of Ma'aleh Adumim in 2009 and to the regional council of Har Hebron in 2008. Discount Bank also provided a mortgage loan to the municipality of Ma'aleh Adumim in 2009, and its subsidiary, Mercantile Discount Bank provided a loan to the local council of Givat Ze'ev in 2010. Mizrahi Tefahot Bank provided in 2010 a

loan to the local council of Karnei Shomron and to the regional council of the Golan Heights. Bank Otsar HaHayal, a subsidiary of the First International Bank of Israel, provided loans to the local councils of Emanuel and Kdumim in 2010.

These are but only a few examples of such loans given to Israeli councils and municipalities in occupied territory. Most often, the future incomes from taxes and other sources of revenues of the councils are provided as collateral for these loans. Together these loans amount to hundreds of millions of dollars provided to the settlements by the banks. The banks provide these loans for periods ranging from a few years to long-term loans of up to 99 years.

## דוח רישום משכון 2010008140

אשרור זה משיקף את פרטי המשכון כפי שירשמו במאגר רשם המשכונות  
מס' דוחו של התאריך על פי חוק: 500236609

**פרטים ראשוניים:**

מספר מעלה (אשרור עממי בלבד)	תאריך וועדת הרישון	בקשת העיון והעשרה	תקופת משכון (עד תאריך)	תקופת רישום	תאריך וועדת הרישום
2010397260	08/06/2010 07:55:34	דואר	2011/01/13	1 (שנים)	13/01/2010 07:01:50

**נושאים:**

סוג דיווח	מספר מזהה	שם ומען	מיקום משנה	מספר בנקים	1
מספר בנקים	14343	בנק אוצר החייל בע"מ מחנה: ארץ בראון 2 איראן 44885			

**חייבים:**


סוג דיווח	מספר מזהה	שם ומען	מספר בנקים	מספר בנקים	1
מספר בנקים	500236609	מספר בנקים מספר: 1 ת.נ. 44885			

**הכנסת המשכונות:**

סוג הכנסה	מספר מזהה	שם ומען	מספר בנקים	מספר בנקים	1
מספר בנקים	500236609	מספר בנקים מספר: 1 ת.נ. 44885			

אשרור המשכונות המפורטות קיים מתאריך 14/04/2010 ואינו כולל רישום המחאות וכתב אשרור נאמנות במאגר  
פרט:

**ב/רשם המשכונות**  
חשבונית יעקיר



דפוס: ב' 08/06/2010 במספר 08/06/2010  
http://www.mortgage.gov.il

A record of a mortgage loan given to the local council of the settlement of Emanuel by Bank Otsar HaHayal in January 2010.

Source: Israeli mortgage registrar



## Special Focus: Dexia Israel



In 2001 the Israeli government privatized what was until then

a government-owned bank called the Local Treasury Bank (Bank Otzar Hashilton Hamekomi). This bank specialized in providing financial services to local authorities. Consequently, the Dexia Group, a Belgian-French financial institution with an emphasis on public finance, purchased the Israeli Local Treasury Bank and established Dexia Israel. Dexia Israel is a public company, traded on the Tel Aviv Stock Exchange, and the Dexia Group is its controlling shareholder, holding 65% of its shares.

In 2007 the head of the council of the Ma'ale Efraim settlement complained to the Israeli Ministry of Finance that its requests for loans from Dexia Israel were not approved and that this was because the bank has stopped giving loans to Israeli settlements beyond the Green Line. The CEO of the bank, David Kapach, was then summoned to the Finance Committee of the Kneset (the Israeli parliament) and was confronted with these allegations. Mr. Kapach denied these allegations and provided as evidence a list of municipalities and local councils of settlements that have received long term loans from the bank. He was also asked whether the bank had any policy discriminating against settlements and he replied "Absolutely not". The statements of the CEO in this meeting, as they were published in the minutes, were the first evidence that we found that the bank was giving loans to settlements.

Based on this evidence the Belgium activists group Intal initiated a campaign calling on the Dexia Group to stop financing the settlements through their Israeli subsidiary. Following months of protest the company announced in June 2009 that it has not given any new loans to settlements since June 2008 (not including Jerusalem): *Since the acquisition of Otszar Hashilton Hamekomi by Dexia, the outstanding amount of loans to settlements has today been decreased to less than 1% of the total amount (0.82% on 31 December 2008 of some € 7.1 million) against 5% at the acquisition of the bank. In fact, no new loans have been granted to the colonies since June 2008.*<sup>4</sup>

Confronted with this declaration, Dexia Israel has denied that there was any change in their policies towards Israeli settlements. When approached directly by us in December of 2009, the Dexia Israel bank gave the following statement: "Dexia Israel Bank gives services to local municipalities in Israel and there is no

דוח רישום משכון 2009013183

אשרור זה מוסיף את פרטי המשכון כפי שנושבו במאגר רשם המשכונות.  
מס' זיהוי של התאגיד על פי חוק: 500277785

א. פרטים ראשוניים:

תאריך רישום	תקופת רישום	תקופת משכון	בקשת העזר הנעשה	תאריך וועדת העיון	מספר משכונה (לשימוש מניין בלבד)
26/01/2009 10.07.47	20 (שנים)	2029/01/26	קבלת קהל	08/06/2010 07.36.37	2010392539

ב. נכס/נכסים:

