

BANK LEUMI LE – ISRAEL B.M.

P460

Number in Registrar: 520018078

Public

Securities of a corporation registered for trade in the Tel Aviv Stock Exchange

Short name: Leumi

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Company website: www.leumi.co.il

Reference: 2013-01-112284

To
Securities Authority
www.isa.gov.il

To
Tel Aviv Stock Exchange Ltd.
www.tase.co.il

Immediate Report on convention/postponement/cancellation of a General Meeting

Regulation 36B (a) and (d), and Regulation 36C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970

Explanation: In the event in which one of the topics on the general meeting's agenda is the approval of a transaction with a controlling owner or approval of an irregular offer, first form T133 or T138, respectively, must be filled in, and afterwards such form must also be reported.

The corporation notifies of: general meeting convention general meeting postponement general meeting cancellation general meeting postponement to an unknown date.

The reference number of the notice on convention of a general meeting is _____, summoned on the date of _____

Reason for postponement or cancellation: _____.

Explanation: The reference number of the last notice on general meeting convention or postponement must be referred to.

1. On the date of: 07/08/2013
It was resolved to summon an *Extraordinary Meeting* _____
That shall be convened on *Thursday* the 12/09/2013 at 09:00 o'clock
At the address: *Beit Lin, 35, Yehuda HaLevy Street, Tel Aviv*
2. The security number at the stock exchange entitling the holder thereof to participate in the meeting 604611
Explanation: if a meeting is required with respect to more than one security number, a separate T460 must be reported regarding each additional security. Reports specifying additional security numbers will require submission of an amendment report.
The effective date entitling to participate and vote in the meeting: 14/08/2013.
3. On the agenda:
Matters/resolutions that shall be raised at the meeting:

1.
The matter/resolution and details thereof:
To approve a policy regarding the terms of office and employment of Bank officers, in accordance with the specified in articles 267A and 267B of the Companies Law.

.....
Reference to the last report on the subject of approval of a private offer (T138): _____

A transaction between the company and a controlling owner therein, as per articles 275 and 320(f) of the Companies Law.
Reference to the last report on the subject (T133): _____

Disclosure amendment Amendment of employment terms Removed from the agenda
 Matter for report that is not for voting

Summoned in accordance with article 66(b) of the Companies Law.

2.

The matter/resolution and details thereof:

To approve a bonus plan to the Chairman of the Board of Directors and the CEO and President for the years 2013-2015, in accordance with the remuneration policy

.....

Reference to the last report on the subject of approval of a private offer (T138): _____

A transaction between the company and a controlling owner therein, as per articles 275 and 320(f) of the Companies Law.

Reference to the last report on the subject (T133): _____

Disclosure amendment Amendment of employment terms Removed from the agenda

Matter for report that is not for voting

Summoned in accordance with article 66(b) of the Companies Law.

3.

The matter/resolution and details thereof:

To approve an update to the CEO and President's employment terms, in accordance with the remuneration policy

.....

Reference to the last report on the subject of approval of a private offer (T138): _____

A transaction between the company and a controlling owner therein, as per articles 275 and 320(f) of the Companies Law.

Reference to the last report on the subject (T133): _____

Disclosure amendment Amendment of employment terms Removed from the agenda

Matter for report that is not for voting

Summoned in accordance with article 66(b) of the Companies Law.

4.

The matter/resolution and details thereof:

To amend the bank's Articles of Association, in accordance with the specified in the attached draft.

Amendment of the Articles of Association as specified in article 20 of the Companies Law.

Reference to the last report on the subject of approval of a private offer (T138): _____

A transaction between the company and a controlling owner therein, as per articles 275 and 320(f) of the Companies Law.

Reference to the last report on the subject (T133): _____

Disclosure amendment Amendment of employment terms Removed from the agenda

Matter for report that is not for voting

Summoned in accordance with article 66(b) of the Companies Law.

5.

The matter/resolution and details thereof:

To approve amendments to the letters of indemnification to Directors and to the CEO and President position (in accordance with the remuneration policy)

.....

Reference to the last report on the subject of approval of a private offer (T138): _____

A transaction between the company and a controlling owner therein, as per articles 275 and 320(f) of the Companies Law.

Reference to the last report on the subject (T133): _____

Disclosure amendment Amendment of employment terms Removed from the agenda

Matter for report that is not for voting

Summoned in accordance with article 66(b) of the Companies Law.

6.

The matter/resolution and details thereof:

To approve the resolution adopted by the General Meeting on August 1st 2013 regarding the appointment of Mr. Haim Samet as an External Director of the bank, in accordance with article 239 of the Companies Law.

Reference to the last report on the subject of approval of a private offer (T138): _____

A transaction between the company and a controlling owner therein, as per articles 275 and 320(f) of the Companies Law.

Reference to the last report on the subject (T133): _____

Disclosure amendment Amendment of employment terms removed from the agenda

Matter for report that is not for voting

Summoned in accordance with article 66(b) of the Companies Law.

A meeting summoning report is attached: [isa.pdf 7813](#)

4. Attached

A draft of a voting paper

Notice of stand

[isa.pdf 78133](#)

Candidate's declaration to serve as a director of the corporation

Declaration of an independent director

Declaration of an External Director

[isa.pdf 78131](#)

Explanation: If a voting paper and/or a notice of stand is attached, one must ensure that these are drafted in accordance with the Companies Regulations (Voting in writing and notice of stand), 5766-2005.

The address of the internet website whereat votes can be made: _____

Explanation: This field must be filled in the event in which the company enables voting via the internet in accordance with Regulation 5 (c) of the Companies Regulations (Voting in writing and notice of stand), 5766-2005.

5. The legal quorum for convention of a meeting:

In accordance with the bank's Articles of Association, the legal quorum for convention of a meeting is the presence of three stock holders or more present in person or by proxy, within half an hour from the date set forth for opening of the meeting.

6. In the absence of a legal quorum, the postponed meeting shall take place on 01/10/2013 at 16:00 o'clock.

At the address: *Beit Lyn, 35 Yehuda HaLevi, Tel Aviv.*

7. Location and schedule for review of any resolution proposal, the full draft of which was not presented in the agenda above

*The documents related to the resolutions on the agenda of the General Meeting can be reviewed at the bank's secretariat, at the bank's registered office at 34 Yehuda HaLevi street (Beit Leumi), 11th floor, Tel Aviv
Tel: 076-8859419, between 08:00 and 15:00*

The reference numbers of previous documents on the subject (the reference does not constitute incorporation by reference):

Previous names of reporting entity:

Form structure update date: 04/08/2013

Name of electronic reporter: Sackstein David Raul, position: Advocate, Secretary General, name of employer company:

34 Yehuda HaLevy street, Tel Aviv, 6513616, telephone: 076-8857984, facsimile: 076-8859732, electronic mail:
David.sackstein@gankleumi.co.il

BANK LEUMI LE – ISRAEL B.M.

(The "Bank")

August 7th 2013

Dear Sir, Dear Madame,

RE: IMMEDIATE REPORT REGARDING THE CONVENING OF AN EXTRAORDINARY GENERAL MEETING

In accordance with the Companies Law, 5759-1999 (hereinafter: the "**Companies Law**"), and in accordance with the Securities Regulations (Periodic and Immediate Reports) , 5730 – 1970 (hereinafter: the "**Reports Regulations**"), a notice is hereby given on convening of an Extraordinary General Meeting of Bank Leumi Le-Israel B.M., at 9:00 AM on September 12th 2013, at the Bank's offices at Beit Lyn, 35 Yehuda Halevi street, Tel Aviv.

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1. LIST OF SUBJECTS ON THE AGENDA

On the agenda of the General Meeting shall be the subjects specified in this section 1 herein below:

1.1 Approval of Remuneration Policy and Bonus Plan

Approval of Remuneration Policy and Bonus Plan to Bank officers for the years 2013, 2014 and 2015, as follows:

1.1.1 To approve the policy regarding the terms of office and employment of the Bank's officers, in accordance with the specified in articles 267A and 267B of the Companies Law, in accordance with the draft attached as **Annex A'** (hereinafter: the "**Remuneration Policy**").

1.1.2 To approve a bonus plan to the Chairman of the Board of Directors and the CEO for the years 2013-2015, in accordance with the Remuneration Policy, according to the draft attached as Annex 1 to the Remuneration Policy and as **Annex B'** to this report (hereinafter: the "**Bonus Plan**"), in accordance with the set forth in articles 272(c1) and 273 of the Companies Law. The Bonus Plan shall also apply on the Chairman of the Board of Directors, the CEO and on all remaining Bank management members, all as specified in the Bonus Plan attached as Annex B' hereto.

1.2 Update of the CEO 's employment terms

To approve an update of the CEO 's employment terms (in accordance with the Remuneration Policy), as follows: (a) to update the rate of compensation in the event of resignation, in a manner in which after expiry of three years as of the date of commencement of service as CEO of the Bank, the CEO shall be entitled to compensation at the rate of 250%, as specified in section 5.2.1 herein below; (b) to clarify what is resignation pursuant to a deterioration in working conditions which constitutes termination, as specified in section 5.2.2 herein below; and (c) to extend the non-competition period from 6 months to 12 months, as specified in section 5.2.3 herein below.

1.3 Amendment of Articles of Association

To approve the amendment of the Bank's Articles of Association in accordance with the draft attached hereto as **Annex D'**, the fundamentals of which are as follows:

1.3.1 To amend the provisions of Article 143 of the Bank's Articles of Association, in accordance with the draft attached hereto as Annex D', aiming to clarify in the Articles what the maximal amount to be paid by the Bank for exercise of an undertaking to grant indemnification in advance to officers of the Bank and the group.

1.3.2 To amend additional provisions of the Articles, in accordance with the specified in the draft attached as Annex D', for the purpose of adaptation of the Articles to the provisions of the Banking Law (Licensing), 5741 – 1981, the Banking Ordinance 1941 and article 37 of the Securities Law, 5728 – 1968, as amended in the Banking Law (Legislative Amendments), 5772-2012.

1.4 Update of Letters of Indemnification

To approve amendments to the letters of indemnification to Bank directors and to the CEO position, in accordance with the Remuneration Policy, in accordance with the draft of letters of indemnification attached as **Annex E'** to this Immediate Report.

1.5 Ratification of appointment of an External Director

To ratify the resolution adopted in the General Meeting held on August 1st 2012, regarding the appointment of Mr. Haim Samet as an ED of the Bank, in accordance with article 239 of the Companies Law, taking into consideration the additional information presented before the General Meeting, as well as the resolution of the Bank's Audit Committee dated April 11th 2013.

2. PROVISIONS REGARDING VOTING IN A MEETING

2.1 Legal Quorum

- 2.1.1 According to the Bank's Articles, the legal quorum for convention of a Meeting shall be the presence of three stock holders or more present in person or by proxy, within half an hour as of the time set for the opening of the Meeting.
- 2.1.2 Whereas a legal quorum shall not be present within half an hour as of the time set for the opening of the Meeting, the same shall be postponed to 16:00 on October 1st 2013, at the same place.
- 2.1.3 Whereas a legal quorum shall not be present at the said postponed Meeting, two stock holders, present in person, shall constitute legal quorum and shall be entitled to deal with the matters for which the Meeting was summoned.

2.2 Required Majority

- 2.2.1 In accordance with the set forth in articles 267A(b), 272(c1) and 273 of the Companies Law, and taking into consideration the fact that the Bank is a banking corporation without a controlling core, the majority required for adoption of each one of the resolutions specified in sections 1.1.1, 1.1.2, 1.2 and 1.4 above is a simple majority of the total voting rights of the stock holders entitled to vote, and who have voted by themselves (including by way of a voting paper) or via a proxy (hereinafter, respectively: "**Simple Majority**" and "**Vote Participants**"), and only provided that one of the following is fulfilled:
 - 2.2.1.1 The forum of majority votes includes a majority of all the Vote Participants who do not have a personal interest in the approval of the Remuneration Policy, the Bonus Plan, the update of the CEO 's employment terms or the amendment of the letter of indemnification, respectively (hereinafter: the "**Independent Shareholders**"); or
 - 2.2.1.2 The total number of objecting votes from among the Independent Shareholders in the approval of the Remuneration Policy, Bonus Plan, update of CEO 's employment terms or amendment of the letter of indemnification, respectively, shall not exceed 2% of the overall voting rights in the Bank.
- 2.2.2 In accordance with the set forth in article 239(b) of the Companies Law, and taking into consideration the fact that the Bank is a banking corporation without a controlling core, the majority required for adoption of the resolution specified in section 1.5 above is a simple majority from the total voting rights of the stock holders entitled to vote, and who have voted by themselves or via a proxy (hereinafter, respectively: "**Simple Majority**" and "**Vote Participants**"), and only provided that one of the following is fulfilled:
 - 2.2.2.1 The forum of majority votes includes a majority of all the Vote Participants who do not have a personal interest in the appointment ratification (hereinafter: the "**Independent Shareholders**"); or
 - 2.2.2.2 The total number of objecting votes from among the Independent Shareholders in the appointment ratification shall not exceed 2% of the overall voting rights in the Bank.
- 2.2.3 The majority required for the adoption of the resolution specified in section 1.3 above shall be a simple majority of the total voting rights of stock holders entitled to vote and who have voted in person or by a proxy.
- 2.2.4 Abstaining votes shall not be considered in the quorum of votes of the Vote Participants.

2.3 Personal interest, Interested Party of the Bank, senior officer and institutional investor

- 2.3.1 Articles 267A(b)(1) and 239(b)(1) of the Companies Law state, inter alia, that "*the provisions of article 276 shall apply, mutatis mutandis, on a person who has a personal interest*". Article 276 of the law states: "*A shareholder participating in a vote according to article 275 shall notify the company prior to the vote in the meeting, or if the vote is by a voting paper – within the voting paper, whether or not he has a personal interest in the approval of the transaction; whereas the shareholder has not notified as specified, he shall not vote and his voice shall be disregarded.*" Article 272(c1)(1) of the Companies Law states, inter alia, that the specified in article 267A(b)(1) shall also apply with respect to approval of a transaction of a public company with the company's CEO, in which the specified in article 270(2) of the Companies Law is met.
- 2.3.2 It is clarified that article 1 of the Companies Law states that a personal interest is also "*a personal interest of a person voting in accordance with a power of attorney granted to him by another, even if the other person has no personal interest, and the vote of the person who has received a power of attorney to vote in the name of an individual having a personal interest shall be deemed as a vote of an owner of a personal interest, whether the discretion regarding the vote lies with the voter or not*".

2.3.3 Therefore, and as a result of these provisions, a stock owner participating in the vote must notify the Bank before the vote in the Meeting, or if he is voting via a voting paper then within the voting paper whether or not he has a personal interest in the approval of any of the resolutions specified in sections 1.1.1, 1.1.2, 1.2, 1.4 and 1.5 above. A stock owner who does not notify whether he is an owner of a "personal interest" or does not specify the nature of his personal interest, as specified shall not be deemed as a voter on with respect to these sections and his vote shall be disregarded.

2.3.4 In addition and without derogating from the specified above, a stock owner participating in a vote according to sections 1.1.1, 1.1.2, 1.2, 1.4 and 1.5 shall notify the Bank prior to the vote in the Meeting, or if the vote is via a voting paper – within the voting paper, whether or not he owns an interest in the Bank (as per the definition of the term "interest owner" in article 1 of the Securities Act, 5728-1968), is a senior officer of the bank (as per the definition of the term "senior officer" in article 37(d) of the said law), an institutional investor, as defined in Regulation 1 of the Supervision over Financial Services (Provident Funds)(Participation of a management company in a General Meeting) Regulations, 5769-2009, or a joint trust investment fund manager, as defined in the Joint Trust Investments Law, 5754-1994.

2.4 Voting paper and Notice of stand

2.4.1 A stock holder entitled to be present and vote regarding sections 1.1.1, 1.1.2, 1.2, 1.4 and 1.5 above may vote via a voting paper, in accordance with the Companies Law and the Companies Regulations (Voting in writing and Notices of Stand), 5766-2005.

2.4.2 Herein below is the Securities Authority's distribution website and the website of the Tel Aviv Stock Exchange Ltd, wherein the draft of the voting paper and the notices of stand, as defined in article 88 of the Companies Law can be found:

2.4.2.1 The Securities Authority's distribution website: <http://www.magna.isa.gov.il>.

2.4.2.2 The Stock Exchange notices website: <http://maya.tase.co.il>.

2.4.3 Voting via a voting paper shall be done on within the second part of the voting paper, as published on the Securities Authority's distribution website.

2.4.4 A stock owner may address the Bank directly in order to obtain there from a draft of a voting paper and of notices of stand.

2.4.5 The Stock Exchange member shall send each stock owner who is not registered in the Shareholders' Registry and whose stock is registered with the said Stock Exchange member, at the authority's distribution website, via electronic mail, a free link to the draft of the voting paper and notices of stand, unless the stock owner has notified that he is not interested in receiving the said link, and only provided that the notice was provided with respect to a particular securities account and on a date that is prior to the Effective Date. A stock owner whose stock is registered with the Stock Exchange member may obtain an ownership confirmation from the Stock Exchange member through which he holds his stock, at the branch of the Stock Exchange member or via postal delivery, to his address, in consideration for a delivery fee only, if so requested, and only under the condition that the respective request shall be granted in advance to a particular securities account.

2.4.6 The last date for submitting notices of stand to the Bank is August 24th 2013.

2.4.7 The last date for submitting voting papers to the Bank is 9:00 AM of September 9th, 2013.

2.5 Additional provisions and further information regarding voting in a Meeting

2.5.1 Except for the possibility to vote via a voting paper, as specified above, a stock owner who is entitled to be present and vote in a General Meeting may appoint a proxy or proxies who shall be present and vote on his behalf. The proxy does not have to be himself a stock owner in the Bank. In order for the proxy's appointment to be valid, the letter of appointment and the power of attorney according to which the letter of appointment is signed (if the letter of appointment is signed according to a power of attorney), must reach the Bank's registered office by no later than 48 hours prior to the date of the Meeting, namely by 9:00 AM on September 10th 2013. In the case of a stock owner whose name is not registered in the Shareholders' Registry, an ownership confirmation from the Stock Exchange member must be attached to the letter of appointment, in accordance with the Companies Regulations (Proof of Share Ownership for the purpose of voting in a General Meeting), 5760-2000.

2.5.2 A stock owner or a proxy who requests to be present and/or vote at a General Meeting must present a valid identification card or passport, or driver's license, as well as an ownership confirmation valid as of the Effective Date (August 14th 2013). A person who is not a stock owner, or a stock owner who does not present an identification card on the date of the Meeting, as well as an ownership confirmation valid as of August 14th

2013 shall not be entitled to be present and to vote at the General Meeting. A stock owner whose shares are registered in the Bank's Shareholders' Registry in name, is not required to present the specified ownership confirmation.

2.5.3 The effective date for all stock owners' right to vote at a General Meeting, is August 14th 2013.

Regarding the resolution specified in section 1.5 above, attention is referred also to the specified in article 34(a1) of the Banking Law (Licensing), 5741-1981, according to which: *"a person shall not agree with another regarding their vote for appointment of a Director in a Banking Corporation or in banking holding corporation, including with respect to their vote for termination of office, but in accordance with a permit issued by the Governor, after consultation with the Licenses Committee; this provision shall not apply on a Holders Union, as per the meaning of article 11D(a)(3)(b) of the Ordinance, regarding a vote for appointment of a Director proposed as a candidate by them in accordance with the said article, as well as on a holder of Means of Control who has agreed with another that the other will vote in his name and on his behalf without discretion, as instructed by the holder of the Means of Control, and only provided that if the other holds Means of Control by himself in the Banking Corporation or the Banking Holding Corporation, respectively, he shall not vote in the name and on behalf of more than one other holder"*.

Therefore, regarding the resolution specified in section 1.5 above, a proxy who is (also) a stock owner in the Bank can vote in the name and on behalf of only one additional stock owner. Regarding the remaining subjects on the General Meeting's agenda, there is no prevention for a said proxy to represent more than one stock owner.

2.5.4 The Bank is a banking corporation without a controlling core (there is no control owner in the Bank).

2.5.5 The Bank is not a public granddaughter company. According to article 267A(c) of the Companies Law a **"public granddaughter company"** is defined as – *"a public company controlled by a public company or by a private company which is a bond company, which itself is controlled by a public company or by a private company that is another bond company, controlled by a control owner"*.

2.6 Review of documents and Bank representatives for the purpose of dealing with this report

2.6.1 The documents related to the resolutions on the General Meeting's agenda can be reviewed in the Bank's secretariat at the Bank's registered office at 34 Yehuda Halevi street (Beit Leumi), 11th floor, Tel Aviv, tel: 076-8859419, between the hours of 08:00 and 15:00.

2.6.2 The Bank's representatives for the purpose of dealing with this report are: Advocate Dalia Tal and Advocate Eyal Dotan of Meitar Liquornik Geva Leshem Tal and Co., Advocates, located at 74-76 Rothschild street (Beit Mozes), Tel Aviv. The Bank's representatives can be contacted on this matter at the following telephone: 03-7140400, or via facsimile: 03-7140401.

3. APPROVAL OF REMUNERATION POLICY (details regarding section 1.1.1 on the agenda)

3.1 General

3.1.1 On December 12th 2012 the Amendment no' 20 of the Companies Law, 5773-2012 came into force (hereinafter: **"Amendment 20"**). According to the specified in Amendment 20, a public company must set forth a policy regarding officers' terms of office and employment, all in accordance with articles 267A and 267B of the Companies Law. The Bank's Board of Directors, in its meeting dated August 7th 2013, after considering the recommendations of the Board of Directors' Remuneration Committee (such appointed in accordance with the provisions of section 118A of the Companies Law), approved and recommended to the General Meeting of the Bank to approve the said policy, in the draft attached as **Annex A'** (hereinafter: the **"Remuneration Policy"**).

3.1.2 The Bank sees great importance in the fact that the Remuneration Policy is, on the one hand, considerate of the Bank's business environment, and, on the other hand, ensuring adherence to the Bank's risk appetite, in steering of the Bank's senior executives and in motivating them to meet the Bank's targets and strategic plan. The Bank also believes that the Remuneration Policy constitutes a primary tool for strengthening of the Bank's status as a centre of attraction of quality personnel for senior executive positions and preservation of such personnel for a long period of time.

3.1.3 As extensively specified in the Remuneration Policy attached as Annex A' to this report, the Remuneration Policy states that the remuneration that shall be given to the Bank's officers includes, inter alia: a fixed salary and auxiliary benefits; a performance-based annual bonus that shall be given partially in cash and partially PSU units, based, inter alia, on the measurement of the Bank's and the group's business results, as well as on the executives' contribution to achieving of the Bank's and the

Group's long term objectives; a performance-based special personal bonus to seniors who are not the Chairman of the Board of Directors and are not the CEO, that shall be given in cash, in accordance with qualitative criteria that cannot be quantified; a capital preservation bonus to the Bank's seniors who are not the Chairman of the Board of Directors, that be given in RSU; and a one-time capital bonus, that shall be given in RSU to the person who shall be elected as Chairman of the Bank's Board of Directors after the 2013v annual Meeting.

- 3.1.4 On the date of publication of this report, the Bank does not have a prior remuneration policy approved in accordance with the article 267A of the Companies Law. The previous seniors' bonus plan expired at the end of 2012 (see immediate report dated January 21st 2013, reference no: 2013-01-018717). The Bonus Plan attached as Annex B' was consolidated in accordance with the specified in Amendment 20 of the Companies Law, as well as in accordance with the remaining provisions of the law that apply with respect to the Bank, and it is consistent with the specified in the Remuneration Policy. The terms of office and employment of the Bank's officers on the date of approval of the Remuneration Policy as specified in section 1.1.1 above are consistent with the specified in the Remuneration Policy.
- 3.1.5 The table of persons receiving the highest salary in the Bank group, as shown in the Bank's periodic report for the year 2012, includes (in accordance with the specified in the Banks' Supervision public reporting instructions) officers of the Bank with respect to which the proposed Remuneration Policy shall apply. In addition, the table includes Bank officers and employees who have de-facto completed their work in the Bank and/or CEO's of the Bank's foreign subsidiaries – with respect to whom the Remuneration Policy does not apply.
- 3.1.6 The Remuneration Policy was discussed in 25 meetings of the Board of Directors' Remuneration Committee, such appointed in accordance with the provisions of article 118A of the Companies Law (prior thereto the Remuneration Policy was discussed in the Board of Directors' Executive Committee), and in 4 meetings of the Board of Directors. On August 6th 2013, the Remuneration Policy was approved (together with the Bonus Plan) by the Remuneration Committee and on August 7th 2013 it was approved by the Board of Directors.
- 3.1.7 The members of the Remuneration Committee are: Advocate Haim Samet (Chairman of the Committee), Prof. Gabriela Shalev, Mrs. Tsipi Samet, Prof. Efraim Sadka and Mr. Doron Cohen (who left office as Director of the Bank in March 2013). The persons who, on the relevant dates, acted as members of the Executive Committee that discussed the Bonus Plan, as specified, prior to the appointment of the Remuneration Committee, are: Prof. Efraim Sadka (who acted as Chairman of the Executive Committee), Prof. Gabriela Shalev, Mr. Doron Cohen (who left office as Director of the Bank in March 2013), Mr. Moshe Dovrat and Mr. David Avner.
- 3.1.8 All members of the Remuneration Committee (and beforehand all members of the Executive Committee), and all members of the Board of Directors participated in these meetings, all or part thereof, with the exception of the Chairman of the Board of Directors, who did not participate in these meetings (except for the purpose of presenting his stand), due to his personal interest in approval of the Remuneration Policy and the Bonus Plan, as specified herein below. The following directors participated in the meeting of the Board of Directors in which the Remuneration Policy and the Bonus Plan were finally approved: Mr. David Avner, Mr. Rami Avraham Guzman, Prof. Arie Gans, Mr. Moshe Dovrat, Mr. Yehuda Drori, Mrs. Miriam Katz, Mr. Yoav Nardi, Mr. Haim Samet, Mrs. Zipora Samet, Prof. Efraim Sadka, Prof. Yedidia Zvi Stern and Prof. Gabriela Shalev.
- 3.1.9 Directors who have a personal interest in the approval of the Remuneration Policy:
- 3.1.9.1 All members of the Board of Directors may have a personal interest in the approval of the Remuneration Policy, which also refers to the terms of their office as directors of the Bank.
- 3.1.9.2 The Chairman of the Board of Directors has a personal interest in the approval of the Remuneration Policy, whereas the Remuneration Policy includes specific provisions regarding the Chairman of the Board of Directors' office and employment terms.
- 3.1.10 The discussions of the Board of Directors and of its committees were accompanied by an external experts, who assisted in the consolidation of the Remuneration Policy and the Bonus Plan, prepared and presented possible simulations of the implementation of the Bonus Plan and implications thereof, and furnished the directors with background material regarding what is accepted in the Israeli banking system.

3.1.11 The background material that was presented before the Remuneration Committee and the Board of Directors included, inter alia, all of the following: Amendment 20, a questions and answers document published on the matter by the Securities Authority; the Bank's strategy; the Bank's 2013 Work Plan; the resolution of the Board of Directors on the subject of the Bank's risk appetite; public data regarding the terms of office and employment of officers in the Israeli banking and financial system, as published to the public; financial data regarding terms of office and employment and regarding bonuses granted to seniors of the Bank in previous years; Balanced Score Card of the Bank, used to evaluate the performance of the Bank and its various divisions, such combining a quantitative measurement of various matters, including financial and other indices (such as yield to capital, capital adequacy, etc) (hereinafter: the "**Performance Measurement Chart**" or "**BSC**") for the year 2013; a letter of the Bank of Israel dated April 5th 2009 dealing with the remuneration policy of a banking corporation; a draft of the Proper Banking Management Directive on the subject of "Remuneration Policy in a Banking Corporation"; the previous seniors' bonus plan that expired on December 13th 2012.

3.1.12 When consolidating and determining the Remuneration Policy, the members of the Remuneration Committee and of the Board of Directors considered, inter alia, the considerations specified in article 267B of the Companies Law. The Remuneration Policy includes, inter alia, reference to the matters specified in Part A' of Addendum A' of the Law, and states, inter alia, the provisions specified in Part B' of the said addendum, all taking into consideration the Bank's size, the nature of its business and the objectives and target which the Bank's Remuneration Policy is designated to achieve.

3.2 Summary of the reasons of the Remuneration Committee and the Board of Directors for approval of the Remuneration Policy

3.2.1 The Remuneration Policy and the Bonus Plan deriving there from express the Bank's desire to reward the officers, taking into account the Bank's performances and profitability, as well as the Bank's and the group's long term objectives. Upon consolidation of the Remuneration Policy and the Bonus Plan, the Remuneration Committee and the Board of Directors seek to ensure that, alongside the aspiration to maximize the Bank's profits and to preserve its status from a quality and size perspective, the remuneration that shall be granted to the Bank's senior executives shall create proper incentives and shall not encourage risk undertaking that exceeds the Bank's risk appetite.

In addition, the committee and the Board of Directors seek, upon consolidation and approval of the Remuneration Policy and the Bonus Plan, the need for quality personnel in senior positions, as well as for long-term preservation of the Bank's quality officers, taking into consideration the competitive environment in which the Bank operates. In addition, the Committee and the Board of Directors gave their opinion on the need to preserve a sense of solidarity among all Bank employees, as well as the proper working relations in the Bank.

3.2.2 Within the framework of the Committee and Board of Directors' meetings, in which the consolidation of the Remuneration Policy and the Bonus Plan were discussed, data was presented which helped in consolidating the Remuneration Policy and the Bonus Plan. In addition, a comparison was conducted between the various current remuneration components and the proposed policy and plan, in light of the ratio between the office and employment terms of the said seniors, and the salary terms of all Bank employees, taking into consideration, inter alia, the ratio between these terms and the average salary, and the external salary of the employees. An additional comparison was conducted vis-à-vis the acceptable remuneration components of officers of similar rank in similar bodies, in accordance with publicly available information.

The Remuneration Committee and the Board of Directors believe, that the ratio between the office and employment terms of these seniors and the remuneration given to other Bank employees is a reasonable one and it does not adversely affect the working relations in the Bank, inter alia, due to the executive position of these seniors, as they stand at the forefront of the Bank, their positions and fields of responsibility and the Bank's desire to recruit and preserve first class excelling and leading executives. In addition, the Committee and the Board of Directors are satisfied with the fact that these ratios reflect remuneration differences that are acceptable in the Israeli financial system.

3.2.3 The remuneration composition and scope were determined in accordance with the executives' positions, whereas the varying components of the policy and the plan, including the manner of determining and rate thereof in relation to the fixed component were examined and determined while taking into consideration to position executed by the said executive, and in the manner in which the executive's de-facto contribution shall be reflected for the purpose of accomplishing the Bank's goals and the goals of the specific unit of the Bank which is in his responsibility.

3.2.4 The Remuneration Committee and the Board of Directors are of the opinion that the Remuneration Policy and the Bonus Plan will help in steering and motivating the Bank's senior executives to achieve the Bank's objectives and strategic plan, are consistent with its risk appetite and express the aspiration to position the Bank's status as a center of attraction for quality personnel for executive positions, and as having the ability to preserve this personnel in the Bank in the long term in a competitive business environment.

3.3 Resolution Draft

To approve the policy regarding the terms of office and employment of the Bank's officers, in accordance with the specified in articles 267A and 267B of the Companies Law, in accordance with the draft attached as Annex A' to this report.

3.4 Required Majority

3.4.1 In accordance with the set forth in articles 267A(b), 272(c1) and 273 of the Companies Law, and taking into consideration the fact that the Bank is a banking corporation without a controlling core, the majority required for adoption of the resolution specified in section 1.1.1 on the agenda is a simple majority of the total voting rights of the stock holders entitled to vote, and who have voted by themselves (including by way of a voting paper) or via a proxy (hereinafter, respectively: "**Simple Majority**" and "**Vote Participants**"), and only provided that one of the following is fulfilled: (1) the forum of majority votes includes a majority of all the Vote Participants who do not have a personal interest in the approval of the Remuneration Policy, (hereinafter: the "**Independent Shareholders**"); or (2) the total number of objecting votes from among the Independent Shareholders shall not exceed 2% of the overall voting rights in the Bank.

3.4.2 Abstaining votes shall not be considered in the quorum of votes of the Vote Participants.

3.4.3 It is clarified that in accordance with the specified in article 267A(c) of the Companies Law, the Board of Directors may approve and determine the Remuneration Policy and the Bonus Plan (with the exception with respect to the Chairman of the Board of Directors) even if the General Meeting objects to the approval of the policy and/or the plan, if the Remuneration Committee and after it the Board of Directors shall decide, on the basis of detailed reasons, and after discussing the Remuneration Policy and/or the Bonus Plan again, as required, that the approval of the Remuneration Policy and/or the Bonus Plan, despite the objection of the General Meeting, is for the benefit of the Bank.

3.4.4 For additional provisions regarding the voting in the Meeting see section 2 above

3.5 It shall be clarified that upon the final publication of the letter of the Supervisor on Banks regarding remuneration policy in a banking corporation, it may be necessary to amend and/or update the Remuneration Policy and/or the Bonus Plan retroactively as of 1.1.2013.

4. APPROVAL OF A BONUS PLAN FOR THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE CEO (details regarding section 1.1.2 on the agenda)

4.1 Introduction

4.1.1 The Bonus Plan attached as Annex B' to this report (hereinafter the: "**Bonus Plan**") sets forth the bonuses that shall be paid for the years 2013, 2014 and 2015 to the Bank's senior executives: the Chairman of the Board of Directors, the CEO and all other management members (hereinafter the: "**Executives**").

4.1.2 The Bonus Plan derives from the Remuneration Policy and constitutes a specific implementation thereof regarding the following remuneration components: performance-based bonus, special personal bonus (for management members that exclude the CEO only) and a one-time capital bonus. The Plan does not refer to remuneration components such as salary and auxiliary benefits and does not refer to the Executives' base salary, social benefits or retirement terms. However, determination of the remuneration components included in the Bonus Plan was done while taking into consideration all remuneration components granted to Executives.

4.1.3 The Plan's principles were consolidated in consistency with the relevant legal provisions and it is subjected to the legal provisions, as such shall be from time to time, including to the guidelines of the Supervisor on Banks, related to remuneration policy in banking corporations. It is clarified that all bonuses (whether monetary or capital) stated in the Plan do not constitute part of the salary paid to the Executives. As such, they shall not be taken into consideration for the purpose of social provisions,

compensation or retirement pension, and shall not be deemed auxiliary benefits of any kind whatsoever of any of the Executives.

- 4.1.4 The Bonus Plan was discussed by the Bank's Board of Directors and Remuneration Committee (and beforehand by the Executive Committee) together with the Remuneration Policy, as specified in sections 3.1.6 to 3.1.11 above, and it was approved with the policy by the Remuneration Committee on August 6th 2013, and respectively by the Board of Directors on August 7th 2013. For the summary of the reasons of the Remuneration Committee and the Board of Directors for approval of the Remuneration Policy and the Bonus Plan, see section 3.2 above.
- 4.1.5 Further to the specified ins section 3.1.9.2 above, the Chairman of the Board of Directors has a personal interest in the approval of the Bonus Plan, whereas the Bonus Plan includes specific provisions related to the terms of office and employment of the Chairman of the Board of Directors.
- 4.1.6 The approval of the Remuneration Committee and the approval of the Board of Directors to the above Bonus Plan were done in accordance with the Remuneration Policy set forth thereby, and subject to the approval of the Bank's General Meeting, as specified in section 1.1.1 on the agenda. The Plan and its components shall be examined by the Board of Directors from time to time and at the beginning of each year, taking into consideration the need to execute amendments and adjustments on the basis of the experience acquired throughout the implementation of the Plan and in accordance with changes that shall take place throughout time.
- 4.1.7 The Bonus Plan applies, inter alia, with respect to the Chairman of the Board of Directors and the CEO , and it includes the following with respect thereto:
- 4.1.7.1 A performance-based annual bonus for each one of the years 2013, 2014 and 2015, based on measurement of the Bank's and the group's business results , as well as on the Executives' contribution to achievement of the Bank's and the group's long term objectives, which shall be partially granted in cash and partially in PSU (hereinafter the: "**Annual Bonus**");
- 4.1.7.2 A one-time capital bonus (preservation bonus) for Bank Executives (the CEO and additional management members), that shall be granted in Restricted Share Units (RSU);
- 4.1.7.3 A one-time capital bonus to the Chairman of the Bank's Board of Directors, which shall be granted in Restricted Share Units (RSU).
- 4.1.8 The Bonus Plan and its components shall be reexamined by the Remuneration Committee and the Board of Directors from time to time and in the beginning of each year, and an ongoing follow-up shall be conducted on its implementation and/or update by the Remuneration Committee.

4.2 Further details according to the Reports Regulations

4.2.1 Details regarding the scope of the performance-based annual bonus to the Chairman of the Board of Directors and the CEO

Herein below are details regarding the scope of the performance-based annual bonus¹, which the Chairman of the Board of Directors, the CEO and members of the Bank's management are entitled to, if the Bonus Plan regarding the Annual Bonus for the years 2011 and 2012 applied, based on the data of these report years:

	Amended Yield Rate	Annual Bonus (in millions of NIS)	Annual Bonus to the Chairman of the Board of Directors (in millions of NIS)	Annual Bonus to the CEO (in millions of NIS)	Average Annual Bonus to management member ² (in millions of NIS)
Year 2012	1.8%	0*	0*	0*	0*
Year 2011	7.2%	9.7	1.5	1.8	0.5

* Negative Bonus (return of bonus for previous years) according to the 2012 standardized yield rate in the above simulation – if the proposed plan applied in the year 2012.

¹ The simulation does not refer to the one-time capital bonus.

² Does not include a personal bonus.

4.2.2 Further details regarding the office and employment terms of the Chairman of the Board of Directors
For additional details regarding the office and employment terms of the Chairman of the Board of Directors, see **Annex C'(1)** to this report.