סוג נכס	מספר מזהה	שם נכס	סוג משכון
1 התאגיד בנקים	68001	בנק דקסיה ישראל בע"מ מס' חשבון: 64739 מס' חשבון: 61070 מס' חשבון: 7091 מס' חשבון: 7091	קבלת קהל

ג. חוב/חובות:

סוג חוב	מספר מזהה	שם חוב
1 התאגיד על פי חוק	500277785	מ.א.ר. חבצרון מס' חשבון: 90407 מס' חשבון: 90407

ד. הנכס/נכסים המופשט/ים:

סוג הנכס	הנכס
1 אחר	כל המבטאים והמבטאות של החייב לרבות המבטאות מניין, ארנונות, אגרות, דמי השתתפות, ריבית מפקדות, דמי שכירות וכל שירותי המבטאים מכל סוג שהוא המבטאים וראו שירותי בעתיד והכל עד לסוף של 300,000 ש"ח (מבטאים למספר המבטאים לפרק).

הנכס המופשט קיימת קביעה לגבי מספר מס' (הנכס המופשט) שניתן בין הבודדים, הייתה התייחסות האם ניתן למשוך את הנכס לפורום טיפס או לא.

מאגר המשכונות המופשטות קיים מתאריך 1/4/94 ואינו כולל רישום המופשטות וזאת אשר נרשמות במאגר (נפרד).

ברשם המשכונות  
המס' יקרה

הודעה: 08/06/2010 במס' 4447473  
אשרור זה מוסיף את פרטי המשכון כפי שנושבו במאגר רשם המשכונות.  
מס' זיהוי של התאגיד על פי חוק: 500277785  
http://www.otsar-ha-hilton.com  
http://mashkonot.justice.gov.il

A record of a mortgage loan given to the local council of the settlement of Har Hebron by Dexia Israel in January 2009. The loans is for the sum of 300,000 NIS (83,000 USD) for a period of 20 years.

Source: Israeli mortgage registrar

<sup>4</sup> Quoted from the statement of the Dexia Group as sent by email on September 24, 2009.

decision to discriminate [against them] according to geographic location; additionally, the option of stopping the provision of services to any of them is not being considered". The bank's spokeswoman made sure we understood that this reference to "local authorities in Israel" included Israeli settlements in Jerusalem, the West Bank and the Golan Heights.<sup>5</sup>

Indeed, our research has revealed that seventeen new loans were given by Dexia Israel to local and regional councils of settlements in the second half of 2008 and during 2009. For instance, in August of 2008 Dexia Israel has given a loan to the local council of the settlement of Kedumim of 1.1 million shekels (approx. 300,000 USD) and another, for almost 400,000 shekels (approx. 109,000 USD) in January of 2009; the settlement regional council of Mate Benyamin received a sum of 5 million shekels (1.37 million USD) in three loans in June 2008, November 2008 and April 2009. The regional council of the Golan Heights received over 7 million shekels (approx. 1.9 USD) in three loans between October 2008 and January 2009. Altogether, contrary to the Dexia Group announcement of June 2009, Dexia Israel has provided more than 23 million shekels (almost 6.5 million USD) in loans to settlements between June 2008 and the end of 2009. During this period the municipality of Jerusalem received an additional 105 million shekels (approx. 28 million USD).

Moreover, the bank never announced it would stop providing other financial services to the settlements. For instance, the bank provides services for transferring funds for the construction and development of the settlements. The national lottery company “Mif’al Hapais” supports local councils by financing the construction of educational facilities and community and sports centers. According to information received from Mif’al Hapais, most often the funds for such projects are transferred to the contractors through subsidiary accounts which the local municipalities of settlements open for them in Dexia Israel.

[illegible]

The minutes of decisions made by the Shomron regional council in the West Bank. Items 5a and 5b (highlighted) relate to decisions concerning the opening of accounts in Dexia Israel.

Source: The website of the regional council of Shomron

Dexia response: from June 2, 2010:  
*[The loans] deal with funding which was decided and agreed upon by the Israeli government and which is allocated in the budget of the Israeli state. Dexia Israel has acted in accordance with a contract with the Israeli state that was signed in 1985 and amended in 1998, according to which resources of the government are made available based on instructions by the government.*

In this case Dexia has to act in the framework of this services agreement based on these instructions. Credit [to the councils] is accorded using the resources of the Israeli state. The Israeli state decides upon the conditions of the loans, the amounts and its beneficiaries. The

<sup>5</sup> Quoted from the statement of the Dexia Israel as sent by email on December 30, 2009

credits are not put on the balance and are not from the balance of Dexia Israel. Dexia Israel is not responsible in any way for the agreements of this financing; this financing is the complete responsibility of the Israeli government. Moreover, Dexia Israel does not receive any fees or revenues for this type of transactions whatsoever.

Mifal Hapais has opened accounts with Dexia Israel, as did all clients of Mifal Hapais. If Mifal Hapais decides to give subsidies in accordance with its own working principles, it does this usually through a transfer between accounts. In that type of transfer no resources of Dexia Israel are involved and Dexia has no decision power.