4.2.3 Further details regarding the office and employment terms of the CEO
For additional details regarding the office and employment terms of the CEO, see **Annex C'(2)** to this report.

For additional details regarding the Bonus Plan, such being subject to the approval of the General Meeting, as specified in section 1.1.2 above, see **Annex B'** to this report.

4.3 Resolution Draft

To approve a Bonus Plan for the Chairman of the Board of Directors and the CEO for the years 2013-2015, in accordance with the Remuneration Policy, in accordance with the draft attached as Annex 1 to the Remuneration Policy and as Annex B' to this report.

4.4 Required Majority

4.4.1 In accordance with the set forth in articles 272(c1) and 273 of the Companies Law, and taking into consideration the fact that the Bank is a banking corporation without a controlling core, the majority required for adoption of the resolution is a simple majority of the total voting rights of the stock owners entitled to vote, and who have voted by themselves (including by way of a voting paper) or via a proxy (hereinafter, respectively: "**Simple Majority**" and "**Vote Participants**"), and only provided that one of the following is fulfilled: (1) the forum of majority votes includes a majority of all the Vote Participants who do not have a personal interest in the approval of the Bonus Plan, (hereinafter: the "**Independent Shareholders**"); or (2) the total number of objecting votes from among the Independent Shareholders shall not exceed 2% of the overall voting rights in the Bank.

4.4.2 Abstaining votes shall not be considered in the quorum of votes of the Vote Participants.

4.4.3 It is clarified that in accordance with the specified in article 267A(c) of the Companies Law, the Board of Directors may approve and determine the Remuneration Policy and the Bonus Plan (with the exception with respect to the Chairman of the Board of Directors) even if the General Meeting objects to the approval of the policy and/or the plan, if the Remuneration Committee and after it the Board of Directors shall decide, on the basis of detailed reasons, and after discussing the Remuneration Policy and/or the Bonus Plan again, as required, that the approval of the Remuneration Policy and/or the Bonus Plan, despite the objection of the General Meeting, is for the benefit of the Bank.

4.4.4 For additional provisions regarding the voting in the Meeting see section 2 above.

4.5 It shall be clarified that upon the final publication of the letter of the Supervisor on Banks regarding remuneration policy in a banking corporation, it may be necessary to amend and/or update the Remuneration Policy and/or the Bonus Plan retroactively as of 1.1.2013.

5. **UPDATE OF THE CEO 'S EMPLOYMENT TERMS (details regarding section 1.2 on the agenda)**

5.1 Description of current status according to the current employment agreement

According to the CEO's retirement terms prior to the convention of the General Meeting, if the CEO is dismissed before the seniority of her work in the Bank, on the date of termination of employer-employee relations between her and the Bank, reached 15 years – she will be entitled to choose between one of the following two alternatives: (a) severance pay in the amount equivalent to 200% of her last known monthly salary upon the termination of the employer-employee relations between her and the Bank, times the number of working years in the Bank, and with the addition of the compensation provisions; or (b) an immediate retirement pension from the Bank.

In the event of resignation of the CEO from her position in the Bank, before the seniority of her work in the Bank, on the date of termination of employer-employee relations between her and the Bank, reached 15 years, she will be entitled in accordance with the current status to a compensation equivalent to 100% of her last known monthly salary upon the termination of the employer-employee relations between her and the Bank, times the number of working years in the Bank, and with the addition of the compensation provisions. If she shall resign after her seniority in the Bank reached 15 years or more, the CEO shall be entitled to compensation in the amount equivalent to 200% of her last known monthly salary upon the termination of the employer-employee relations between her and the Bank, times the number of working years in the Bank,

and with the addition of the compensation provisions (provision in the rate of 5% at the Bank's expense and a deduction of 5% of the CEO 's salary).

Additionally in accordance with the exiting retirement terms, for a period of six (6) months as of the date of the actual end of the CEO 's office (hereinafter: the "**Non-competition Period**"), the CEO is prohibited from serving in any other position or duty in a banking or financial institution, or in any other business that renders financial services, financing services or consultation in these fields, or in any other body engaged in the Bank's business fields, or in any other business that competes with the Bank, in Israel or abroad, or to provide, directly or indirectly, services during that period to any such entity, for consideration or without consideration, unless the Bank has approved this in writing and in advance. During the Non-competition Period, the CEO is entitled to salary and to all other auxiliary benefits (except provision for social benefits and accumulation of pension rights). Notwithstanding the above, during the term during which the Non-competition Period overlaps the prior termination notice period, in full or in part, the CEO shall only be entitled to payment for the prior termination notice period. During the Non-competition Period the CEO is not entitled to receive retirement pension from the Bank in any event whatsoever.

For further details regarding the CEO 's current office and employment terms (together with the terms' update as submitted for approval within the framework of this meeting) see **Annex C'(2)** to this report.

5.2 It is proposed to update the CEO 's retirement terms, as follows:

5.2.1 In the event of resignation of the CEO from her position in the Bank after the completion of a 3-year term of office as CEO, she will be entitled to a compensation equivalent to 250% of her last known monthly salary upon the termination of the employer-employee relations between her and the Bank, times the number of working years in the Bank, and with the addition of the compensation provisions

5.2.2 Definition of "termination" regarding the CEO shall also include resignation due to deterioration of working conditions, including resignation as a result of changes occurring in the Bank which do not allow the CEO to continue to act as CEO, to the CEO 's opinion and with the approval of the Remuneration Committee and the Board of Directors.

5.2.3 The Non-competition Period to which the CEO shall be obligated shall be extended to twelve (12) months instead of six (6) months according to the current status. During the additional Non-competition Period (the additional six months), the CEO shall be prohibited from serving in any other office or position in banks in Israel or in Israeli banks abroad only, or to render services during that period, directly or indirectly, for consideration or without consideration, unless the Ban has approved the said in writing and in advance.

5.3 Further details regarding the resolution

5.3.1 The Bank's Board of Directors is of the opinion that the proposed amendment is a proper one considering the unique characteristics of the position of the Bank's CEO. Where a CEO is in question, there is no justification to the general distinction between the scope of the right to compensation in the event of termination and the scope of right to compensation in the event of resignation. In addition, considering the competitive nature of the market in which the Bank operates, as well as the great importance of the CEO 's position, the Board of Directors sees the extension of the Non-competition Period related to the CEO as important, together with the increase of the scope of right to compensation in the event of resignation.

5.3.2 Members of the Remuneration Committee who participated in the Committee's discussions regarding the terms of office and employment of the CEO are: Advocate Haim Samet (Committee Chairman), Prof. Gabriela Shalev, Mrs. Zippi Samet and Prof. Efraim Sadka.

5.3.3 The directors who participated in the meetings of the Board of Directors during which the terms of office and employment of the CEO were discussed are: Mr. David Avner, Mr. Rami Avraham Guzman, Prof. Arie Ganz, Mr. Moshe Dovrat, Mr. Yehuda Drori, Mrs. Miriam Katz, Mr. Yoav Nardi, Mr. Haim Samet, Mrs. Zipora Samet, Prof. Efraim Sadka, Prof. Yedidia Zvi Stern and Prof. Gabriela Shalev.

5.3.4 There are no directors who have a personal interest in the update of the CEO 's employment terms.

5.4 Resolution Draft

To approve the update of the CEO 's employment terms, as specified above.

5.5 Required Majority

5.5.1 In accordance with the set forth in article 272(c1)(1) of the Companies Law, and taking into consideration the fact that the Bank is a banking corporation without a controlling core, the majority required for adoption of the resolution is a simple majority of the total voting rights of the stock owners

entitled to vote, and who have voted by themselves (including by way of a voting paper) or via a proxy (hereinafter, respectively: "**Simple Majority**" and "**Vote Participants**"), and only provided that one of the following is fulfilled: (1) the forum of majority votes includes a majority of all the Vote Participants who do not have a personal interest in the update of the CEO 's office terms (hereinafter: the "**Independent Shareholders**"); or (2) the total number of objecting votes from among the Independent Shareholders shall not exceed 2% of the overall voting rights in the Bank.

5.5.2 Abstaining votes shall not be considered in the quorum of votes of the Vote Participants.

5.5.3 It is clarified that in accordance with the specified in article 272(c1)(1)(c) of the Companies Law, the Remuneration Committee followed by the Board of Directors may approve the update of the CEO 's office terms even if the General Meeting objects to the approval of the update if the Remuneration Committee and after it the Board of Directors shall decide, on the basis of detailed reasons, and after discussing the update of the CEO 's office terms again, and examine in such discussion inter alia, the objection of the General Meeting.

5.5.4 For additional provisions regarding the voting in the Meeting see section 2 above.

6. AMENDMENT OF THE ARTICLES OF ASSOCIATION (details regarding section 1.3 on the agenda)

It is proposed to approve an amendment of the Bank's Articles, in accordance with the draft attached as **Annex D'**. Herein below are further details regarding the proposed amendment:

6.1 Amendment of Article 143 of the Articles regarding advance indemnification undertaking

6.1.1 Article 260(b)(1)(a) of the Companies Law states that a provision in the Articles that allows a company to grant an advance undertaking for indemnification of an officer must be limited, inter alia to an amount or a standard determined by the Board of Directors as reasonable under the circumstances.

6.1.2 The Remuneration Committee in its meeting dated July 18th 2013, followed by the Bank's Board of Directors in its meeting on August 7th 2013, resolved to approve and recommend to the General Meeting of the Bank to approve the amendment of article 143 of the Bank's Articles, in accordance with the amended draft of the Articles, attached as Annex D' to this report, in a manner in which it will be clarified in the Articles what the maximal amount shall be, that shall be paid by the Bank upon exercise of the advance indemnification granted and to be granted to all Bank officers and all Bank group officers, accumulatively.

6.1.3 According to the proposed clarification, the maximal amount of indemnification for exercise of the above specified indemnifications shall not exceed at any time a rate of 25% (twenty five percent) of the Bank's equity, as defined in the instructions of the Supervisor on Banks, as reflected in the last (annual or quarterly) financial statements, published immediately prior to the date of actual exercise of the indemnification, and only provided that the indemnification exercise does not determinedly affect the minimal capital ratio required from the Bank under the Proper Banking Management Directives of the Supervisor on Banks, all in accordance with the amended draft attached as **Annex D'** to this report.

6.2 Additional amendments of the Articles, in accordance with the provisions of the Banking Law (Legislative Amendments), 5762-2012

6.2.1 The Banking Law (Legislative Amendments) 5762-2012 published in the public records on March 19th 2012 (the "**Amendment**") includes amendments to the Banking Law (Licensing), 5741-1981, the Banking Ordinance 1941 and to section 37 of the Securities Law, 5728-1968, mainly aiming to complete previous regulation related to an event in which a banking corporation without a controlling core, and additional adjustment of the banking legislation to the supervisory framework required on the subject.

6.2.2 In light of the special importance of the provisions set forth in the Amendment for the regulation of the Bank's activity, such being a banking corporation without a controlling core, and particularly with respect to the manner of proposing and selection of Bank directors, the Bank's Board of Directors resolved on March 20th 2013 to recommend to the Bank's General Meeting to amend the Bank's Articles, mainly in order to adjust the same to the provisions of the Amendment, all in accordance with the amended draft attached as **Annex D'** to this report.

6.3 Resolution Draft

To approve the amendment of the Bank's Articles, in accordance with the draft attached as **Annex D'** to this immediate report.

6.4 Required Majority

- 6.4.1 The majority required for adoption of the resolution in section 1.3 on the agenda is a simple majority of the total voting rights of the stock owners entitled to vote, and who have voted by themselves or via a proxy.
- 6.4.2 Abstaining votes shall not be considered in the quorum of votes of the Vote Participants.
- 6.4.3 For additional provisions regarding the voting in the Meeting see section 2 above.

7. AMENDMENT OF THE LETTER OF INDEMNIFICATION (details regarding section 1.4 on the agenda)

7.1 General

- 7.1.1 The Bank's Remuneration Committee in its meeting dated July 18th 2013, followed by the Bank's Board of Directors in its meeting on August 7th 2013, resolved to approve and recommend to the General Meeting of the Bank to approve the amendment of the Letters of Indemnification Undertaking, in accordance with the draft attached as **Annex E'** to this immediate report.

7.2 Further details regarding the resolution

- 7.2.1 Members of the Remuneration Committee who participated in the Committee's discussions regarding the amendment of the Letters of Indemnification as specified above are: Advocate Haim Samet (Committee Chairman), Prof. Gabriela Shalev, Mrs. Zippi Samet and Prof. Efraim Sadka.
- 7.2.2 The directors who participated in the meetings of the Board of Directors during which the amendment of the Letters of Indemnification was discussed are: Mr. David Avner, Mr. Rami Avraham Guzman, Prof. Arie Ganz, Mr. Moshe Dovrat, Mr. Yehuda Drori, Mrs. Miriam Katz, Mr. Yoav Nardi, Mr. Haim Samet, Mrs. Zipora Samet, Mr. Amos Sapir, Prof. Efraim Sadka, Prof. Yedidia Zvi Stern and Prof. Gabriela Shalev.
- 7.2.3 The names of directors who have a personal interest and the nature of their personal interest in the approval of the amendment of the Letters of Indemnification are: all members of the Board of Directors have a personal interest in the approval of the amendment of the draft of the Letter of Indemnification provided by the Bank to directors, such constituting and integral part of their office and employment in the Bank.

7.3 Resolution Draft

To approve the amendment of the Letters of Indemnification to persons acting as directors of the Bank and to the person holding the CEO position in the Bank, in accordance with the draft attached as **Annex E'** to this immediate report.

7.4 Required Majority

- 7.4.1 In accordance with the set forth in articles 272(c1) and 273 of the Companies Law, and taking into consideration the fact that the Bank is a banking corporation without a controlling core, the majority required for adoption of the resolution in section 1.4 on the agenda is a simple majority of the total voting rights of the stock owners entitled to vote, and who have voted by themselves (including by way of a voting paper) or via a proxy (hereinafter, respectively: "**Simple Majority**" and "**Vote Participants**"), and only provided that one of the following is fulfilled: (1) the forum of majority votes includes a majority of all the Vote Participants who do not have a personal interest in the approval of the amendment of the Letters of Indemnification (hereinafter: the "**Independent Shareholders**"); or (2) the total number of objecting votes from among the Independent Shareholders to the approval of the amendment of the Letters of Indemnification shall not exceed 2% of the overall voting rights in the Bank.
- 7.4.2 Abstaining votes shall not be considered in the quorum of votes of the Vote Participants.
- 7.4.3 It is clarified that in accordance with the specified in article 272(c1)(1)(c) of the Companies Law, the Remuneration Committee followed by the Board of Directors may approve the amendment of the Letters of Indemnification even if the General Meeting objects to the approval of the amendment, if the Remuneration Committee and after it the Board of Directors shall decide, on the basis of detailed reasons, and after discussing the approval of the amendment of the Letters of Indemnification again, and examine in such discussion inter alia, the objection of the General Meeting.
- 7.4.4 For additional provisions regarding the voting in the Meeting see section 2 above.

8. RATIFICATION OF ED APPOINTMENT (details regarding section 1.5 on the agenda)

8.1 General

- 8.1.1 On August 1st 2012, the Bank's General Meeting approved the appointment of Mr. Haim Samet to the office of an External Director to the Bank, in accordance with the provisions of article 239 of the Companies Act (hereinafter: "**ED**") (in addition to two other EDs acting in the Bank), for a term of three (3) years. For further details see the Bank's immediate report on the results of the General Meeting dated August 2nd 2012 (reference no' 2012-01-200217).
- 8.1.2 Recently the Bank has learned that in August 1997 a loan transaction was executed for the purpose of acquisition of a land property, between the Bank and a company owned by Mr. Samet and other borrowers (hereinafter, respectively: "**Loan Transaction**" and the "**Borrowers**"), and that in April 2004 the balance of the above specified loan was assigned to the Bank. The Loan Transaction was secured by securities that included also the full lien of the property. The said loan was repaid in June 2013.
- 8.1.3 In addition, as reported by Mr. Samet to the Bank of Israel, Mr. Samet still has an account in the Bank (that includes deposits and securities).
- 8.1.4 Due to a bona-fide error, the existence of the Loan Transaction was not reported to the Bank by Mr. Samet before his appointment as an ED. It shall be emphasized that since April 2004 (the date of provision of the loan by the Bank) and until the date of the loan's repayment, as specified above, no modification was made to the Loan Transactions and its terms, including any modification in the two years prior to the date of the General Meeting's approval of Mr. Samet's appointment as an ED.
- 8.1.5 Notwithstanding the specified, due to a doubt that may be raised with respect to the possibility of the existence of general business ties between Mr. Samet and the Bank, such constituting a connection (even if a minor one) between Mr. Samet and the Bank, the Bank's Audit Committee examined the nature of his connections with the Bank on April 11th 2013, including the Loan Transaction, and resolved that these are minor connections, both, from Mr. Samet's perspective and from the Bank's perspective, all in light of the following reasons:
- 8.1.5.1 The Loan Transactions was provided many years prior to Mr. Samet's appointment and commencement of office as an ED of the Bank.
- 8.1.5.2 Since April 2004 (the date of provision of the loan by the Bank) and until the date of the loan's repayment, as specified above, the loan was repaid in order and no modification was made to the Loan Transaction and its terms, including any modification in the two years prior to the date of Mr. Samet's appointment as an ED. In addition, the terms of the above specified credit extension transaction were set in the year 2004, therefore during the two years prior to the date of his appointment, there were no business ties between the parties, with the exception to the regular repayment of the loan.
- 8.1.5.3 The Loan Transaction constituted provision of banking services during the Bank's ordinary course of business.
- 8.1.5.4 The Loan Transaction was approved by all authorized functions in the Bank, in accordance with the Bank's procedures, and it was conducted on acceptable market terms and on ordinary conditions with respect to a client such as Mr. Samet and the additional borrowers.
- 8.1.5.5 The Bank's incomes and profits deriving from the Loan Transaction and the level of the effect thereof on the Bank's profitability, assets and liabilities were minor, taking into consideration all banking services which the Bank provides in these fields, taking into consideration the marginal scope of the unpaid loan amounts (as specified, the loan was repaid since the subject was discussed by the Audit Committee), and taking into consideration the fact that the loan was secured by a mortgage on the land property, the value of which is estimated significantly higher than the value of the balance of the loan.
- 8.1.5.6 The nature and quality of the Borrowers and securities enable the Borrowers to receive similar financing from other banks and financial bodies on similar terms.
- 8.1.5.7 On the date of examining the matter by the Audit Committee, the balance of Mr. Samet's liabilities within the framework of the Loan Transaction was minor, taking into consideration his incomes and the scope of Mr. Samet's business, considering all his financial savings and other assets, and the fact that Mr. Samet's share in the land property, subordinated for securing of

the loan, was in an amount that was approximately three times higher than Mr. Samet's share in the loan balance.

8.1.5.8 The fact that "business retail connections between a corporation and a client" are excluded from the definition of the term "connection" in the banking legislation that sets forth the qualifications required from a director of a banking corporation without a controlling core.

8.1.5.9 The fact that on the date of the discussion in the Audit Committee, Mr. Samet undertook to repay the loan shortly and to transfer the same to another bank – a matter that was executed. The loan was repaid.

8.1.6 Based on the resolution of the Audit Committee and pursuant thereto, the Bank's Board of Directors resolved to recommend the General Meeting to ratify Mr. Samet's appointment as an ED of the Bank, in accordance with the procedure set forth in Regulation 5 of the Companies Regulations (Matters that do not constitute a connection), 5767-2006, enabling the appointment of an external director also in events in which there is a "connection" between the director and the company, and only provided that all of the following terms are complied with:

8.1.6.1 The connections are minor, both, from the candidate's and the company's point of view;

8.1.6.2 The connections commenced prior to the appointment date;

8.1.6.3 The Audit Committee approved prior to the appointment, on the basis of facts presented thereto, that the condition specified in section 8.1.6.1 above is complied with;

8.1.6.4 The existence of business or professional connections as specified, as well as the approval of the Audit Committee was brought before the General Meeting prior to the approval of the appointment.

8.1.7 For further details regarding Mr. Haim Samet, to the Bank's best knowledge, see page 523 of the Bank's 2012 periodic report published in MAGNA on March 21st 2013 (reference: 2013-01-013462).

8.1.8 Attached hereto as **Annex F'** is an amended declaration of Mr. Samet, as required in accordance with sections 224B and 241 of the Companies Law.

8.2 Resolution Draft

To ratify Mr. Haim Samet's appointment as an external director of the Bank in accordance with article 239 of the Companies Law, 5759-1999, on the basis of information brought before the General Meeting, as well as the resolution of the Bank's Audit Committee dated April 11th 2013.

8.3 Required Majority

8.3.1 In accordance with the set forth in article and 239(b) of the Companies Law, and taking into consideration the fact that the Bank is a banking corporation without a controlling core, the majority required for adoption of the resolution in section 1.5 on the agenda is a simple majority of the total voting rights of the stock owners entitled to vote, and who have voted by themselves (including by way of a voting paper) or via a proxy (hereinafter, respectively: "**Simple Majority**" and "**Vote Participants**"), and only provided that one of the following is fulfilled: (1) the forum of majority votes includes a majority of all the Vote Participants who do not have a personal interest in the appointment ratification (hereinafter: the "**Independent Shareholders**"); or (2) the total number of objecting votes from among the Independent Shareholders to the appointment ratification shall not exceed 2% of the overall voting rights in the Bank.

8.3.2 Abstaining votes shall not be considered in the quorum of votes of the Vote Participants.

8.3.3 For additional provisions regarding the voting in the Meeting see section 2 above.

8.3.4 Regarding the vote on this subject, attention is referred also to the specified in article 34(a1) of the Banking Law (Licensing), 5741-1981, according to which: "a person shall not agree with another regarding their vote for appointment of a Director in a Banking Corporation or in banking holding corporation, including with respect to their vote for termination of office, but in accordance with a permit issued by the Governor, after consultation with the Licenses Committee; this provision shall not apply on a Holders Union, as per the meaning of article 11D(a)(3)(b) of the Ordinance, regarding a vote for appointment of a Director proposed as a candidate by them in accordance with the said article, as well as on a Holder of Means of Control who has agreed with another that the other will vote in his name and on his behalf without discretion, as instructed by the holder of the Means of Control, and only provided that if the other holds Means of Control by himself in the Banking Corporation or the Banking

Holding Corporation, respectively, he shall not vote in the name and on behalf of more than one other holder".

Therefore, regarding the resolution specified in section .5 on the agenda, a proxy who is also a stock owner in the Bank can vote in the name and on behalf of only one additional stock owner.

This report was approved by the Bank's Board of Directors and was signed by the Bank's Secretary, Advocate Yael (Ben Moshe) Rudniki, on behalf of the Bank in accordance with the authority of the Board of Directors, on August 7th 2013.

By the order of the Board of Directors,

Yael (Ben Moshe) Rudniki, Adv.
Bank Secretary

Tel Aviv, August 7th, 2013

Appendix A - The Remuneration Policy For Officers of The Bank

a. Background, goals and scope

1. This document comprises the policy of the Bank in regard to the employment and service terms of Officers of the Bank (the "**Remuneration Policy**"). The Remuneration policy determines the framework for the remuneration of the Officers of the Bank, and it includes, inter alia, reference to the salary component and salary related benefits, the retirement terms, the equity remuneration component and the variable remuneration component.
2. The remuneration policy is aimed at remunerating the Officers of the Bank in accordance to the performances of the Bank and its profitability over time, including in accordance to the long term goals of the Group and the Bank, and in accordance with the actual contribution of the Officers to the achievement of these performances and goals. In addition, the Remuneration Policy is aimed at ensuring the proper balance between the fixed remuneration component and the variable remuneration component, and creating an incentive structure which promotes a well-established and effective risk management that does not encourages taking risks in excess of the risk appetite of the Bank and enables the maintenance of a strong capital structure, as well as continued long term retention of high-quality officers in the Bank, in a competitive environment.
3. The Remuneration Policy was set on the basis of organization-wide considerations, including the salary costs of groups of employees in the Bank and the desired salary differences between them as well as the salary and remuneration levels which are customary in the Israeli banking system.
4. The remuneration policy is based, inter alia, on the instructions of amendment 20 of The Companies Law (regarding the service and employment terms of Officers of a corporation); On the letter from the Bank of Israel dated 5 April 2009 which discussed the remuneration policy of a banking corporation and with notice to the draft of Proper Conduct of Banking Business directive in regard to the "Remuneration Policy of a banking corporation" which was published on that subject matter¹; On the performances of the Bank and of other Israeli banks in recent years; On recent customary employment terms and bonuses for Officers in the Bank, as well as the service and employment terms in the Israeli banking system as publicly published; on the work plans of the Bank and the risk management policy of the Bank; all with consideration to the vision and the strategy of Leumi Group and while adjusting the principles of the Remuneration Policy to the size of the Bank and the nature of its business, and to the goals and objectives which the Remuneration Policy is meant to achieve.
5. The Remuneration Policy of the Bank as detailed in this paper shall apply to the service and employment terms of Officers of the Bank to be approved as from the approval date of this Remuneration Policy and afterward, and this Remuneration Policy may not derogate from the existing commitments, as at the approval date of this Remuneration Policy, between the Bank and its Officers in regard to the terms of their service and employment in the Bank.

¹ It is hereby clarified, that the Remuneration Policy is subject to the final and binding version of this directive, as and when it will be published by the Supervision of Banks, and to legal instructions.

Without derogating from the aforementioned in this clause above, the Bank shall operate to transfer Officers of the Bank who has employment agreement of an "A Generation"² format to employment agreements with a "B Generation" format. The transfer to the terms of the B Generation as mentioned above, shall not derogate from the rights of the aforementioned Officers as they were until the transfer date.

6. The Board of Directors shall continuously monitor, inter alia through the remuneration committee of the Board of Directors, the implementation of the principles which were set in the remuneration policy. This shall include the verification by the Board of Directors, through the remuneration committee, that the remuneration incentives which were set in the Remuneration Policy do not encourage breaching the risk appetite limits and the capital policy of the Bank. Without derogating from the aforementioned, the Remuneration Policy shall be brought to the approval of the remuneration committee and the Board of Directors at least once every three years, after the remuneration committee and the Board of Directors reviewed the need for adjusting the Remuneration Policy to changes in the Bank's risk profile, and in the business and managerial environment of the Bank.
7. In this policy document, above and below, the following terms shall have the meanings which appears next to them, unless specifically mentioned otherwise in this document:
 - 7.1. **"Senior Officers"** - The Chairman of the Board of Directors of the Bank and the members of the Bank's management (including the CEO).
 - 7.2. **"Balanced Score Card"** - a score card which combines a quantitative measurement of different topics including financial and other indices (such as return on capital, capital adequacy, compliance with the risk management policy of the Bank etc'). The Balanced Score Card is used for assessing the performance of the Bank and its various units;
 - 7.3. **"Management Member"** - A member of the management of the Bank (including the CEO);
 - 7.4. **"The Companies Law"** – The Israeli Companies Law, 1999;
 - 7.5. **"Officer"** - in accordance with its meaning in section 1 of The Companies Law;
 - 7.6. **"Service and Employment Terms"** - The Service or Employment terms of an Officer, including the granting of an exemption, insurance, indemnification commitment or an indemnification under an indemnification permission, any benefit provided to an Officer in relation with the termination of his/her service in the Bank, and any other such benefit, payment or payment commitment which are provided for such a service or employment.
 - 7.7. **"Employees of the Bank"** - shall include employees of a Manpower Contractor where the Bank is their Actual Employer, and employees of a Service Contractor who are employed in the provision of a service in the Bank;
 - 7.8. **"Manpower Contractor, Service Contractor"** and **"Actual Employer"** - in accordance with the definition of these terms in the Employment of Workers by Manpower Contractors Law, 1996.

² A Generation - including workers who are member of the remuneration fund of the Leumi clerks, who began working for the Bank before 1 January 1999 and received job security before the date of signing the special collective agreement on 19.12.1999 regarding the pension agreement, and including Management Members in the A Generation format.

7.9. "The Bonus Plan" - a plan which determines the method of granting and dividing bonuses to Senior Officers of the Bank, which was set in accordance with the Remuneration Policy and is attached to this policy document as Appendix 1.

b. Remuneration of the Officers of the Bank - General

8. The remuneration provided to the Officers of the Bank shall be comprised of two main components:
- 8.1. A fixed remuneration component - which includes : A) Fixed salary; B) Salary related benefits and complementary terms ; C) Retirement terms; D) A one-time equity-based retention bonus to the CEO and the other Management Members to be provided as a stock-based equity remuneration, and E) A one-time equity-based bonus to the Chairman of the Board of Directors to be provided as a stock-based equity remuneration, as specified below;
- 8.2. A variable remuneration component - Which shall include : A) a performance based annual bonus to be provided part in cash and part as a stock-based equity remuneration, which will be based on the measurement of the business results of the Bank and of the Group, and the contribution of each of the Officers who are eligible to a bonus to the achievement of the long term goals of the Group and of the Bank considering his/her role and responsibilities; and B) a special performance based personal bonus to all or some of the Management Members (except for the CEO), to be provided in cash, based on qualitative, unquantifiable criteria.

c. Salary and complementary benefits

The Officers of the Bank will be entitled to a fixed monthly salary which may be linked to the increase in the CPI, subject to the following: the monthly salary to the Chairman of the Board of Directors and the CEO (each of them separately) shall not exceed NIS 195,000 linked to the CPI (according to the last known index on January 2013), and the monthly salary of the other Officers (each of them separately) shall not exceed NIS 130,000.

9. The salary and remuneration committee and the Board of Directors reviewed the ratio between the maximal total sum of service and employment terms which is possible under the Remuneration Policy to the Chairman of the Board of Directors, the CEO and the other Officers and the average salary and the median salary of the other Employees of the Bank, and they believe that the ratios which were presented to them are reasonable, and may not harm the working relationships in the Bank, inter alia due to the managerial role of these senior officers at the very forefront of the Bank, and the derived difference between the roles and responsibilities of these senior officers and the roles and responsibilities of the other Employees of the Bank. In addition, the committee and the Board of Directors are appeased that these ratios reflect the customary remuneration gaps in the Israeli financial system.
10. In accordance to what was set forth in section 272(D) of The Companies Law, immaterial changes in the Service and Employment Terms of Officers of the Bank (except for directors), require only the approval of the remuneration committee, if the remuneration committee confirmed that the change in the Service and Employment Terms is immaterial. For this purpose, it is hereby determined that the total immaterial changes to the Service and Employment Terms of an Officer of the Bank (except for directors) (excluding changes resulting from linkage of the remuneration components to the CPI)

which will be approved by the remuneration committee in each year, shall not exceed 5% of the Service and Employment terms of the relevant officer.

11. For the purpose of determining the fixed monthly salary of an Officer when signing a contract with him, the remuneration committee and the Board of Directors shall take into consideration the customary salary levels in the Bank (for Officers and for all the Employees of the Bank) and in the other four large banks in Israel, with consideration to the role and responsibilities of the Officer, and the remuneration committee and the Board of Directors shall also take into consideration the following considerations:
 - 11.1. The role to which the Officer is appointed and the salary he/she received in the previous role;
 - 11.2. The extent and areas of the responsibility of the Officer in Leumi Group;
 - 11.3. The retention of managers with proven capabilities in the Bank;
 - 11.4. The Officer's expertise, skills, achievements and education;
 - 11.5. The Officer's professional experience, past roles (including in the Bank), and experience in the relevant field of expertise for the role to which he/she is appointed.
12. Officers of the Bank shall be entitled to social rights, such as provisions to severance and provident funds³, provisions to a loss of work capacity insurance and provisions to a training fund.
13. Officers of the Bank shall be entitled to various complementary terms and benefits, such as: entitlement to an annual vacation, sick leave days, recuperation fees, vehicle and phones (including tax gross up), repayment of expenses in accordance with the internal rules of the Bank, professional and medical insurances, training and studies, membership fees for professional associations, discounts and benefits in banking services as customary for employees of the Bank, etc'.

d. Bonuses

14. The Bank has set forth a bonus plan based on this Remuneration Policy, which shall apply for the three years 2013, 2014 and 2015⁴.
15. The Bank views the adoption of a bonus plan for all or some of the Officers of the Bank as a very important factor in managing the Bank. A remuneration policy and an effective and appropriate bonus plan are essential for recruiting, retaining and incenting high-quality officers in the Bank in order to create a long term economic value for the Bank and its stockholders.
16. The Bonus Plan is used from motivating the Senior Officers and aligning them with the goals and strategic plan of the Bank, with consideration to its risk appetite and notice to the terms in its business and managerial environment.
17. The determination of the extent and terms of a bonus plan shall take into consideration Organization-wide concerns, the long term goals and performances of the Bank and the group and

³ Including managerial insurance, pension fund etc'

⁴ Subject to corrections and/or amendments to be approved, if approved (in accordance with the legal requirements), in the Remuneration Policy or the Bonus Plan, as the Bonus Plan and its components are shall be reviewed by the Board of Directors, through its remuneration committee, from time to time, while considering the need for changes and adjustments.

the total remuneration to Officers of the Bank, and shall also take into consideration the various retirement benefits of the Senior Officers.

18. The Bonus Plan shall include limits and caps for the bonus sums which are granted in accordance with it, and limits and caps for the bonus sums per each Senior Officer.
19. The adoption of a bonus plan by the Bank does not constitute and will not constitute a commitment by the Bank to give bonuses and does not create a liability and/or a vested right for any of the officers to receive bonuses. A bonus plan for Officers and/or bonuses which are provided in accordance with it or in any other case, does not and will not constitute part of the salary which is paid to any of them, and shall not be taken into consideration in the calculation of social provisions, compensation, retirement annuity, and shall not be considered a complementary benefit of any type or kind of any of the Officers.
20. The Bonus Plan includes, inter alia, provisions which guarantee that : A) in accordance to what was set in The Companies Law, an Officer shall repay the Bank any bonuses which were paid to him if they were paid to him on the basis of data which was revealed to be erroneous and was restated in the Bank's financial statements, in a manner and method to be determined by the remuneration committee of the Board of Directors; and B) an officer of the Bank shall not enter personal hedging arrangements which may cancel the risk sensitivity effects which are inherent to the Bonus Plan.
21. The Bonus Plan shall not encourage taking risks beyond the risk appetite of the Bank, and shall maintain a proper balance between the variable remuneration components and the fixed remuneration components. Accordingly, the Bonus Plan shall include an annual performance based bonus, a special annual personal bonus for Management Members (excluding the CEO), a one-time equity-based retention bonus to the CEO and the Management Members (all of them or some of them) and a one-time equity-based bonus to the Chairman of the Board of Directors, as follows:

d. 1. Variable remuneration - performance based annual bonus and special personal bonus

22. The Bonus Plan shall include a performance based annual bonus ("**The Annual Bonus**"). the Annual Bonus shall be provided half in cash and half in rights for shares of the Bank (in accordance to a minimal predetermined share price), while receiving these shares shall be spread over a few years. The threshold conditions for receiving the Variable Remuneration (as defined bellow) are: The entitlement of the employees of the Bank to a bonus for the relevant year⁵ and the compliance of the Bank in the relevant year with the capital adequacy ratios which are required by the Bank of Israel Directives.

The Variable Remuneration shall include a special personal bonus (for Senior Officers other than the Chairman of the Board of Directors and other than the CEO) to be provided in cash, as stated in section 31 below ("**Special Personal Bonus**", and together with the annual bonus: "**The Variable Remuneration**"), provided that the Annual Bonus and the Special Personal Bonus to all of the Senior

⁵ The employees of the Bank are entitled to a bonus when the rate of return on equity of the Bank is 7.5% or higher.

Officers of the Bank shall not collectively exceed NIS 28 million per year (linked to the increase in the known CPI index as at January 2013)⁶.

The sum of the performance based Variable Remuneration (which includes the Annual Bonus and the Special Personal Bonus)⁷ for each of the Senior Officers separately shall not exceed 55% of the total Service and Employment Terms of that Senior Officer in one year⁸.

23. The Bonus Plan provides the Board of Directors an unrestricted discretion to decrease the sum of the Variable Remuneration, including but not limited to, the authority to decide, to its discretion, following the approval and the recommendation of the remuneration committee of the Board of Directors, whether to decrease, and to what extent, the sum of the Annual Bonus for a certain year and for that purpose, the Board of Directors shall take into consideration substantial earnings of the Bank which, in the Board of Directors belief, did not result from normal activities, as well as material losses in that year⁹.
24. The Board of Directors shall have the authority, following the approval and recommendation of the remuneration committee, to update in advance, at the beginning of each year, the link between the sum of the Annual Bonus and the return on equity of the Bank in that year, through changing the return brackets which entitle to an Annual Bonus in accordance with the Bonus Plan by up to 1 percentage point. However, it is hereby clarified, that the Board of Directors may not lower the minimal return on equity bracket which entitles an Annual Bonus.
25. The Annual Bonus in a relevant year shall be determined based on the return on equity of the Bank, which will be standardized (in rates which will be determined in the Bonus Plan), as follows:
 - 25.1. By comparing the return of equity of the Bank with that of the banking system;
 - 25.2. By the long and short term business and profit results of the Bank and of the Group, compliance with the Bank's strategy and work plan, as well as compliance with the goals of the Bank in the areas of risk management and compliance with the capital adequacy goals, and compliance with laws, regulatory directives and Bank procedures, through the Balanced Score Card. At the beginning of each year, the Board of Directors shall discuss and approve, after receiving the recommendations and approval of the remuneration committee, in advance, the

⁶ The maximal sum of the Annual Bonus was determined while taking into account the Chairman of the Board of Directors, the CEO and 13 other Management Members, and in case the number of Senior Officers in the Bank increases/decreases, the Annual Bonus to all of the Senior Officers of the Bank shall increase/decrease by up to 5% for each Senior Officer to be added to / subtracted from the aforementioned Senior Officers list (without changing the share of the Chairman of the Board of Directors and the CEO. I.e., the share of the Chairman of the Board of Directors and the CEO out of the Annual Bonus sum shall be adjusted and diminished if the number of Senior Officers increases, and their share shall be adjusted and increase in case the number of the Senior Officers diminishes).