However, in page 132 of the annual report for 2009 of Dexia Israel the company states:

*On the 3rd of Dec 1998 an agreement was signed between the bank and the Accountant General in the Ministry of Finance, that regulates the transference of funds of councils and the providing of budgetary loans under the responsibility of the state through the bank. The agreement was for a period of 10 years starting Jan 1 1999 and ending 31 December 2008. On the 23 of September 2008 the Ministry of the Interior notified the councils that as of November 10 2008 the funds that are paid to the councils will be transferred directly to the account of each council and that each council will be able to choose to receive the funds to an account in any of the commercial banks or to its account in Dexia Bank. Most of the councils announce to the government and to the bank that they have chosen to continue receiving their grants through their Dexia accounts. These details are subject to changes but it was not made clear by the government as for the manner and timing of these changes.*



# 4

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## Branches of Banks on Occupied Land

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The settlements were built on ideological basis but their continued existence is enabled and sustained by a network of services and support. The main services include municipality services, infrastructure services (electricity, water and communication), health services by local clinics and medical centers, transportation services, educational services, etc. Israeli banks supply essential financial services to individual residents of the settlements as private customers as well as to settlement businesses; for this purpose, Israeli banks have branches in the settlements of the West Bank and the Golan Heights. These branches constitute direct physical presence of property and personnel of the banks in the settlements, ownership of property rights in settlements, as well as direct participation in the settlement economy as municipal tax payers.

In addition to being part and parcel of the settlements themselves, the mere operation of branches in the West Bank entail a structural discrimination: located inside settlements, to which the entrance of West Bank Palestinians is prohibited, they offer their services exclusively for Israelis. The branches in the occupied East Jerusalem and the Golan Heights strengthen Israeli presence in occupied land.

All of the major commercial banks in Israel have branches on occupied land, either their own branches or branches of banks in which they are the controlling shareholders. The Bank of Israel publishes a frequently updated list of branches on its website, detailing their affiliation and location. In total, 34 Israeli branches are located in settlements.<sup>6</sup> These branches offer their customers all of the services that any of the other branches of these banks offer, including



A branch of Mizrahi Tefahot Bank in the settlement of Karney Shomron.

*Photo: Who Profits, September 2010*

<sup>6</sup> List of bank's branches, Bank of Israel, last updated on 09/05/2010, [www.bankisrael.gov.il/deptdata/pikuah/snifim/snifim.xls](http://www.bankisrael.gov.il/deptdata/pikuah/snifim/snifim.xls)



The branch of Jerusalem Bank in the settlement of Modi'in Illit.

*Photo: Peace Now, April 2009*



The branch of Bank Otzar HaHayal Israel of First International Bank in the settlement of Ariel.

*Photo: Esti Tsal, Who Profits, April 2009.*

managing their personal and business bank accounts, receiving loans and mortgages, issuing credit cards and the like.

- Bank Hapoalim has seven branches in the settlement neighborhoods of East Jerusalem. Those branches are located in Jewish neighborhoods, which were built after the occupation of the area in 1967 in order to create a "Jewish Continuity" around the city of Jerusalem. The bank also has a branch in the Golan Heights.
- Mizrahi Tefahot Bank has branches in the West Bank settlements of Karnei Shomron, Alon Shvut, Kedumim and in the settlement neighborhood of Jerusalem, Ramat Eshkol. Yahav Bank for Government Employees, for which Mizrahi Tefahot holds 50% of its shares, has a branch in occupied East Jerusalem.
- Two subsidiaries of the First International Bank of Israel (FIBI) have branches in West Bank settlements: Bank Poalei Agudat Israel (PAGI) (68.7%) and Bank Otsar HaHayal (68%). PAGI, which mainly serves the Jewish ultra-orthodox community, has two branches in Modi'in Illit (in the neighborhoods of Kiryat Sefer and Brechfeld) and one in Beitar Illit, both are ultra-orthodox settlements in the West Bank. The other subsidiary, Bank Otsar HaHayal, has a branch in the settlement of Ariel.
- Bank Leumi has branches in the following West Bank settlements: Ma'ale Edomim, Oranit and Kiryat Arba. The bank also has branches in Pisgat Ze'ev, Gilo and Ramat Eshkol, which are all settlement neighborhoods in East Jerusalem and another branch in East Jerusalem. Additionally, the bank has a branch in Katzerin in the Golan Heights. Its subsidiary (89.75%), Leumi Mortgage Bank, has a branch in the settlement neighborhood of Jerusalem, Ramat Eshkol.
- Israel Discount Bank has two branches in the settlements of Ma'ale Edomim and Ramat Eshkol. Mercantile Discount Bank, a subsidiary of Israel Discount Bank (100%), has a branch in the settlement of Beitar Illit and another one in East Jerusalem.
- Jerusalem Bank has a branch in the settlement of Modi'in Illit.

# 5

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## Loans for Businesses

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Israeli control over the occupied Palestinian and Syrian territories provides many business opportunities for Israeli and international companies. The activities of such businesses range from settlement-related activities (the construction of housing projects and infrastructure of settlements, producing in settlements, providing them with services), activities that relate to Israeli exploitation of Palestinian labor, market and natural resources, and the construction and operation of the Separation Wall and the checkpoints. As with any other business activity, these business operations are dependent on financial services provided by banks.

Since this research aims to expose the involvement of commercial banks in the financing of occupation-related business activities, we traced the funding to specific business activities whose connection to the occupation is unmistakably evident. Presumably, in these cases, the financing banks have clear knowledge that their services are used in the economy of the occupation. For instance, we focused on companies that are located in settlements and whose entire business activity is in the West Bank (see details below), and we checked which banks provide funds to these companies. Additionally, we searched for business loans in which property in settlements was used as collateral.