⁷ For the purpose of calculating the aforementioned maximal ratio: A) the measurement shall be carried out by spreading the components over the Compensation Plan period relatively for each year, and B) the Variable Remuneration does not include the one-time equity remuneration.

⁸ In accordance with the decision of the remuneration committee and the Board of Directors, if the Chairman of the Board of Directors' share for 2013 only, shall exceed 55% of the total Service and Employment terms of the Chairman for that year, than this breach shall be considered to be approved.

⁹ It should be noted, that in accordance with the draft directive by the Supervisor of Banks (which is mentioned in section 4 of this policy document), the Supervisor of Banks may also order to limit the variable remuneration payment.

parameters and weights in the Balanced Score Card for that year, based on the work plan of the Bank.

26. The Annual Bonus sum of each of the Senior Officers shall be determined, inter alia, based on his/her contribution to the achievements of the goals of the Bank and the Group in the long and short terms, and the role and responsibilities of the Senior Officer in the Bank and in the Group, based on the Balanced Score Card of the Senior Officer (or of the Bank in the context of the Chairman of the Board of Directors and the CEO). The Annual Bonus sum of each of the Management Members (other than the CEO) shall also be based on a personal assessment score which will be provided retroactively soon after the end of the relevant year by the Board of Directors (after the Board had received the recommendations of the CEO on that matter).
27. The remuneration of Senior Officers who are involved in the supervision and control processes of the Bank (such as the Internal Auditor, the Chief Accountant and the CRO) shall also take into consideration the importance and sensitivity of the roles of these Senior Officers.
28. The sum of the Annual Bonus which could be granted to the CEO shall not exceed 20% of the total Annual Bonus for all of the Senior Officers combined, in the relevant year, and the sum of the Annual Bonus which could be granted to the Chairman of the Board of Directors shall not exceed 16% of the total Annual Bonus to all of the Senior Officers combined, in the relevant year.
29. The Board of Directors, after receiving the approval and recommendation of the remuneration committee, shall approve, every year, the Annual Bonus sum for the relevant bonus year, which will be calculated by an external expert.
30. The Annual Bonus payments shall be spread over an additional two years and their payment and/or actual granting shall be stipulated upon the return on equity in the subsequent spreading years and the compliance of the bank with the capital adequacy ratios.
31. As mentioned above, the Bonus Plan shall also include a performance based special personal bonus. The Special Personal Bonus shall be given to Management Members (who are not the CEO), provided that the Special Personal Bonus sum shall not exceed NIS 1 million per single Management Member and shall not cumulatively exceed NIS 3 million (for all of the Management Members). The Special Personal Bonus shall be dependent upon predefined unquantifiable qualitative criteria in the relevant year, such as: 1) the contribution of the Management Member to the planning of the strategy of the Bank; 2) implementation, execution and promotion of strategic plans and goals, including streamlining plans, which were predefined for a Management Member; 3) initiating, leading and promoting special processes and projects of the Bank, which were predefined to the Management Member, inter alia in the business or structural area of the Bank or the Group, and also in the area of ethics.

d. 2. Variable Remuneration to other (non-Senior) Officers

32. Without derogating from the aforementioned on the remuneration of the Senior Officers of the Bank, the entitlement of the other Officers of the Bank (who are not Senior Officers)¹⁰ ("**The Other**

¹⁰ In addition to and beyond the Bonus Plan for the Senior Officers as mentioned above.

Officers") to a performance based variable remuneration, shall be subject to the following principles or to a remuneration plan, which will be subject to the approval of the Board of Directors, for all of the employees of the Bank or for other key employees of the Bank, all or some of them¹¹:

32.1. The annual bonus for each of the Other Officers, if granted, may be provided in cash¹², and may be spread over a period of a few years, all in accordance and subject to a decision of the remuneration committee of the Board of Directors and the Board of Directors of the Bank.

32.2. The total annual bonus to each of the Other Officers shall be determined on the basis of a weighted score which will be comprised of 70% personal score, according to the Balanced Score Card, and 30% personal assessment which shall be determined by the Board of Directors (which will consider for that matter the recommendation of the CEO), and on the basis of the average Annual Bonus sum granted to the Management Members of the Bank (excluding the CEO) for the relevant year, provided that the total annual bonus to each of the Other Officers shall not exceed in any case (75%) of the aforementioned average sum.

32.3. It is hereby clarified, in order to avoid any doubt, that in case the Senior Officers will not be entitled in a certain year to an Annual Bonus according to the Bonus Plan for any reason whatsoever, the Other Officers shall not be entitled to an annual bonus for that year as well.

33. The Other Officers shall be entitled to participate in an equity-based remuneration plan which will be approved by the Board of Directors, if such an equity-based remuneration plan shall be approved by the Bank, for the employees of the Bank or for a group of employees of the Bank.

d. 3. Fixed remuneration - the equity-based retention bonus (The "One-Time Equity Bonus")

34. The Bonus Plan shall also include a one-time equity bonus (retention bonus) to the CEO and all or some of the other Management Members, which shall be granted through rights for shares of the Bank.

35. The One-Time Equity Bonus is aimed at ensuring the increased interest of Senior Officers in the success of the Bank and in its business results.

The granting of the One-Time Equity Bonus shall be spread over a period of time and the value of the One-Time Equity Bonus shall be limited to a maximum of NIS 25 million for all of the years of the Bonus plan, for all of the Management Members combined (including the CEO), and its granting shall be conditioned upon the continued service of the relevant Management Member in the Bank or in the Group.

36. The Bonus Plan shall determine the ratio between the value of the One-Time Equity Bonus which shall be given to the CEO and the value of the One-Time Equity Bonus which shall be given for the other Management Members (who participate in the plan), so that the share of the CEO shall not exceed 25% of the total One-Time Equity Bonus. In addition, the maximal share of each of the other

¹¹ In accordance with the requirements of the draft directive by the Bank of Israel regarding the remuneration policy of a banking corporation.

¹² Unless the Board of Directors decides, after receiving the approval and recommendation of the remuneration committee, to provide some or all of the bonus as an equity component.

(non-CEO) Management Members in the One-Time Equity Bonus shall not exceed 16 ⅔% of the total One-Time Equity Bonus¹³.

37. The distribution of the one-time equity bonus among the other Management Members shall be made by the Board of Directors (after the receipt of the recommendation of the CEO) , with consideration inter alia to the role, responsibilities in the Bank, expertise and professional experience of the relevant Management Member, guaranteeing his continued long term service in the Bank, and also with attention to whether the Management Member has A Generation rights in the Bank or other rights.

d. 4. Fixed remuneration - the one-time equity bonus to the Chairman of the Board of Directors (The "One-Time Equity Bonus to the Chairman")

38. The Bonus Plan shall include a one-time equity bonus, which shall be granted through rights for shares of the Bank to whoever will be elected as Chairman of the Board of Directors of the Bank following the General Assembly of the Bank of 2013.

39. The One-Time Equity Bonus to the Chairman shall be equally spread over a 3 years period. I.e., at the end of each of the years - the first, the second and the third¹⁴ - the elected Chairman will be entitled to one third of the one-time equity bonus.

The Value of the One-Time Equity Bonus to the Chairman (at the time of granting) shall be limited to a maximum of up to NIS 1.66 million per annum (and up to NIS 5 million in total), and its granting shall be conditioned upon his continued service in the Bank. The sum of the One-Time Equity Bonus to the Chairman shall be determined by the Board of Directors after receiving the approval and recommendation of the remuneration committee, while taking into account, inter alia, the following considerations: His/her professional experience, including financial experience, banking experience and managerial experience in large corporations, His/her expertise, public reputation and achievements.

e. Insurance, exemption and indemnification

40. The provision of Insurance, exemption and indemnification to the Officers of the Bank for the fulfillment of their roles in the Bank and/or subsidiaries or other companies on behalf of the Bank,

¹³ The aforementioned value of the One-Time Equity Bonus was determined while taking into account the CEO and 13 other Management Members, where in the case new Management Members shall join the Bank during the Remuneration Policy period, the remuneration committee and the Board of Directors may approve, following a recommendation from the CEO, to grant to up and no more than two (2) such new Management Members a one-time equity bonus in terms which are identical to the terms of the One-Time Equity Bonus (except in regard for the vesting time of the stock entitlement, which shall be determined in accordance to the date of providing the equity bonus to these new Management Members), in an additional value of up to 5% of the total sum of the One-Time Equity Bonus, for each of the new Management Members which were thus added.

¹⁴ Notwithstanding the aforementioned, the third and final vesting date shall be at the end of the third year from the date of such a grant or on the date of the third Annual General Assembly of the Bank following the Annual General Assembly of the Bank for the year 2013, the earlier of the two.

shall be provided by the Bank to the Officers subject to the legal requirements and the Bank's Articles of Association.

41. Subject to the approval of the remuneration committee, the approval of the Board of Directors and/or the approval of the General Assembly, as required, the Bank customarily updates its Articles of Association and its commitment to indemnify the officers, in accordance with legal changes. In addition, the commitment to indemnify Officers in advance is limited to events which the Board of Directors believes to be expected in light of the actual operations of the Bank. The Bank customarily updates the list of events for which the indemnification is provided, in accordance with and subject to the decisions of the remuneration committee, the decisions of the Board of Directors and/or the General Assembly, with consideration of the changes and developments in the nature and extent of the legal risks to which the Bank is exposed from time to time.

Without derogating from the aforementioned, the maximal sum to be paid by the Bank as a result of exercising the indemnifications shall not exceed at all times 25% of the "total equity of the Bank" as defined by the Directives of the Supervisor of Banks and reflected in its latest financial statements (annual or quarterly) which shall be published soon before the date of exercising the indemnification, providing that exercising the indemnification shall not negatively affect the minimal capital ratio which is required from the Bank in accordance with the directives of the Supervisor of Banks.

42. The Bank customarily purchases an insurance policy against the liability of directors and other Officers of the Bank and of the Group, in accordance to a framework decision, which was approved in the General Assembly on November 4, 2010, and which authorized the Bank in advance to purchase such a policy from time to time and for several insurance periods until no later than the end of 2015 (without requiring additional approval from the General Assembly), subject to the terms as mentioned in the aforementioned framework decision.
43. In addition, the Bank is authorized to purchase a Run Off insurance policy for against the liability of directors and other Officers of the Bank and of the Group in accordance with the approval of the General Assembly from 1 August 2012 (without requiring additional approval from the General Assembly), before a transfer, acquisition or generation of control of the Bank by any person or entity in any way, subject to the conditions as mentioned in the decision of the General Assembly.
44. The Bank's Articles of Association set forth, that the Bank may exempt in advance an Officer from his/her liability, for damages due to the breach of the Duty of Care toward the Bank, except due to a breach of the Duty of Care in a "distribution" (in accordance with the meaning of this term in The Companies Law). Accordingly, the Bank exempted in the past the Officers and other employees of the Bank (which are under personal employment agreement). It is hereby clarified, that all that is mentioned in this section above is only mentioned in order to illustrate facts and does not set a future policy regarding the exemption of Officers of the Bank.

f. Retirement terms

45. The pension rights of Officers of the Bank who have an A Generation¹⁵ personal contract with the Bank, in case of termination or retirement, shall be as follows:

45.1. In case of termination or retirement, such Officers shall be entitled to an immediate pension annuity, if they accumulated an age plus work tenure of 75 years in total, or 80 years under the new agreements, with the years of service as a Management Member (if the Senior Officer served at least 7 years as a Management Member) shall be counted as additional tenure years for the aforementioned year accumulation. The pension rate for Management Members shall be 2.67% for the first 15% years and 2% per year for each additional year in which the such Officer did not serve as a Management Member (and if the Officer is not a Management Member - 1.5%), or 2.5% for each year in which the Officer served as a Management Member (and if the Officer is not a Management Member - 2%), all up to a maximal rate of 70%. In case the Officer elected as aforementioned, his/her right to receive a pension annuity from the Bank is conditioned upon using all of the rights and funds accumulated for the benefit of the Officer in the Remuneration and Compensation fund as a source for the payment of such a retirement annuity from the Bank.

45.2. Alternately, such Officer may elect, in case of termination or retirement, severance payments amounting to 200% (and only in case of termination, in case the Officer did not accumulate age plus work tenure of 75 or 80 years as mentioned above - 250%) of the last monthly salary per each of work in the Bank, in addition to the funds which were accumulated in the compensation fund, and in such a case the Officer will not be entitled to an unfunded pension.

46. Officers who have personal contracts - who are not A Generation employees - shall not be entitled to a pension from the Bank in case of termination and/or retirement, rather to a compensation in an amount of no less than 200% and no more than 250% of the last monthly salary per each year of work in the Bank in addition to the funds which were accumulated in the compensation fund (and the Officer has to return to the Bank a sum amounting to the provisions for severance payment which were made for him). In addition, in case of a termination of an Officer who is a member of a specific group of B Generation managers of the Bank and who was 55 years or older at the time of termination and whose tenure in the Bank was 25 years or more, such an Officer may elect to receive, in lieu of the aforementioned compensation, all of the funds and rights in the compensation and remuneration fund, and until the date of the eligibility for receiving them in accordance with the terms of the by-laws of the fund and the legal instructions, he/she will be entitled to receive an annuity from the Bank.

¹⁵ A Generation - including workers who are member of the remuneration fund of the Leumi clerks, who began working for the Bank before 1 January 1999 and received job security before the date of signing the special collective agreement on 19.12.1999 regarding the pension agreement, and including Management Members in the A Generation format.

47. The Board of Directors, after receiving the decision and recommendation of the remuneration committee of the Board, may determine, that in regard to a very senior officer the aforementioned retirement terms shall apply, in whole or in part, also in the case of a resignation of that officer.

For details on the existing employment terms of the Senior Officers and the other Officers of the Bank - see the annual financial statements of the Bank.

48. the Bank shall operate to transfer Officers who has employment agreement of an A Generation format to employment agreements with a B Generation format. After the transfer to the terms of the B Generation as mentioned above, the rights of the aforementioned Officers in case of retirement, for the frozen salary (the salary as at the date of transfer of said Officer from A Generation to B Generation, linked to the CPI), shall be the rights according to the A Generation terms as mentioned in section 45 above, in addition to B Generation rights for the additional salary beyond the frozen salary.

49. Without derogating from the aforementioned in section 47 above, an Officer who will resign of his own free will from the Bank will be entitled to severance payment amounting to 100%¹⁶ of the last monthly salary multiplied by the number of years he/she worked in the Bank plus the funds in the remuneration fund. In addition, a Management Member who will resign from his/her work in the Bank upon arriving to the age 62 or older will be entitled to such a severance payment amounting to 200%¹⁰.

50. A termination of the employer-employee relationship between the Bank and an Officer shall be executed by a prior notice of one party to the other of up to 6 months in advance, where in the prior notice period the Officer will be entitled to salary and all other complementary benefits.

51. A termination of the employer-employee relationship between the Bank and Officers may include additional non-material benefits, such as entitlement to purchase the Bank's vehicle (in the customary terms in the Bank for senior employees), and benefits as is customary in the Bank for senior pensioners, such as medical examination, recuperation fees, newspaper, gift for the holidays, discount on the account management fees etc'.

52. The policy of the Bank is to require the Officers to commit to a non-competition period of 6 months from the date of the termination of their actual work in the Bank, except for the CEO, in regard to whom the Bank may require a longer non-competition period. During the non-competition period the Officers shall be entitled to a salary and complementary benefits (except for social benefit provision). Nevertheless the aforementioned, in the period when the non-competition overlaps the prior notice period in whole or in part, the Officer will be entitled for payment only for the prior notice period.

g. Remuneration of directors

53. The aforementioned remuneration policy applies to the Chairman of the Board of Directors, as relevant. The Remuneration Policy does not apply to the other directors, except for sections 40 to 44 above. The policy of the Bank is that the Remuneration paid to all of the directors of the Bank

¹⁶ And a B generation Officer must repay the Bank a sum in the amount of the provisions for severance payments

(except for the Chairman of the Board of Directors) is an "Annual Compensation" and a "Meeting Participation Compensation", in the amount of the "Maximal Sum" for an External Director or an Expert External Director, as relevant, all in accordance with the Companies Act Regulations (rules on compensation and expenses for an external director), 2000, as they may be from time to time.

h. Miscellanea

54. Nothing from what is stated in this Officers Remuneration Policy may harm and/or derogate from the entitlement of the Officers of the Bank to rights and/or benefits, in addition to what is stated in the Remuneration Policy and as may be, in regard to the arrangements for the privatization of the Bank, including participation in arrangement and/or offers to the employees to purchase stocks of the Bank from the state.

Appendix B - Bonus Plan for Senior Officers of the Bank

1. General

- 1.1. This Plan was set in accordance with the Remuneration Policy by the Board of Directors of the Bank, after receiving the approval and recommendation of the remuneration committee of the Board of Directors, and it constitutes an implementation of the Bank's Remuneration Policy in regard to the following remuneration components: Annual performance based bonus, the annual special personal bonus to Management Members (who are not the CEO), a one-time equity-based retention bonus for the CEO and Management Members and a one-time equity-based bonus to the Chairman of the Board of Directors, all as detailed extensively below. The Plan does not apply to the salary components, including the base salary of the Senior Officers and their social benefits or retirement terms. However, the remuneration components which are included in the Plan were set with consideration to all of the remuneration components which are provided to the Senior Officers.
- 1.2. The principles of the Plan were formulated in accordance with the relevant legal provisions as on the date of its approval in the Board, and its instructions are subject to the legal provisions as may be from time to time, including the directives of the Supervisor of Banks in regard to the Remuneration Policy in Banking Corporations¹.
- 1.3. The bonuses (whether if monetary or equity-based) which are included in the Plan, in accordance with the Remuneration Policy, are not part of the salary which is paid to the Senior Officers². As such, they shall not be taken into consideration when calculating social provisions, compensation or retirement annuity, and shall not be considered to be a complementary term of any type or kind for any of the Senior Officers.
- 1.4. The Plan and its components shall be reviewed from time to time and at the beginning of each year by the Board of Directors, through its remuneration committee, while considering the requirement to make changes and adjustments to the Plan, including on the basis of, inter alia, the experience which will be accumulated during the implementation of the Plan and in accordance with the changes in the law and in the business and managerial environment in which the Bank operates. It is hereby clarified that the remuneration committee of the Board of

¹ In this context it should be noted, that retroactive changes may apply to the plan (from 1 January 2013), due to the the Supervisor of Banks requirements. It should be further noted, that in accordance with the draft directive of the Supervisor of banks regarding "the remuneration policy in a banking corporation", the supervisor may limit the payment of variable remuneration components to any of the Senior Officers.

² Except for the purpose of tax withholding, as required by law.

Directors may change the Plan to its discretion and subject to all legal requirements, subject to the approval of the Board of Directors and subject to the approval of the General Assembly, as legally required.