Our research shows that all of the Israeli commercial banks provide business loans for companies that are directly and clearly involved in the occupation.

Here are some examples of such companies:

Company name	Description of company activity	Loans the company received
<b>Abadi Bakery</b>		
	A company manufacturing savoury bagel cookies. The head office of Abadi Bakery and its main production facility are located in the industrial zone of Atarot, which is an Israeli settlement in the West Bank.	The company used the property it rents in Atarot from Jerusalem Economic as collateral for several loans it has taken over the years, including loans from Mizrahi Tefahot Bank, from Mercantile Discount Bank (a subsidiary of Discount Bank) and from Union Bank.
<b>Top Greenhouses</b>		
	A company that manufactures greenhouses. The company and its manufacturing facility are located in the industrial zone of Ariel West, which is an Israeli settlement in the West Bank.	Over the last decade the company received loans from Discount Bank, Bank Leumi, Bank Hapoalim and Mizrahi Tefahot Bank.

Table Continues >

Eastern Lines		
	<p>Eastern Lines is a logistics company that provides transportation services of agricultural products. The main office of the company is in the settlement of Thomer in the occupied Jordan Valley. The company transports fruits and vegetables from farms in settlements to the export ports and storage houses inside Israel.</p>	<p>The company received loans from Bank Otsar HaHayal (a subsidiary of First International Bank) and from Bank Leumi.</p>
Tzifha International		
	<p>Tzifha International is a developer of construction projects. It has developed a commercial center and several housing projects in the neighborhoods of Brachfeld Estate and Kiryat Sefer in the Modi'in Illit settlement. In addition, the company was the project manager for the construction of a school in Modi'in Illit. It also operated a quarry, which is now inactive, in Modi'in Illit, through Kal Binyan.</p>	<p>The company mortgaged a property it owns in the West Bank settlement of Modi'in Illit for a loan from Jerusalem Bank.</p>
CityPass		
	<p>CityPass is a consortium of several Israeli and European companies including Alstom, Veolia Environnement, Ashtrom Group, Harel Insurance and Polar Investments. The sole activity of the consortium is the construction of the controversial light rail in Jerusalem. The light rail project is a transportation project that will connect the settlements and the settlement neighborhoods around Jerusalem with the city center.</p>	<p>The consortium receives financing from Bank Leumi. According to press publications the project is also financed by Bank Hapoalim.</p>

# 6

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## The Israeli Banks and the Palestinian Banking Market

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According to the implemented agreements between Israel and the Palestinian Authority, there is no independent Palestinian currency. Consequently, the Palestinian market operates using four different currencies: the Israeli shekel, US dollar, EU euro and Jordanian dinar. While all of these currencies are influenced by different external factors, the extent that the shekel is used in the Palestinian market is a derivative of the subordination of the entire Palestinian economy to that of Israel's.

The market share of the shekel is determined by several factors including the income from taxes, mainly customs and VAT, that Israel collects from the Palestinian Authority, which is one of its central sources of income; the large percentage of Palestinians that are employed by Israeli employers in settlements and in Israel; and the fact of Israel being the predominant import and export market for the Palestinians.<sup>7</sup> The trade balance illustrates the commercial imbalance between Israel and Palestine: out of 20 billion shekels in annual transfers, 80% (16 billion) are transferred from Israel to the Palestinian market and only 20% are transferred from Palestinian banks<sup>8</sup> to Israeli banks. Thus, it is estimated that the shekel holds a substantial percentage of the Palestinian market.

Despite the predominance of the shekel in the Palestinian market, Palestinian banks do not have direct access to the clearing house of the shekel, and they have to buy clearing services from Israeli banks. There are two Israeli banks that provide clearance services to the Palestinian banks: Bank Hapoalim and Discount Bank. These services are provided to the Palestinian banks in accordance with agreements that each of the banks signed with one of these Israeli banks. These agreements pose several limitations and have severe implications on the cost of the shekel for the Palestinian banks.

According to these agreements, in order to provide these services the Israeli banks demand high cash collaterals, of over one billion shekels (more than 212 million Euros), which are deposited by the Palestinian banks in the Israeli banks – deposits which do not accumulate interest for the Palestinian banks. Additionally, the Israeli banks charge high commissions for these services and pose limitations which increase the costs and the risks for the Palestinian banks. For instance, the Israeli banks limit the amount of money that can be transferred between them and the Palestinian banks in each transfer. Since the Israeli banks charge commission for every transfer of funds, this limitation increases the number of needed transfer transactions and, consequently, the total costs of fund conveyance are multiplied. In 2008 Palestinian banks paid 2.1 million shekels to the Israeli banks and in 2009 they paid 2.5 million shekels (445,000 Euros and 456,000 Euros respectively). Additionally, these limitations create conditions in which there is a constant deficit for the Palestinian banks in the Israeli banks, a fact that increases the cost of these services for the Palestinians.

Moreover, only some of the Palestinian banks are allowed to transfer shekels to the Israeli banks; the newer banks are not included in these agreements, severely limiting their ability to operate. Thus, Israeli restrictions hinder the ability of the Palestinian financial sector from developing and disqualify the ability of many of the Palestinian banks to provide adequate services to their clients. This relationship also means that monetary policy made by the Bank of Israel applies in an undemocratic manner in occupied Palestine, with the controversial policies such as inflation-targeting, purchase of foreign currencies and an export-oriented economic strategy imposed upon Palestinian businesses and households, with no opportunity for Palestinian entities to have inputs into monetary governance.