- 1.5. This Plan does not constitute a commitment of the Bank toward any of the Senior Officers to provide bonuses (monetary, equity-based or other), and this Plan creates no vested rights for any of the Senior Officers, and creates no vested rights for a third party.

2. **Definitions**

- 2.1. "**Balanced Score Card**" - a score card which combines a quantitative measurement of different topics including financial and other indices (such as return on capital, capital adequacy, compliance with the risk management policy of the Bank etc'). The Balanced Score Card is used for assessing the performances of the Bank and its various units;
- 2.2. "**Senior Officers**" - The Chairman of the Board of Directors of the Bank and the members of the Bank's management (including the CEO).
- 2.3. "**The Annual Bonus**" - A performance based annual bonus, in accordance with the instructions of this program.
- 2.4. "**Return on Equity**" - the return on equity of the net profit of Leumi Group to the shareholders of the Bank in accordance with the financial statements of the Bank.
- 2.5. "**Management Member**" - A member of the management of the Bank (including the CEO)
- 2.6. "**Weighted Score of the Bank**" - the score of the Bank for each Bonus Year in accordance with this Plan, to be provided in the range of 80-120 points, as set forth in section 4.5 below.
- 2.7. "**The Standardized Rate of Return on Equity**" - the rate of return which is generated by the calculation in section 4 below.
- 2.8. "**The Bonus Year**" - the calendar year for which the bonus is given.
- 2.9. "**PSU**" - restricted performance share units which constitute a deferred and conditioned right to receive common shares with a nominal value of NIS 1 each of the Bank, with the right to receive the shares as a result of the business results of the Bank and the Group.
- 2.10. "**RSU**" - restricted share units which constitute a deferred and conditioned right to receive common shares with a nominal value of NIS 1 each of the Bank, with the right to receive the shares upon the continued work of the relevant Senior Officer in the Bank until each of the vesting dates.

3. Preconditions for the provision of the Annual Bonus and the special personal bonus

In the occurrence of one of the events which are listed below for the Bonus Year, the Senior Officers shall not receive an Annual Bonus as mentioned in section 4 below and a Special Personal Bonus shall not be given to any of the Other Senior Officers as mentioned in section 5 below:

3.1. The other employees of the Bank are not entitled to a bonus for the Bonus Year³.

3.2. The Bank did not meet all of its capital adequacy ratios as required by the Directives of the Supervisor of Bank, in accordance with the Bank's financial statements, in the Bonus Year.

In addition, a Senior Officer will not be entitled to an Annual Bonus in the occurrence of an event which allows the Bank to dismiss him/her without compensation.

4. The Annual Bonus.

4.1. General

The Bonus Plan sets the method for determining the performance based Annual Bonus to Senior Officers for each of the years 2013, 2014 and 2015⁴. The Annual Bonus is based, inter alia, on the Return on Equity rate, the annual performances of the Bank in comparison to the goals which were set by the Board of Directors and in comparison with the other banking groups, the performances of the relevant units for the assessment of the performance of each of the Management Members, and the development of the business results of the Bank over time.

4.2. The method for determining the Annual Bonus in accordance with the Bonus Plan

The performance based Annual Bonus for the Senior Officers of the Bank shall be determined in accordance with what is specified below. **At the first stage**, the extent of the Annual Bonus for all of the Senior Officers will be determined by the business results of the Bank and the Group and their comparison with those of the banking system. **At the second stage**, the division of the Total Annual Bonus sum between the Senior Officers will be determined, while taking into consideration the

³ The employees of the Bank are entitled to a bonus when the rate of Return on Equity of the Bank is 7.5% or higher.

⁴ Subject to amendments and/or changes that will be approved, if approved (as legally required), in the Remuneration Policy and or the bonus plan.

measurement of their performances and the performances of the units under their responsibility in the Bonus Year.

4.3. Determining the extent of the total Annual Bonus for the Officers.

4.3.1. The extent of the Total Annual **Bonus** to all of the Senior Officers (hereinafter: "**The Total Annual Bonus**") shall be determined on the basis of the Standardized Rate of Return on Equity of the Bank in the Bonus Year. For that purpose, the rate of Return on Equity of the Bank shall be standardized according to the Weighted Score of the Bank, as specified in section 4.5 below.

4.3.2. The calculation of the "Standardized Rate of Return on Equity " shall be executed through the following calculation formula :

$$\text{Return on Equity (\%)} + \frac{\text{Weighted Score of the bank} - 100}{20} * 2\%$$

The standardization may lead to an increase or decrease of up to 2% in the Return on Equity. I.e., the Standardize Rate of Return on Equity may be higher or lower than the Bank's rate of Return on Equity by 2 percentage points at most.

4.3.3. Only a Standardized Rate of Return on Equity of more than 6% shall entitle the Senior Officers of the Bank to an Annual Bonus in accordance with the terms of this Bonus Plan.

If the Standardized Rate of Return on Equity will be 6%, the extent of the Total Annual Bonus will be zero (0) ("**The Bottom Bracket**"); if the Standardized Rate of Return on Equity will be 8.5%, the extent of the Total Annual Bonus will be NIS 19.5 million⁵ ("**The Middle Bracket**"); if the Standardized Rate of Return on Equity will be 11% or more, the extent of the Total Annual Bonus will be NIS 28 million ("**The Top Bracket**")⁶;

4.3.4. The extent of the Total Annual Bonus (for all of the Senior Officers) shall not surpass NIS 28 million⁷ (per one Bonus Year) in any case.

⁵ Linked to the increase in the known CPI as at the beginning of January 2013.

⁶ Linked to the increase in the known CPI as at the beginning of January 2013

⁷ Linked to the increase in the known CPI at the beginning of January 2013

In case the Standardized Rate of Return on Equity will fall in a range between the aforementioned values, the extent of the Total Annual Bonus will be determined linearly between the two nearest values.

4.3.5. Notwithstanding the aforementioned, the Board of Directors of the Bank, after receiving the approval and recommendation of the remuneration committee, may decide at the beginning of every Bonus Year on an increase of the Bottom Bracket, the Middle Bracket or the Top Bracket in a range of 1% at most for each such bracket, or to decide at the beginning of every Bonus Year on a decrease of the Middle Bracket or the Top Bracket in a range of 1% at most for each such bracket. It is hereby clarified, that the Board of Directors of the Bank may not decide to lower the Bottom Bracket.

4.4. Discretion to decrease the Annual Bonus sum

The Board of Directors, following the approval and the recommendation of the remuneration committee of the Board of Directors, may decide, to its discretion, to decrease the sum of the Annual Bonus by an unlimited sum. This includes the authority of the Board of Directors to decide, following the approval and the recommendation of the remuneration committee of the Board of Directors, whether to decrease, and to what extent, the sum of the Annual Bonus for a certain year and for that purpose, the Board of Directors shall take into consideration substantial earnings of the Bank which, in the Board of Directors belief, did not result from normal activities, as well as material losses in that year⁸.

4.5. Determining the Weighted Score of the Bank for the purpose of calculating the Standardized Rate of Return on Equity

The Weighted Score of the Bank in each Bonus Year shall be determined on the basis of 2 parameters, with each of these parameters receiving a score in the range of 80-120 points, as follows:

4.5.1. Thirty percent (30%) of the Weighted Score of the Bank will be determined by a comparison between the actual Return on Equity in the Bonus Year with the average weighted return on equity of the other four large Israeli banks⁹ in that year;

⁸ It should be noted, that in accordance with the draft directive by the Supervisor of Banks also the Supervisor of Banks may order to limit the variable remuneration payment.

⁹ Bank Hapoalim, Bank Discount, Bank Mizrahi-Tefahot, and Habank Habenleumi

4.5.2. The remaining seventy percent (70%) of the Weighted Score of the Bank will be determined by the Balanced Score Card (BSC) of the Bank for the Bonus Year (excluding the return on equity goal).

The performance indices and their weights in the BSC shall be determined on the basis of the work plan of the Bank for the Bonus Year, and shall be brought for the approval of the Board of Directors of the Bank and its remuneration committee at the beginning of each Bonus Year. The aforementioned performance indices shall be based, inter alia, on annual milestones for the achievement of the long term strategic goals of the Bank, and may include: A) financial or quantitative operational data, such as: number of customers, extent of credit and market share; B) operational accounting ratios (except for return on equity) such as efficiency and capital adequacy ratios; C) milestones in the promotion of long term projects; D) streamlining.

4.6. The division of the Total Annual Bonus sum between the Senior Officers.

The division of the Total Annual Bonus sum between the Senior Officers as specified below, takes into consideration, inter alia, the role of each Senior Officer and his/her responsibilities in the Bank and in the Group.

4.6.1. The sum of the Annual Bonus to the Chairman of the Board of Directors shall be 15.08% of the Total Annual Bonus sum, providing that it will not exceed 55% of the total Service and Remuneration Terms¹⁰ of the Chairman of the Board of Directors in the Bonus Year¹¹.

4.6.2. The sum of the Annual Bonus to the CEO shall be 18.85% of the Total Annual Bonus sum, providing that it will not exceed 55% of the total Service and Remuneration Terms⁹ of the CEO in the Bonus Year.

4.6.3. The sum of the Annual Bonus for all of the other Senior Officers, who are not the Chairman of the Board of Directors or the CEO (hereinafter: "**the Other Officers**"), shall be determined on the basis of the normative relative part of each of the Senior Officers in the bonus, according to his role in the Bank, and on the basis of his personal score. All as specified below:

¹⁰ For the purpose of calculating the aforementioned maximal ratio: A) the measurement shall be carried out by spreading the components over the plan period relatively for each year, and B) the variable remuneration does not include the one-time equity remuneration.

¹¹ In accordance with the decision of the remuneration committee and the Board of Directors, if the Chairperson of the Board of Directors' share for 2013 only, shall exceed 55% of the total Service and Employment terms of the Chairperson for that year, than this breach shall be considered to be approved.

4.6.3.1. The Normative Relative Part: The Normative Relative Part shall mean the relative part of the Senior Officer in the Total Annual Bonus at the beginning of each year, according to the role which is fulfilled by the Senior Officer in the Bank. The Normative Relative Part shall be determined in advance by the remuneration committee and the Board of Directors at the beginning of each Bonus Year, according to the recommendation of the CEO, at a range of 40-120 for each Senior Officer (with the relative share of the heads of the business divisions usually being higher than the share of the other Management Members.)

4.6.3.2. Personal score : A weighted personal score at the range of 80-120 points, which will consist of the following two:

- A) 70% from the BSC of the unit for which the Senior Officers is responsible, after an adjustment of the range to the range of 80-120;
- B) 30% from a personal assessment score to be provided by the Board of Directors soon after the end of the Bonus Year, in accordance with the recommendation from the CEO and its rationale.

Notwithstanding the aforementioned, the personal assessment score of the Chief Internal Auditor shall be determined by the Audit Committee, and the personal assessment scores of the Chief Risk Manager and the Chief Accountant, which will be determined by the Board of Directors as mentioned above, will be subject to the approval of the Audit Committee.

The criteria for determining the personal assessment score of each of the Other Officers may include a review of: A) The quality and nature of his/her management skills; B) The contribution to the operation and to the current business results; C) Leading streamlining programs and meeting the goals which were derived from them; D) The contribution to the strategic planning of the Bank as well as implementation, promotion and execution of strategic plans and goals; E) Implementation, execution and promotion of substantial investment and/or acquisition plans (including acquisitions which may dilute the current profitability) and/or substantial asset disposals; F) Initiation and leading of projects in various areas, such as: Automation, mergers, spin-offs, changing the remuneration system, establishment or abolishment of divisions, structural changes; G) The contribution to the control of the risk level; H) Meeting

compliance goals for laws, regulations and regulatory instructions; I) Leading the implementation, promotion and execution of projects related to environment and safety; J) Promotion of projects and processes related to the area of ethics in the Bank; K) Material findings of internal and external audit reports; L) Failure events; M) Leadership and interpersonal relations; N) Professionalism.

- 4.6.3.3. The personal weighted score will be multiplied by the normative relative part of each Senior Officer in the Bonus, and the remainder of the Total Annual Bonus (after subtracting the bonuses to the CEO and to the Chairman) shall be divided between these Senior Officers, with each Senior Officer receiving his/her relative share (which corresponds to the share of the multiplication sum generated for that Senior Officer out of the sum of the multiplication sums which were generated for all of the "Other Officers" (in accordance to the definition of this term above)).
- 4.6.3.4. Notwithstanding the aforementioned, the Annual Bonus for each of the Other Officers (together with the Special Personal Bonus) shall not exceed 55% of the total Service and Remuneration Terms of that Senior Officer in the Bonus Year. Bonus sums which will be detracted in order to adjust to this cap shall be divided amongst the other officers or some of them in accordance with the decision of the remuneration committee and/or the Board of Directors after receiving the recommendation of the CEO.
- 4.6.3.5. The total bonus sum is based on 15 Senior Officers of the Bank (the Chairman of the Board of Directors, the CEO and 13 other Management Members) for which the Bonus Plan applies. If the number of Management Members on which the Bonus Plan shall apply will be other than 13, the extent of the Total Annual Bonus will be adjusted by increasing or decreasing it by 5% for each Management Member who was added or subtracted. It is hereby clarified, that the amounts to be paid to the Chairman of the Board of Directors and to the CEO from the Total Annual Bonus sum will not change in case of such a change in the number of Management Members¹².

¹² For that purpose, the shares of the Chairperson of the Board of Directors and of the CEO and President out of the total annual bonus sum shall be reduced if the number of Senior Officers increases, and increased if the number of Senior Officers is reduced.

4.7. Long term spreading of the Annual Bonus

The payment of the Annual Bonus for a certain year shall be spread over a three years period, as follows:

- 4.7.1. Fifty percent (50%) of the Annual Bonus shall be paid in cash soon after the reporting the financial results for the Bonus Year;
- 4.7.2. The remaining fifty percent (50%) of the Annual Bonus (hereinafter: the "**Remaining Annual Bonus**") shall be provided as PSU's, to be allocated soon after the reporting of the financial results of the banking system for the Bonus Year, to each of the Officers who shall be entitled for a bonus.

The total extent of PSU's to be allocated to all of the Senior Officers for all of the years of the Bonus Plan (2013-2015) shall not exceed 0.3% of the Paid-Up Capital of the Bank. If the PSU's shall exceed the aforementioned extent, the eligibility of all of the eligible Senior Officers shall be decreased by an equal proportion to meet the cap of the aforementioned extent (in order to avoid all doubts, in such a case there will be no change (positive or negative) in the part of the Annual Bonus which will be provided in cash). "The Paid-Up Capital of the Bank" for the purpose of this paragraph - including the PSU's to which the Senior Officers are eligible for the Bonus Year, including the PSU's which were allocated for previous years, and including all of the RSU's which were allocated under this Plan (as mentioned in section 6 below), assuming that all of these units (both PSU's and RSU's) shall be executed into shares, but excluding RSU's or PSU's which expired because the vesting conditions were not fulfilled.

The PSU's shall be vested into common shares with a nominal value of NIS 1 each of the Bank in two equal batches (subject to the following conditions) as follows:

- 4.7.2.1. Fifty percent (50%) of the PSU's which were thus allocated shall vest into shares soon after the reporting of the financial results for the banking system of the year subsequent to the Bonus Year (hereinafter: "**The Second Year**"), with these shares being restricted for a period of one additional year; and
 - 4.7.2.2. The remaining fifty percent (50%) of the PSU's which were thus allocated shall vest into shares soon after the reporting of the financial results for the banking system of the year subsequent to the Second Year (hereinafter: "**The Third Year**").
- 4.7.3. The number of PSU's to be allocated for each of the Senior Officers as mentioned in paragraph 4.7.2 above shall be determined by dividing the Remaining Annual Bonus sum

for that Officer by the average price (according to daily closing prices) of one share of the Bank during the first quarter of the second year, provided that the average price shall not be lower than NIS 9.3464¹³ ("**The Minimum Price**").

The vesting of the PSU's to shares (and in case a decision is made to entitle dividend equivalent payments - also the dividend equivalent sums to be distributed for them until the vesting date), shall be conditioned upon the fulfillment of the following 2 cumulative conditions: A) the Standardized Rate of Return on Equity in the calendar year prior to the vesting date of the relevant PSU's ("**The Previous Calendar Year**") was not lower than 6%. If the Standardized Rate of Return on Equity in the Previous Calendar Year was lower than 6% but higher than 3%, only a partial proportion of the PSU's shall vest, on a linear basis in accordance to the location of the Standardized Rate of Return on Equity in the range between 3% (no eligibility) and 6% (full eligibility). It is hereby clarified, that in case the Standardized Rate of Return on Equity on the Previous Calendar Year was 3% or less, the eligibility of the Senior Officer for all of the shares resulting from the PSU's at the end of that year shall be cancelled; and B) The Bank complied in the Previous Calendar Year with all of the capital adequacy ratios required by the Supervisor of Banks, according to the financial statements.

4.7.4. The fair value of the total rights to restricted shares under the assumption of a maximal Annual Bonus is estimated in NIS 14 million per year¹⁴, of that some NIS 2.11 million to the Chairman of the Board of Directors and some NIS 2.64 million for the CEO¹⁵.

4.7.5. The allocation of the PSU's and their conversion to shares of the Banks, shall be carried out in the capital gain program under section 102 of the Income Tax Ordinance which states that the income of the Senior Officer from the allocation of shares will not be taxed at the allocation time (share - including right for a share), if several conditions are met. At the time of exercise¹⁶, the benefit which was created for the Senior Officer at the date of

¹³ A price which reflects a sum which equals 75% of the average price (daily closing prices) of the share of the Bank during the 90 days prior to the approval of the bonus plan in the Board of Directors.

¹⁴ Assuming that there is no breach of the minimum price and the cap of the proportion of the extent of rights, assuming an entitlement to full dividend equivalent payments in the period between the allocation and the vesting, assuming compliance with the cumulative conditions in paragraph 4.7.3 and assuming the share price at the date of granting the rights to restricted shares is identical to the average share price in the first calendar quarter of that year, according to which the number of provided rights is determined.

¹⁵ The sums are linked to the increase in the CPI

¹⁶ The date of transferring the share from the trustee to the employee or the selling of the share by the trustee, the earlier of the two.

the rights and/or shares allocation shall be taxed in the marginal tax rate of the Senior Officer, and the Bank will be allowed to deduct it as an expense. The remainder of the benefit which was created for the Senior Officer at the exercise date shall be considered a capital gain of the Senior Officer, but shall not be recognized as an expense of the Bank. In order to apply the capital gain program under section 102, it is required, inter alia, that the units and shares be deposited with a trustee who was approved by the Israeli Tax Authority, for a period of not less than 2 years from the date of allocating the units and depositing them with the trustee.

5. A Special Personal Bonus to the Other Officers (who are not the Chairman of the Board of Directors and the CEO)

In addition to the Annual Bonus as described in section 4 above and subject to the following, the remuneration committee, after receiving the recommendation of the CEO and subject to the approval of the Board of Directors, may approve a Special Personal Bonus for a certain calendar year to any of the Senior Officers of the Bank, other than the Chairman of the Board of Directors and the CEO (in this section below "**The Other Senior Officer**" or "**The Other Senior Officers**").