<sup>7</sup> Khalidi, Raja J. and Taghdisi-Rad, Sahar, 'The Economic Dimensions of Prolonged Occupation: Continuity and Change in Israeli Policy Towards the Palestinian Economy', United Nations Conference on Trade and Development – UNCTAD, August 2009. See also: Dana Weiss, 'Corporate Responsibility for Human Rights', Tel Aviv University, 2010.

<sup>8</sup> Interview with Riyad Abu Shehadeh, Director, Inspection and Supervision Department, Palestine Monetary Authority (PMA), conducted on April 26, 2010 in PMA offices, Ramallah.





The sign of Bank Discount in the settlement of Ma'ale Adumim

*Photo: Who Profits, April 200*

The transfer of cash between the Israeli and Palestinian banks, and even between different Palestinian bank branches that are in different enclaves within the West Bank, can only be accomplished using Israeli armored cars. This limitation, which is posed by the Israeli security authorities, ensures that an Israeli company, Brinks Israel, monopolizes almost all of the cash transfer within the Palestinian occupied territories and between Palestine and Israel.

These restrictions and limitations only apply for Palestinian banks and do not apply for any of the other banks that operate within the Palestinian financial market, such as the Jordanian and Egyptian banks. Thus, these limitations create disadvantaged conditions for the Palestinian banks within their own market.

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# Conclusion

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**O**ur research has found that almost all of the Israeli commercial banks take part in many of the identified fields of occupation-related activity, either directly or through their subsidiaries. These banks are active participants in the expansion of the settlements by providing loans to homebuyers, for the construction of housing projects in settlements and to the local governance of the settlements themselves. Additionally, they have branches in settlements and finance commercial activity and production in settlements. In the provision of these services explicitly and knowingly, the banks are active participants in the colonization project of Israel in the occupied West Bank and the Golan Heights. Through these activities, the banks have erased the Green Line (or 1967 borders) and have aided in blurring the distinction between the State of Israel and occupied land from a financial and commercial points of view. It should be noted that much of these activities are considered illegal under international law. By providing the financial framework for these activities the banks are enabling these violations to be carried out.

It may seem obvious that like any and all economic activity the activities that are related to the settlements are dependent on the implicit support of banks and financial institutions. In order to operate, businesses need bank accounts, need to transfer funds and are dependent on receiving loans. The same is true for individuals and governmental institutions. However by taking property in the settlements in the occupied territory as collateral, by becoming partners in the construction of housing projects in settlements, by providing financial guarantees to businesses whose entire activity is in settlements, this research has shown that the extent and nature of the involvement of the Israeli banks in these activities ranges beyond their role as providers of basic services. Thus, the research exposes them as active participants in the different types of economic activities that were investigated. These banks therefore bear responsibility and need to be held accountable for their role in the financing of economic activity which sustains continued Israeli control over the occupied territory.

As an organization which strives to end the Israeli occupation, and to bring about a just and lasting peace to all the inhabitants of the region, we see these activities of the Israeli banks as having a central role in the perpetuation of the current unlawful and unjust conditions.

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# Appendixes

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## Appendix A: List of Activities of each of the Banks

Bank	Subsidiaries <sup>9</sup>	Mortgages Homebuyers	Loans to Local Authorities	Loans for Construction Projects	Branches	Loans for Businesses	Palestinian Banking Market
Bank Hapoalim		<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b> <sup>10</sup>	<b>X</b>	<b>X</b>
Bank Leumi				<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
	Leumi Mortgage Bank (89.75%)	<b>X</b>			<b>X</b>		
Discount Bank			<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
	Mercantile Discount Bank (100%)		<b>X</b>		<b>X</b>	<b>X</b>	
	Discount Mortgage Bank (100%)	<b>X</b>					
Mizrahi Tefahot Bank		<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	
	Yahav Bank (50%)				<b>X</b> <sup>11</sup>		
First International Bank of Israel		<b>X</b>					
	Bank Otsar HaHayal (68%)		<b>X</b>		<b>X</b>	<b>X</b>	
	Bank Poalei Agudat Israel (68.7%)				<b>X</b>		
Jerusalem Bank		<b>X</b>		<b>X</b>	<b>X</b>	<b>X</b>	
Union Bank					<b>X</b>		<b>X</b>

<sup>9</sup> Ownership percentage in parenthesis.

<sup>10</sup> The bank has branches in the settlement neighborhoods of Jerusalem and in the Golan Heights.

<sup>11</sup> The bank has a branch in East Jerusalem.

## Appendix B: The Banks: an Overview

### Bank Leumi

Bank Leumi was founded in London in 1902 as the Anglo-Palestine Company by the Jewish Colonial Trust Limited. Its shares were transferred to the State of Israel in 1983, as a result of the banks stock crisis. Since 2005 it has been under a privatization process.

Major shareholders: 11.46% of the shares are held by the state of Israel, 9.59% are held by Shlomo Eliyahu.

Key persons:

David Brodet, chairman

Galia Yahav, CEO

Traded in: Tel Aviv Stock Exchange

Symbol: LUMI

Market capitalization: 24,387,273,000 NIS (about 6,400 million USD)

International presence: The bank operates subsidiaries, branches and representative offices in 17 countries internationally, mainly in the UK, the USA, Switzerland, the Netherlands, France, Germany, Luxembourg and Rumania.

Bank subsidiaries:

- The bank's subsidiaries abroad include: BLL Corporation (USA, 100%), Bank Leumi USA (99.9%), Bank Leumi UK (99.8%), Bank Leumi Switzerland (84.1%), Bank Leumi Luxembourg (100%), Bank Leumi Rumania (99.9%) and Leumi International Investments, whose bonds are traded [or whose bonds were issued] in the London Stock Exchange. In addition, the bank has agencies in New York, and branches in Panama and the Cayman Islands.
- Bank Leumi owns five banks in Israel: Leumi Mortgage Bank (100%), Arab Israel Bank (99.7%), Leumi Leasing and Investments (99.5%), Leumi Finance (100%) and Leumi Real Holdings (100%).
- The bank's main subsidiaries in the field of capital markets and financial services are Leumi Card (80%), Leumi Partners (100%), Leumi Capital Market Services (100%) and Bank Leumi Le'Israel Trust Co. (100%).
- Bank Leumi has partial control over non-banking companies as well, of which several are involved in the occupation: Paz Oil Company (15.71%), Super Pharm (18%) and Partner Communications (4.99%). In addition, it owns 18.14% of The Israel Corporation and 9.85% of Migdal Insurance and Financial Holdings.

Address: 34 Yehuda Halevi St., Tel Aviv 65136

Tel: 972-3-5149419

Website: [www.leumi.co.il](http://www.leumi.co.il)

## Bank Hapoalim

Traditionally, the bank was associated with the Histadrut (the general Israeli trade union). In 1983, as a result of the banks stock crisis, it was nationalized. In 1997 the bank was privatized by the government and sold to an investors group led by the late Ted Arison.

Bank major shareholders: Arison Holdings (20.24%), Israel Salt Industries (5.43%), Excellence Investments (2.79%).

Key persons:

Shari Arison, holder of controlling interest in Arison Holdings

Yair Saroussi, chairman

Zion Kenan, CEO

Traded in: Tel Aviv Stock Exchange

Symbol: POLI

Market capitalization: 19,829,832,000 NIS (about 5,210 million USD)

International presence: the bank has wide international activity, mainly in the US, the UK, Switzerland and Luxembourg.

Bank subsidiaries:

- The bank's subsidiary, Isracard Group (98.2%), includes the following companies: Isracard, Poalim Express, Aminit, Europay (Eurocard) Israel, Isracard Mimun, Isracard Nechasim and Global Factoring. The main activities of the group are financing, issuing and operating credit card systems. The group has licensing agreements with Mastercard, Visa and is the exclusive issuer of American Express in Israel.
- Poalim Capital Markets - Investment House (100%) provides various services including financial and strategic consulting for mergers and acquisitions in Israel and abroad, consulting for privatization processes and for public and private offering abroad, and guidance of companies in Israel and abroad in investments. Its equity-basis investee, Poalim I.B.I. Managing and Underwriting (19.97%), is a public company traded in the Tel Aviv Stock Exchange and provides underwriting and management services.
- Poalim Sahar, a fully owned subsidiary, specializes in services for pension funds, bank provident funds, study funds, insurance companies and public companies. The company provides brokerage services, custody services, research and representation at general assemblies, and other related services in Israel and abroad.
- Poalim Trust Services, a fully owned subsidiary, is active mainly in Israel and the US.
- Subsidiaries and Branches Abroad: Bank Pozitif in Turkey and Bank Pozitiv in Kazakhstan; 70% of OJSC Ukrainian Innovation Bank and approximately 80% of the Russian JSC SDM Bank.
- Within its Global Private Banking (GPB) the bank has many subsidiaries abroad, mainly in Switzerland, Luxembourg, the US and UK, as well as in the Cayman Islands and in Latin America.
- Poalim Asset Management companies, based in London and Ireland.
- Hapoalim Securities, registered and operating in the US.

Address: 63 Yehuda Halevi Street, Tel Aviv 65781

Tel: 972-3-5673697

Website: [www.bankhapoalim.co.il](http://www.bankhapoalim.co.il)

## Mizrahi Tefahot Bank

The bank was traditionally associated with the religious-Zionist Mizrahi Movement. In 1983 it was nationalized, along with other major banks, and privatized in 1995.

Bank major shareholders: 20.12% of the shares are owned by Moshe (Muzi) Wertheim, 25.61% are owned by the Offer Group.

Key persons:

Yaakov Perri, chairman (former head of the Shin Bet)

Eli Younes, CEO

Traded in: Tel Aviv Stock Exchange

Symbol: MZTF

Market capitalization: 7,244,163,000 NIS (about 1,903 million USD)

International presence: the bank has activities mainly in Switzerland, the Netherlands, the UK and the US.