The entitlement to a Special Personal Bonus for the Other Senior Officers is conditioned upon the fulfillment of the conditions which are mentioned in section 3 above and provided that the Total Annual Bonus sum to all of the Senior Officers (as mentioned in section 4 above) combined with the total Special Personal Bonus to all of the Other Senior Officers shall not exceed in any case NIS 28 million¹⁷.

The Special Personal Bonus shall be paid in cash soon after the date of the calculation of the Total Annual Bonus, in a total sum of up to NIS 3 million for all of the Other Senior Officers, provided that the Special Personal Bonus shall not exceed NIS 1 million for each one of the Senior Officers.

The Special Personal Bonus shall be provided with consideration to the performances and achievements of the Other Senior Officers and their responsibilities, and is conditioned upon meeting qualitative criteria, such as A) the contribution to the strategic planning of the Bank; 2) implementation, execution and promotion of strategic plans and goals (including streamlining programs) which were predefined for each of the Other Senior Officers ; 3) initiating, leading and

¹⁷ linked to the increase in the last known CPI at the beginning of January 2013

promoting special processes and projects of the Bank, which were predefined for each of the Other Senior Officers in the business, structural or ethical area.

6. One-Time Equity-Based Bonus (retention bonus)

6.1. General

The One-Time Equity-Based Bonus (retention bonus) which is detailed below (hereinafter "**The One-Time Equity Bonus**") is aimed at ensuring the increased interest of the Senior Officers in the success of the Bank and in its business results, and strengthening the link between the performances of the Bank over time and the remuneration of the Senior Officers.

The One-Time Equity Bonus shall be given to the CEO and also to additional Management Members, all or some of them, through rights to shares of the Bank (RSU's). The distribution of the One-Time Equity Bonus to the Management Members who are not the CEO shall be carried in accordance with the recommendation of the CEO and the approval of the Board of Directors, with consideration inter alia to the role, responsibilities in the Bank and expertise and professional experience of the relevant Management Member, guaranteeing his/her continued long term service in the Bank and also with attention to whether the Management Member has A Generation rights in the Bank or other rights.

The One-Time Equity Bonus shall be provided in 2,006,131¹⁸ RSU's, over the entire bonus period.

The right to receive the shares resulting from the RSU's in each of the vesting dates (as specified below) is conditioned upon the continued work of the Senior Officer in the Bank or in the Group.

The maximal sum of the One-Time Equity Bonus for the CEO and the other Management Members, all or some of them are NIS 25 million for all of the years of the Bonus Plan as specified below¹⁹.

¹⁸ The number of RSU's was calculated as follows: the total value of the One-Time Equity-Based Bonus divided by 12.4618 (the average price (daily closing prices) of the share of the Bank in the 90 trading days prior to the approval of this Plan by the Board of Directors of the Bank).

¹⁹ The aforementioned value of the One-Time Equity Bonus is for the CEO and 13 Management Members, where in the case new Management Members join the Bank during the Bonus Plan period, the remuneration committee and the Board of Directors may approve, following a recommendation from the CEO, to grant to up and no more

6.2. The division of the One-Time Equity Bonus between the Senior Officers.

6.2.1. The CEO is entitled to 501,533 RSU's over the entire Bonus Plan period, which comprise 25% of the total allocated RSU's. The value of the One-Time Equity Bonus to the CEO, as at the date of approving this Plan by the Board of Directors, throughout the entire Plan period, is NIS 6.25 million.

6.2.2. The Other Senior Officers, who will be entitled to the One-Time Equity Bonus, will be entitled to 1,504,598 RSU's over the entire Bonus Plan period, which comprise 75% of the total allocated RSU's. The total value of the One-Time Equity Bonus to be provided to all of the Other Senior Officers, as at the date of approving this Plan by the Board of Directors, throughout the entire Plan period, is NIS 18.75 million.

The share of the One-Time Equity Bonus to which the Other Senior Officers are entitled shall be divided among the Other Senior Officers as mentioned in section 6.1. above. The maximal value, as at the date of providing the bonus, of the share of each of the Other Senior Officers in the One-Time Equity Bonus shall not exceed 16⅔% of the total One-Time Equity Bonus (some NIS 4.2 million for all the years of the Bonus Plan).

6.3. The manner of providing the One-Time Equity Bonus and spreading it over time

6.3.1. The One-Time Equity Bonus shall be provided in RSU's, to be allocated soon after the approval of the Bonus Plan in the General Assembly of the Bank and after lawfully receiving all of the approvals for each of the Senior Officers who are entitled to the One-Time Equity Bonus.

6.3.2. The One-Time Equity Bonus shall be spread over a long term period, with two thirds ($\frac{2}{3}$) of the RSU's which would be allocated (as well as the right for a dividend equivalent payment, if and as a decision will be made in favor of the entitlement to dividend equivalent payments) shall vest into common shares of the Bank with a nominal value of NIS 1 each on 31 December 2014 subject to a restriction period of one additional year, while the

than two (2) such new Management Members a One-Time Equity Bonus in terms which are identical to the terms which are specified in section 6 of this Plan (except in regard for the vesting time of the share entitlement, which shall be determined in accordance to the date of providing the bonus to these Management Members), in an additional value of up to 5% of the total sum of the One-Time Equity Bonus, for each of the new Management Members which were thus added.

remaining third ($\frac{1}{3}$) of the allocated RSU's shall vest into common shares of the Bank with a nominal value of NIS 1 each on 31 December 2015 subject to a restriction period of one additional year.

In order to avoid all doubts it is hereby clarified that as part of the tax arrangement in accordance with section 102 of the Tax Ordinance the total restriction period for each of the batches shall not be less than two years from the date of allocating the units and depositing them with the trustee and/or as instructed by the Israeli Tax Authority.

6.3.3. The vesting of each of the aforementioned batches (on 31.12.14 and on 31.12.15, as relevant) shall be conditioned upon the continued work of the relevant Senior Officer in the Bank or in the Group of the Bank, from the date of the allocation of the RSU's and until the vesting time of each of these batches.

6.4. The fair value of the total One-Time Equity Bonus, in accordance with the extent of rights for shares, as aforementioned, and the share price of the Bank on the evening before the date of approval of the granting by the Board of Directors (NIS 12.09 per share), is estimated to be some NIS 24.25 million²⁰ for all the years of the Plan, of which some NIS 6.06 million for the CEO for all of the years of the Plan.

7. A One-Time Equity Bonus to the Chairman of the Board of Directors of the Bank

An One-Time Equity Bonus shall be provided to whoever will be elected to be the Chairman of the Board of Directors of the Bank after the Annual General Assembly of the Bank for 2013 (hereinafter: "**The One-Time Equity Bonus**" and "**The Elected Chairman**"). The bonus and its terms shall be identical with the terms as specified in section 6 above, except as follows:

7.1. The Elected Chairman will be entitled to up to 401,226 RSU's for the entire three year period. The value of the One-Time Equity Bonus for the Elected Chairman, as at the date of approving this Plan in the Board of Directors, shall be no more than NIS 5 million for 3 years.

7.2. The exact sum of the aforementioned One-Time Equity Bonus shall be determined by the Board of Directors after receiving the approval and recommendation of the remuneration committee, while accounting for, inter alia, the following considerations: The Elected Chairman's

²⁰ Assuming an entitlement to full dividend equivalent payments in the period between the allocation and the vesting dates

professional experience, including financial experience, banking experience and managerial experience in large corporations, expertise, public reputation and achievements.

7.3. The One-Time Equity Bonus shall be provided in RSU's, which will be allocated for the Elected Chairman soon after the date of the election of the Chairman of the Board of Directors as mentioned above and after lawfully receiving all of the required approvals for his/hers appointment.

7.4. The One-Time Equity Bonus to the Elected Chairman shall be equally spread over a 3 year period where one third of the allocated RSU's shall vest into common shares of the Bank with a nominal value of NIS 1 each at the end of each year from the date of granting them, subject to an additional restriction period of one year. Notwithstanding the aforementioned, the third and final vesting date shall be at the end of the third year from the date of such a grant or on the date of the third Annual General Assembly of the Bank following his/hers election as a director, the earlier of the two.

In order to avoid all doubts it is hereby clarified that as part of the tax arrangement in accordance with section 102 of the Tax Ordinance the total restriction period for each of the batches shall not be less than two years from the date of allocating the units and depositing them with the trustee and/or as instructed by the Israeli Tax Authority.

7.5. The fair value of the maximal One-Time Equity Bonus to the Chairman of the Board of Directors, had the date of providing it been the date of the approval of this Plan by the Board of Directors, is estimated as some NIS 1.62 million per year (some NIS 4.85 million for three years).

8. Retirement of a Senior Officer and joining of a new Senior Officer.

8.1. A Senior Officer who retired from the Bank following his/her arrival to the retirement age or whose retirement was not initiated by him/her.

A Senior Officer who will retire from the Bank following his/her arrival to the retirement age or whose retirement was not initiated by him/her during a calendar year will be entitled to a partial Annual Bonus and/or Special Personal Bonus for the actual service period during the calendar year in which the retirement occurred ("**the retirement year**"), if an Annual Bonus for Senior Officers and/or a Special Personal Bonus are provided for that year.

In order to calculate the extent of the Annual bonus for a Senior Officer who retired, the first stage is to calculate the Annual Bonus sum in accordance with section 4 above, as if the Senior Officer worked throughout the entire Bonus Year, and at the second stage, the result of the calculation of such an Annual Bonus shall be multiplied by the proportion of his actual work period in the retirement year.

The partial Annual Bonus sum will be paid on dates and in terms as mentioned above in this Plan. It is hereby clarified, that such a Senior Officer shall receive the Remaining Annual Bonus for previous years (before the retirement year), if he/she was entitled to a bonus for these years, on dates and in terms as mentioned above in section 4.7.

A Senior Officer who retired as aforementioned and participated in the One-Time Equity Bonus Plan as mentioned in section 6 above, will not be entitled to the part of the One-Time Equity Bonus which has not yet vested on the date of retirement.

8.2. A Senior Officer who retired from the Bank of his/her own free will (not after arriving at the retirement age) or who was dismissed following an event which allows to dismiss him/her without compensation

A Senior Officer who retired from the Bank of his/her own free will (not after arriving at the retirement age) or who was dismissed following an event which allows to dismiss him/her without compensation, during a calendar year, will not be entitled to an Annual Bonus and/or Special Personal Bonus for the retirement year. In addition, if he participated in the One-Time Equity Remuneration Plan, he/she will not be entitled to the part of the One-Time Equity Bonus which has not yet vested on the date of retirement.

However, a Senior Officer who retired as aforementioned, shall be entitled to receive the Remaining Annual Bonus for previous years (before the retirement year), if he/she was entitled to a bonus for these years, on dates and in terms as mentioned above in section 4.7.

8.3. An employee of the Bank who was promoted to be a Senior Officer of the Bank

An employee of the Bank who was promoted to be a Senior Officer of the Bank during a calendar year will be entitled to a partial Annual Bonus and/or Special Personal Bonus for the actual service period during the calendar year in which he was appointed ("**The Appointment Year**"), if an Annual Bonus for Senior Officers and/or a Special Personal Bonus are provided for

that Senior Officer for that year, provided that he/she served for at least 6 months in the Appointment Year. For the period before the appointment as Senior Officer, in which he/she held another job in the Bank, he shall be entitled to a relative remuneration in accordance with the terms that were set for that job and while taking into account the period of time which he served in the other job.

In order to calculate the extent of the Annual Bonus for a Senior Officer who was appointed as aforementioned, the first stage is to calculate the Annual Bonus sum in accordance with section 4 above, as if the Senior Officer worked throughout the entire Bonus Year, and at the second stage, the result of the calculation of such an Annual Bonus shall be multiplied by the proportion of his actual work period in the Appointment Year.

8.4. A new employee who was appointed to be a Senior Officer of the Bank

A person who was appointed as a Senior Officer of the Bank and was not an employee of the Bank before the appointment, will be entitled to a partial Annual Bonus and/or Special Personal Bonus for the actual service period during the Appointment Year, if an Annual Bonus for Senior Officers and/or a Special Personal Bonus are provided for that Senior Officer for that year, provided that he/she served for at least 6 months in the Appointment Year.

In order to calculate the extent of the Annual Bonus for a Senior Officer who was appointed as aforementioned, the first stage is to calculate the Annual Bonus sum in accordance with section 4 above, as if the Senior Officer worked throughout the entire Bonus Year, and at the second stage, the result of the calculation of such an Annual Bonus shall be multiplied by the proportion of his actual work period in the Appointment Year.

9. Miscellanea

- 9.1. The Board of Directors may, subject to all of the legal requirements (including the requirement to receive the approval of the General Assembly) and after receiving the approval and recommendation of the remuneration committee, change the Bonus Plan, amend it from time to time or replace it with another Bonus Plan or cancel it.

- 9.2. The Bonus Plan and its content shall be reviewed from time to time by the Board of Directors and/or the remuneration committee, in order to review the need for adjustments and corrections.
- 9.3. It is hereby clarified, that this Plan does not create for any Senior Officer who serves in the Bank or will serve in the Bank in the future, any legal rights towards the Bank, and nothing from what was set forth in this document shall be construed as creating a commitment of the Bank to any of the Senior Officers and/or to create a right for any Senior Officer beyond what was agreed upon in the personal employment agreement of the Senior Officer.
- 9.4. It is hereby further clarified, that this Plan is not a commitment of the Bank to provide bonuses, salary and/or shares to any of the Senior Officers of the Bank and does not create a commitment of the Bank and/or a vested right for any of the Officers²¹ to receive an Annual Bonus, salary and/or shares or any other bonus for any of the years during which this Plan shall apply. Nothing in this Bonus Plan may create rights for any third party.
- 9.5. In order to avoid all doubts, It is hereby clarified, that the bonuses to Senior Officers under this Bonus Plan, whether in cash or in shares or in units which entitle to shares, are not part of the salary which is paid to any Senior Officer, and shall not be taken into consideration in the calculation of any type or kind of social benefit, compensation, pension or complementary term for any of the Senior Officers.
- 9.6. A Senior Officer shall repay the Bank any bonuses which were paid to him in accordance with this Bonus Plan if they were paid to him on the basis of data which was revealed to be erroneous and were restated in the Bank's financial statements, in a manner and method to be determined by the remuneration committee of the Board of Directors
- 9.7. The entitlement of a Senior Officer to a bonus under this Plan is stipulated upon the Senior Officer not entering personal hedging agreements which may cancel the risk sensitivity effects which are inherent to this Plan.

²¹ Except for the purpose of tax withholding, as may be required by law/instruction of the Tax Authority

Annex C'(1) – Further Details Regarding the Office and Employment Terms of the Chairman of the Board of Directors

Herein below are additional details regarding the office and employment terms to which the Chairman of the Board of Directors (the "**Chairman**" or the "**Chairman of the Board**") is entitled for his office in the Bank:

1. Employment Term and Termination thereof

The employment term of the Chairman is for a period of three (3) years, commencing on August 4th 2010. This term was extended until the date of the Bank's 2013 Annual General Meeting (the "**First Term**"). If upon the expiry of this term the Chairman shall be elected for additional term of office as the Chairman of the Bank's Board of Directors (the "**Additional Term**"), the terms specified herein and the terms specified in the immediate report shall continue to apply (in the absence of another agreement), and each party shall be entitled to terminate the agreement by a 6 months prior notice. However, in the event of an extension of the term of office, as specified, the terms specified in sections 4.1 herein below regarding prior notice, and 5 herein below, regarding adjustment bonus shall not apply. It is clarified that the Bank shall be entitled to demand that the prior notice term shall be of actual work of the Chairman of the Board, in full or in part. During the above specified prior notice term the Chairman shall be entitled to salary and to all other auxiliary benefits.

2. Salary

The Chairman of the Board is entitled to a monthly salary in the total amount of NIS 166,910 (linked to the increase of the index) (the "**Salary**").

3. Provisions to Pension Funds and Severance Pay

The Bank shall execute provisions to pension and to severance pay for the Chairman, which shall be transferred on a monthly basis to the Managers' Insurance, the pension funds and/or to a pension settlement, as shall be agreed between the parties, at the following rates:

3.1 8.33% for severance pay;

3.2 7.5% (according to the following specification) for pension (against deduction of an additional amount equivalent to 5% of the Chairman's Salary).

Whereas the Chairman is not insured in a disability insurance, it was resolved that provisions there for, at the rate of 2.5% shall be transferred to the pension provisions, in a manner in which the employer's provisions for pension shall be of 7.5%, as specified in section 3.2 above.

4. Termination of Contract by submission of Prior Notice

4.1 During the First Term each party is entitled to terminate the contract by submission prior notice, as follows:

4.1.1 If the Chairman's employment as Chairman of the Board of Directors was terminated due to involuntary retirement (as such term is defined herein below), the Chairman shall be entitled to a prior notice period of up to nine (9) months, and only provided that the prior notice period shall not be extended beyond the date of expiry of the First Term.

4.1.2 If the Chairman's employment as Chairman of the Board of Directors was terminated due to voluntary retirement (except for the irregular circumstances in which severance pay can be denied from the Chairman), the Chairman shall be entitled to a prior notice period of to six (6) months only.

"involuntary retirement" – including retirement as a result of transfer or acquisition of the control in the Bank, no renewal of appointment, dismissal, demise, retirement as a result of deterioration of working conditions, and any other retirement which is not a voluntary one, and any retirement approved by the Board of Directors as an involuntary one.

4.2 It is clarified that the Bank shall be entitled to demand that the prior notice period is of actual work of the Chairman of the Board, in full or in part. During the prior notice period the Chairman shall be entitled to Salary and to all remaining auxiliary benefits.

4.3 If the Chairman's employment as Chairman of the Board of Directors was terminated during the Additional Period (except for the irregular circumstances in which severance pay can be denied from the Chairman), the Chairman shall be entitled to a prior notice period of to six (6) months only. It is clarified that the Bank shall be entitled to demand that the prior notice period is of actual work of the Chairman of the Board, in full or in part. During the prior notice period the Chairman shall be entitled to Salary and to all remaining auxiliary benefits.