Bank subsidiaries:

- Mizrahi Tefahot Bank owns 50% of Yahav Bank for Government Employees (together with the Histadrut, the Israeli Federation of Labor, and the State of Israel).
- The bank fully owns several Israeli companies in the field of capital market, finance banking, including: Etgar Investment Portfolio Management, Mizrahi Tefahot Underwriting and Issuance (1980), Mizrahi Tefahot Issue Company, Mizrahi Tefahot Trust Company, Tefahot Insurance Agency (1989). Other subsidiaries are: Mehish Computer Services (100%), Netzivim Properties and Equipment (100%), Mizrahi Tefahot Security Services (100%) and Psagot Yerushalaim (25%).
- The bank activities abroad is carried out through its fully owned subsidiaries – United Mizrahi Overseas Holding Company (the Netherlands), United Mizrahi Bank (Switzerland) and UMTB Securities (USA) – and through branches or representative offices in the UK, the US, Cayman Islands, Germany, Mexico, Uruguay and Panama.

Address: 7 Jabotinsky St., Ramat Gan 52520

Tel: 972-3- 7559207

Website: [www.mizrahi-tefahot.co.il](http://www.mizrahi-tefahot.co.il)



## Israel Discount Bank

The bank was established in 1935 by the late Leon Recanati. In 1983, its ownership was transferred to the State of Israel, like other banks, as a result of the banks stock crisis. It was privatized in 2006, with the acquisition of its control core to an investors group led by Edgar Bronfman and his son, Mathew Bronfman. The State is in the process of selling the remaining shares to private investors.

Bank major shareholders: 26% of the shares are held by the Bronfman-Schron Group, 20% are held by the State of Israel.

Key persons:

Joseph Bachar, chairman

Giora Offer, CEO (until January 2011)

Traded in: Tel Aviv Stock Exchange

Symbol: DSCT

Market capitalization: 6,698,638,000 NIS (about 1,760 million USD)

International presence: The bank main overseas operations are carried out by the bank's subsidiaries, branch and representative offices in the US, South America, Switzerland, the UK and France.

Bank subsidiaries:

- The bank holds three banks in Israel: Mercantile Bank (100%), Discount Mortgage Bank (100%) and the First International Bank of Israel (26.4%).
- Within its international activity, the bank fully owns four subsidiaries: Discount Bancorp, Israel Discount Bank of New York, Discount Bank of Latin America and IDB (Swiss) Bank. The bank operates a branch in London and representative offices in Paris, Santiago, and Buenos Aires.
- Israel Discount Bank's holdings in financial companies include: Israel Credit Cards (ICC) (71.8%), Diners Club Israel (51%), Israel Discount Capital Market and Investments (100%), Tachlit Investment House (100%), Discount Leasing (100%), Discount Manpikim (100%) and Discount Trust (100%).

Address: 23 Yehuda Halevi St., Tel Aviv 65136

Tel: 972-3- 5145582

Website: [www.discountbank.co.il](http://www.discountbank.co.il)

## First International Bank Israel (FIBI)

54.33% of the shares of the bank are held by FIBI Holdings, whose controlling shareholders are Bino family, Liberman family and Abeles family; 26.53% are held by Israel Discount Bank.

Key persons:

Jacques Elad, chairman

Smadar Barber-Tzadik, CEO

Traded in: Tel Aviv Stock Exchange

Symbol: FTIN1

Market capitalization: 6,653,676,000 NIS (about 1,748 million USD)

International presence: the bank has subsidiaries in the UK and Switzerland.

Bank subsidiaries:

- The bank is the controlling shareholder of several other banks in Israel: Bank Poalei Agudat Israel (PAGI) (68.7%), Bank Otsar HaHayal (68%), U-Bank (100%) and Masad Bank (51%).
- Internationally, it fully owns FIBI Bank UK FIBI Bank Switzerland.
- The bank holds 28.2% of Israel Credit Cards (ICC. the company issues and markets credit cards of Visa, Diners and Mastercard in Israel) and it fully owns Modus Selective – Management and Investments Counseling, and 75% of The First International – Underwriting and Investments.

Address: 42 Rothschild Av., Tel Aviv 66883

Tel: 972-3- 5196223

Website: [www.fibi.co.il](http://www.fibi.co.il)

## Jerusalem Bank

83% of the shares of the bank are held by Export Investment Co., which is controlled (73%) by Ms. Kane Shoval. Another 9% of the shares of the company are held by Mr. Yitzhak Sela (directly and through Export Investment Co.).

Key persons:

Yonatan Irroni, chairman

Uri Paz, CEO

Traded in: Tel Aviv Stock Exchange

Symbol: JBNK

Market capitalization: 470,847,000 NIS (about 123 million USD)

Bank subsidiaries: Jerusalem Capital Markets and The Bank of Jerusalem Trust Company.

Address: 2 Herbert Samuel St., Jerusalem 94632

Tel: 972-2-6706211

Website: [www.bankjerusalem.co.il](http://www.bankjerusalem.co.il)

## Dexia Israel

The bank was founded as the Israeli Municipality Treasure Bank (Bank Otzar Hashilton Hamekomi). It specialized in giving services to the local authorities in Israel. When the bank was privatized in 2001 it was bought by the Belgium-based Dexia Group. Dexia Israel is part of the Dexia Group, which holds 65.3% of its shares.

Key persons:

Stephane Vermeire, chairman

David Kapah, CEO

Traded in: Tel Aviv Stock Exchange

Symbol: DXIL

Market capitalization: 392,526,000 NIS (about 103 million USD)

Bank subsidiaries: the bank fully owns Dexia Israel Issuances (formerly the Local Governance Treasury) and Dexia Israel Financial Management.

Address: 19 Ha'arba'a St., Tel Aviv 64739

Tel: 972-3-7647600

Website: [www.dexia-israel.co.il](http://www.dexia-israel.co.il)

## Union Bank of Israel (Bank Igud)

24.78% of the shares of the bank are held by Yeshayahu Landau Holdings, 22.92% by Shlomo Eliyahu Holdings, 15.16% by David Lubinski Assets, 7.7% by Sherodar Assets and 4.2% by Eliahu Insurance Company.

Key persons:

Ze'ev Abeles, chairman

Haim Freilichman, CEO

Traded in: Tel Aviv Stock Exchange

Symbol: UNON

Market capitalization: 1,199,403,000 NIS (about 315 million USD)

Bank subsidiaries: Igud Investments, Igud Leasing, Igud Financial Markets and Investments, Igudim, Igudim Insurance Agency, Impact Igud Portfolio Management, Carmel Entrepreneurship, Carmel-Igud, Lablub Insurance Agencies and Kokerman Investments.

Address: 6-8 Ahuzat Bayit St., Tel-Aviv 65163

Tel: 972-3-5191222

Website: [www.bankigud.com](http://www.bankigud.com)

## Bank Otsar HaHayal

Bank Otsar Hahayal ("Bank of the Soldier Treasury") is a subsidiary of the First International Bank (68%). It was founded in 1946 to give services to the soldiers of the Jewish Brigade in the British Army. Today it serves the regular army and workers of the Israel Aerospace Industries, as well as the general public.

Key persons:

Ze'ev Gutman, chairman

Israel Trau, CEO

Bank subsidiaries: Otsarit Trust Fund Co. and Otsar HaHayal Properties.

Address: 11 Menachem Begin St., Ramat Gan 52521

Tel: 972-3-6501204

Website: [www.bankotsar.co.il](http://www.bankotsar.co.il)

## Bank Poalei Agudat Israel (PAGI)

PAGI is a full subsidiary of the First International Bank. The bank specializes in serving the Jewish ultra-orthodox community in Israel.

Address: 9 Ehad Ha'am St., Tel Aviv 61290

Tel: 972-3-5196636

Website: [www.pagi.co.il](http://www.pagi.co.il)

## Discount Mortgage Bank

The bank is a full subsidiary of Israel Discount Bank. The bank specializes in providing mortgages.

Key persons:

Etti Lengerman, CEO

Address: 16 Beit Hasho'eva St., Tel Aviv 61027

Tel: 972-3-5643111

Website: [www.dmb.co.il](http://www.dmb.co.il)

## Leumi Mortgage Bank

The bank is a subsidiary of Bank Leumi (89.75%). The banks specializes in providing mortgages.

Key persons:

Avraham Zeldman, chairman

Yehoshua Burstein, CEO

Traded in: Tel Aviv Stock Exchange

Symbol: LUM.B152

Market capitalization: 10,874,000 NIS (about 2 million USD)

Bank subsidiaries: Ma'alot Insurance Agency.

Address: 37-31 Montefiore St., Tel Aviv 65201

Tel: 972-3- 5648400

Website: [www.mashkanta.co.il](http://www.mashkanta.co.il)



## Appendix C: Responses by the Banks

### The response of Bank Discount:

Israel Discount Bank Coalition of Women for Peace "Financing the Israeli Occupation" - Your Report dated August 2010

From: Barry Simon <barry.simon@discountbank.co.il>

Add

To: whoprofits@yahoo.com

Cc: Dorit Ben Simon <dorit.bensimon@discountbank.co.il>; ?????? ??? ?????????? <spokes@discountbank.net>; yair ben zion <yair.benzion@discountbank.co.il>; ?????? ?????????? <sifat@dmb.co.il>

Dear Madam / Sir

In response to your letter dated 29th August, 2010, we hereby wish to provide clarification regarding certain of the issues raised in your report. Although your letter was addressed to Discount Mortgage Bank, our response is at a group level.

As a leading financial group in Israel with a nationwide franchise, Discount Bank provides a full spectrum of financial products and services to our clients.

Our clients encompass ALL of Israeli society - Jewish, Arab (both Muslim and Christian), as well as other minority groups residing in Israel. Discount Bank does not discriminate among these groups. Among the 200 branches throughout the country, we have a branch in East Jerusalem, which by the very nature of its location, provides banking services to BOTH the Arab and Israeli client base in proximity to that branch.

Furthermore, within the Discount Bank Group, we have a wholly-owned subsidiary, Mercantile Discount Bank whose retail focus is aimed specifically at targeting niche populations - The Arab-Israeli sector and Orthodox Jewish sector - the branch system of this bank is therefore located appropriately, where larger concentrations of their target markets reside, and, as would be expected, employs both Arab and Israeli staff in its branches.

As to Discount Bank's financing of real estate and construction projects and the granting of mortgages, these are generally concentrated within a limited radius around the most densely populated area of Israel - namely in and around the Tel-Aviv region of the country. Without having conducted an in-detail study of each and every loan in our portfolio, and in accordance with our statement regarding the geographic focus of our real-estate, construction and mortgage financing, it would be safe to say that if there exist any projects in the areas mentioned by you, these would constitute only a small fraction of our entire loan portfolio and would not be driven by any specific policy of the bank regarding the areas of interest.

We trust that this clarifies the issues raised by you.

Sincerely,

Barry Simon  
Head of Investor Relations  
Israel Discount Bank



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