5. Adjustment Period pursuant to Termination of Contract during the First Term
If the Chairman's employment as Chairman of the Board of Directors was terminated during the First Period due to involuntary retirement or the Chairman's employment as Chairman of the Board of Directors was terminated at the end of the First Term for any reason whatsoever – the Chairman shall be entitled to an adjustment period of six (6) months, during which the Chairman shall receive monthly Salaries (including auxiliary benefits) ("**Adjustment Period**"). The Adjustment Period shall commence after the expiry of the prior notice period (if such shall exist).
6. Non-Competition Period
 - 6.1 For a period of six (6) months as of the date of the Chairman's actual termination of the office (the "**Non-Competition Period**"), the Chairman shall not act as an officer and shall not work, whether as an employee or as an independent contractor, as a consultant or in any other manner whatsoever, directly or indirectly, in any corporation that competes with the Bank, including insurance companies.
 - 6.2 The Chairman shall be entitled to Salary and all auxiliary benefits during the Non-Competition Period. It is clarified that during a term in which the Non-Competition Period overlaps the prior notice period and/or the Adjustment Period, in full or in part, the Chairman shall be entitled to payment only for the prior notice period or the Adjustment Period, respectively.
7. Retirement Terms
Pursuant to termination of the working relations between the parties for any reason whatsoever (except for the irregular circumstances in which severance pay can be denied from the Chairman), the Chairman shall be entitled to severance pay equivalent to 150% of his last monthly Salary, times the number of years (and/or any part thereof) of office as the Chairman of the Board of Directors, in addition to the Chairman's right to the funds and rights in the compensation fund and in the pension fund (as specified in section 3 above). (It is clarified that the Bank shall not complete and the Chairman shall not refund any funds in order to comply with the 250% compensation).
8. Study Fund
The Bank shall provide to a study fund for the Chairman, at its expense, on a monthly basis, an amount equivalent to 7.5% of the Salary, as such shall be from time to time, and simultaneously the Bank shall deduct at the Chairman's expense an amount equivalent to 2.5% of the Salary and shall transfer the same to the study fund.
9. Vacation days, Recuperation Pay and Sick Leave
As is acceptable for executives, in accordance with the Bank's internal procedures.
10. Auxiliary Benefits
During the employment term, the Chairman shall be entitled to benefits that are customary for Bank executives:
 - 10.1 Reimbursement of expenses made by him for the purpose of fulfillment of his duty, in accordance with Bank procedures. In addition, the Chairman of the Board is entitled to reimbursement of expenses for his office as Chairman of the Board of Directors of the Bank Leumi USA.
 - 10.2 Company car and driver (the expenses of the car that shall be availed to him shall be grossed up in his Salary).
 - 10.3 A stationary telephone line and a mobile telephone (the telephone expenses shall be grossed up in his Salary).
 - 10.4 Insurance and medical exams, newspapers, discounts in banking services and other benefits customary for Bank executives.
11. Varying Remuneration
 - 11.1 Subject to the approval of the Bonus Plan by the General Meeting, the Chairman of the Board shall be entitled to a varying annual performance-based bonus, in accordance with and subject to the specified in the Bonus Plan with respect to the Chairman of the Board. The Bonus Plan is attached as Annex B' of the immediate report.
 - 11.2 In the event in which the Chairman of the Board shall be entitled to the maximal annual bonus that can be given thereto in the event of achieving the maximal cap of the standardized yield rate, as specified in the above mentioned Bonus Plan, then the varying bonus shall not exceed 55% of the total office and employment terms of the Chairman of the Board for the bonus year¹.
 - 11.3 As specified in the Bonus Plan, the Chairman of the Board shall return to the Bank amounts paid thereto under the Bonus Plan, if such were paid on the basis of data that was discovered to be misleading and was represented anew in the Bank's financial statements.

¹ According to the resolution of the Remuneration Committee and the Board of Directors, if the Chairman of the Board's annual bonus for the year 2013 alone shall exceed 55% of all the office and employment terms of the Chairman for that year, this deviation shall be deemed approved.

- 11.4 For further details regarding the terms of the annual bonus, including the annual bonus maximal cap, a detailed description of the mechanism for its determination and the dates of receipt thereof, see the specified in section 4 of the immediate report and the Bonus Plan attached as Annex B to the immediate report.
- 11.5 For details regarding the scope of the annual bonus to which the Chairman of the Board is entitled if the Bonus Plan applied in the years 2011 and 2012, based on the data for these years of report, see section 4.2.1 of the immediate report.

12. One-time Capital Bonus

- 12.1 Subject to the approval of the Bonus Plan by the General Meeting and subject to the fact that he shall be elected as Chairman of the Board for additional term of office after the 2013 Annual General Meeting, the Chairman of the Board shall be entitled to a one-time capital bonus, in accordance with and subject to the specified in the Bonus Plan with respect to the elected Chairman of the Board.
- 12.2 For further details regarding the terms of the one-time capital bonus and the dates of receipt thereof, see the specified in the Bonus Plan attached as Annex B' to the report related to the capital bonus.

13. The Remuneration Committee and the Board of Directors have examined the ratio between the cost of the Chairman's office and employment terms and the cost of the salary of the remaining Bank employees and that of the contractors employed in the Bank, and particularly the ratio to the average salary cost and the median salary of such employees, as well as the effect of the differences between them on the working relations in the Bank.

14. Chairman's Education, Skills, Expertise, Achievements and Professional Experience

- 14.1 The academic education of the Chairman of the Board

Academic Degree	Field	Name of Academic Institution
Graduate	Economics and Political Sciences	The Jerusalem Hebrew University
Qualified	Economics	The Jerusalem Hebrew University

- 14.2 The professional experience of the Chairman of the Board during the last five years

Position	Work place	Term of Office
Chairman of the Board	Bank Leumi Le-Israel Ltd	As of 4.8.2010
Chairman of the Board	Bank Leumi USA	As of 26.7.2012
Chairman	The Public Statistics Council	From 2007 until December 2012
Member	The Committee for Location of Manager of the Tax Authority	Until August 2011
Chairman of Managing Council	Ben Gurion University	1998-2010
Chairman of Investments Committee	Employee Insurance Fund, compensation fund and pension fund of the National Labor Federation Ltd	2009-2010
Chairman of Investments Committee	Mivtahim – Employees' Social Insurance Institution Ltd	2009-2010
Chairman of Investments Committee	Old Makefet – Pension and Compensation Fund	2003-2010
External Director	Aloni Hetz Properties and Investments Ltd	2003-2010
External Director	The Israel Company Ltd	From August 2009 until July 2010
Chairman of the Board of trustees	Falk Institute for Economic Research	1998-2010
Academic Manager	Forum (Convention) Caesarea Israeli Democracy Institute	2005-2010
Member of the Managing Council	Mishkanot Sha'ananim	2001-2010
Member of Advisory Council	The Shmuel Neeman Institute for Advanced Science and Technology Studies on the Technion	2002-2010
Chairman	The Advisory Committee for Exemptions and Mergers of the	From 2006 until June 2010

	Anti-Trust Commissioner	
Lecturer	The Herzlyia Interdisciplinary Center	Until January 2010
Lecturer	The Ramat Gan Business and Law Academy	Until January 2010
Editor	"Israel 2028 Vision and Economic and Social Strategy in the global world"	Until April 2009
Director	Global Medical Network	Until 2009
Member of the Appointed Council	Blue Square Cooperative Society Cooperative Ltd	2000-2009
Member	Capital Market Committee (Ariev Committee)	Until October 2008

14.3 Positions or occupations of the Chairman of the Board

- 14.3.1 Chairman of the Board of Directors of Bank Leumi Le-Israel Ltd.
- 14.3.2 Chairman of the Board of Directors of Bank Leumi USA
- 14.3.3 Owner at David Brodet Ltd (in freezing proceedings).
- 14.3.4 Chairman of the Managing Council of the Jerusalem Fund and the Hadasa Academic College.
- 14.3.5 Member of the Managing Council of the Jerusalem Israeli Research Institute and of the Kamari Theatre.
- 14.3.6 Chairman of the Trustees Council at the Protected Persons Care Fund.
- 14.3.7 Lecturer at the National Security College (University of Haifa).
- 14.3.8 President of the Banks Union.

14.4 Skills, expertise and achievements of the Chairman of the Board

- 14.4.1 The Chairman of the board is defined as a director that has accounting and financial expertise and has banking experience;
- 14.4.2 Between the years 1991-1994 he served as the Budgets Officer at the Ministry of Finance;
- 14.4.3 Between the year 1995-1997 he served as CEO of the Ministry of Finance;
- 14.4.4 In addition he acted as Chairman of the Board of Directors of Bank Mizrahi Tefahot and as Chairman of Karnit a Government Insurance Corporation.

14.5 The Chairman of the Board is not a relative of any interest party in the Bank.

14.6 A full description of the positions of the Bank's Chairman of the Board, the matters handled there within and the scope thereof.

The Chairman of the board is employed in a full-time position as an active Chairman of the Bank's Board of Directors.

15. Expected Remunerations

Herein below are further details regarding the expected remunerations to which the Chairman of the Board shall be entitled for the year 2013 (in thousands of NIS in terms of cost to the Bank, assuming employment of one full calendar year):

Position scope	Rate of holding of Bank Capital (1)	Salary (5)	Bonus	Social provisions (2)	Value of Benefits	Share-based bonus(3)(4)	Total	Interest value
100%	App. 0.001%	2,163	(6)	833	156	1,273	4,425	0

(1) 10,103 shares as of 30.6.2013.

(2) The social provisions include provisions for compensation, severance, pension, study fund, vacation, Jubilee grant, non-competition period, national insurance and reserve completion for the above changes in the Salary and during the account year. Vacation has been calculated in accordance with the status as of the end of June 2013.

(3) Payment of a share-based bonus was calculated on the basis of grant of the maximal capital bonus. For details regarding the one-time capital bonus see Annex B' of the immediate report. The right to a capital bonus is subjected to the approval of the Remuneration Committee and the Board of Directors, as well as to the approval of the Bonus Plan by the General Meeting of the Bank, to all approvals required under the law, and subject to the election of the Chairman of the Bank's Board of Directors for additional term of office after the 2013 Annual General Meeting. (Calculation of the value of the capital bonus benefit was done without considering the depreciation of the value of the share due to trading restriction pursuant to the devaluation resulting from the shares being blocked shares).

- (4) The calculation was done for the entire year 2013. The said bonus of capital instruments is subject to additional approvals as specified in the Bonus Plan. Therefore, according to the IFRS 2 provisions, a share-based payment, the Grant Date shall apply only on the date of the final approval of the plan by all authorized organs there for. However, in light of the fact that the Chairman of the Board renders services to the Bank prior to the date of obtaining of all the relevant approvals, the costs of the capital instruments shall be acknowledged for the services upon the receipt thereof, over the vesting period, as until the Grant Date the fair value of the capital instruments shall be estimated in accordance with the price of the Bank's shares at the end of each report period, on the date of receipt of all final approvals required for each function, namely – the Grant Date , the fair value of each share shall be updated on the basis of the price of the Bank's share on this date. Respectively, the amount of cost of share-based payments that shall be acknowledged in the financial statements may vary from the amount specified in the above table.
- (5) The calculation shown in this table was done on the basis of the Chairman's current Salary (without modification or index linkage, until the end of the year).
- (6) The performance-based annual bonus for the year 2013 is uncertain and cannot be evaluated. For the terms and details regarding the performance-based annual bonus, which is subjected to the approval of the Bank's General Meeting – see Annex B' of the immediate report.

Annex C'(2) – Further Details Regarding the Office and Employment Terms of the CEO and President

Herein below are additional details regarding the office and employment terms to which the CEO and President is entitled for her office in the Bank:

1. Salary

The CEO and President shall be entitled to a monthly salary in the amount of NIS 184,644 (linked to the CPI increase).

2. Termination of Employment by prior notice

Each party may terminate the engagement in the agreement by a six (6) months prior notice in advance (in the event in which under the law the working relations can be terminated without prior notice, the working relations can be terminated immediately). It is clarified that the Bank shall be entitled to demand that the prior notice period is of actual work of the CEO and President, in full or in part. During the prior notice period the CEO and President shall be entitled to salary and to all remaining auxiliary benefits.

3. Provisions and Deductions for Pension and Social Benefits

3.1 The Bank shall execute provisions to pension for the CEO and President, which shall be transferred on a monthly basis to the Managers' Insurance, the pension funds and/or to a pension settlement, as shall be agreed between the parties from time to time, at the rate of 5%, and shall deduct an additional amount equivalent to 5% from the CEO and President's salary (hereinafter: "**Pension Provisions**").

3.2 The Bank shall provide to a study fund for the CEO and President, at its expense, on a monthly basis, an amount equivalent to 7.5% of the salary, as such shall be from time to time, and simultaneously the Bank shall deduct at the CEO and President's expense an amount equivalent to 2.5% of the Salary and shall transfer the same to the study fund.

4. Retirement Terms

The CEO and President is entitled to the following terms upon termination of the employer-employee relations between her and the Bank¹:

4.1 In the event of termination

If the CEO and President is dismissed before the seniority of her work in the Bank, on the date of termination of employer-employee relations between her and the Bank, reached 15 years – she will be entitled to receive severance pay in the amount equivalent to 250% of her last known monthly salary upon the termination of the employer-employee relations between her and the Bank, times the number of working years in the Bank, and with the addition of the compensation provisions. If the CEO and President is dismissed after the seniority of her work in the Bank, on the date of termination of employer-employee relations between her and the Bank, reached 15 years or more - she will be entitled to choose between one of the following two alternatives: (a) severance pay in the amount equivalent to 200% of her last known monthly salary upon the termination of the employer-employee relations between her and the Bank, times the number of working years in the Bank, and with the addition of the compensation provisions; or (b) an immediate retirement pension from the Bank.

4.2 In the event of retirement

In the event of retirement, the CEO and President shall be entitled to choose between one of the following two alternatives: (a) severance pay in the amount equivalent to 200%² of her last known monthly salary upon the termination of the employer-employee relations between her and the Bank, times the number of working years in the Bank, and with the addition of the compensation provisions; or (b) an immediate retirement pension from the Bank.

Retirement pension and Calculation thereof

Herein below are the main terms of the retirement pension, if the CEO and President shall be entitled to a retirement pension pursuant to the termination of the working relations between her and the Bank: the retirement pension shall be calculated on the basis of the CEO and President's last known monthly salary on the date of termination of the working relations between her and the Bank, such being linked to the Consumer Price

¹ With the exception of an event in which the working relations were terminated due to the conviction of the CEO and President of a criminal offense regarding receipt of a personal benefit (such as bribery or theft), which was committed knowingly with respect to her work, including circumstances of moral turpitude and subject to the right to address a mutually agreed arbitrator on the matter.

² Drives from the CEO and President's right to resign and receive 200% compensation as of the date on which her seniority in the Bank reached 15 years at least.

Index (the "**Last Salary**"). The amount of the pension shall be the amount accumulated up to the date of termination of employer-employee relations between the CEO and President and the Bank. For the first 15 years of work of the CEO and President in the Bank, the pension rate shall be of 40% accumulative, reflecting a pension rate of 2 2/3 per annum. For each additional year as of the 16th year of the CEO and President's work in the Bank, the pension rate shall be of 2.5% per each year of work. The CEO and President shall not be entitled in any event to a pension exceeding the rate of 70% of her Last Salary. As a condition for receipt of the retirement pension from the Bank, the CEO and President must transfer to the Bank her accumulated rights in the compensation fund, and if she shall choose to receive the funds directly from the compensation fund, in full or in part, then the amount of the pension shall be reduced in accordance with the capitalization rules acceptable in the Bank.

4.3 In the event of resignation

In the event of resignation of the CEO and President from her position in the Bank before the seniority of her work in the Bank, on the date of termination of employer-employee relations between her and the Bank, reached 15 years, she will be entitled to a compensation equivalent to 100% of her last known monthly salary upon the termination of the employer-employee relations between her and the Bank, times the number of working years in the Bank, and with the addition of the compensation provisions. If the CEO and President shall resign after her seniority in the Bank reached 15 years or more, the CEO and President shall be entitled to compensation in the amount equivalent to 200% of her last known monthly salary upon the termination of the employer-employee relations between her and the Bank, times the number of working years in the Bank, and with the addition of the compensation provisions.

4.4 Non-Competition Period

For a period of six (6) months as of the date of the actual end of the CEO and President's office (hereinafter: the "**Non-competition Period**"), the CEO and President shall not serve in any other position or duty in a banking or financial institution, or in any other business that renders financial services, financing services or consultation in these fields, or in any other body engaged in the Bank's business fields, or in any other business that competes with the Bank, in Israel or abroad, or to provide, directly or indirectly, services during that period to any such entity, or to a person employed by or who provides such services on a permanent services to such an entity, for consideration or without consideration, unless the Bank has approved this in writing and in advance.

5 Transition from Generation A to Generation B and update of Terms of Office (subject to the approval by the General Meeting of update specified in section 1.2 of the agenda)

5.1 Background

In accordance with the Remuneration Policy submitted to the approval of the Bank's General Meeting, the CEO and President who has an employment agreement in the format of Generation A' of the Bank may transfer to employment terms in the format of Generation B', as follows: the CEO and President's rights to budgetary pension from the Bank, in accordance with her above specified rights shall be only from the frozen salary (the CEO and President's salary on the date of transfer from Generation A to Generation B with the addition of index linkage), whereas her rights regarding salary additions beyond the frozen salary shall be in accordance with the Generation B' terms (provisions to compensation fund without rights to budgetary pension from the Bank).

5.2 In the event of resignation

In the event of resignation of the CEO and President from her position in the Bank after the completion of a 3-year term of office as CEO and President, she will be entitled to a compensation equivalent to 250% of her last known monthly salary upon the termination of the employer-employee relations between her and the Bank, times the number of working years in the Bank, and with the addition of the compensation provisions

Resignation that is deemed as Termination: the definition of "termination" regarding the CEO and President shall also include resignation due to deterioration of working conditions, including resignation as a result of changes occurring in the Bank which do not allow the CEO and President to continue to act as CEO and President, to the CEO and President's opinion and with the approval of the Remuneration Committee and the Board of Directors.

5.3 Non-Competition Period

The Non-competition Period shall be twelve (12) months. During the additional Non-competition Period (the additional six months), the CEO and President shall not serve in any other office or position in banks in Israel or in Israeli banks abroad only, or shall not render services during that period, directly or indirectly, for consideration or without consideration, unless the Bank has approved the said in writing and in advance.

During the Non-competition Period, the CEO and President shall be entitled to salary and to all other auxiliary benefits (except provision for social benefits and accumulation of pension rights). It is clarified that during the term during which the Non-competition Period overlaps the prior termination notice period, in full or in part, the CEO and President shall only be entitled to payment for the prior termination notice period. During the Non-

competition Period the CEO and President shall not be entitled to receive retirement pension from the Bank in any event whatsoever.

6 Vacation days, Recuperation Pay and Sick Leave

As is acceptable for executives, in accordance with the Bank's internal procedures.

7 Auxiliary Benefits

The CEO and President shall be entitled to benefits that are customary for Bank executives:

7.1 Reimbursement of expenses made by her for the purpose of fulfillment of her duty, in accordance with Bank procedures.

7.2 Company car and driver.

7.3 Payment of expenses for the two telephones in her house and a mobile telephone availed thereto by the Bank.

7.4 Insurance and medical tests, newspapers, discounts in banking services and other benefits customary for Bank executives.

7.5 Jubilee grant and vacation on accordance with arrangement in place from time to time at the Bank.

8 Varying Remuneration

8.1 Subject to the approval of the Bonus Plan by the General Meeting, the CEO and President shall be entitled to a varying annual performance-based bonus, in accordance with and subject to the specified in the Bonus Plan with respect to the CEO and President. The Bonus Plan is attached as Annex B' of the immediate report.

8.2 In the event in which the CEO and President shall be entitled to the maximal annual bonus that can be given to her in the event of achieving the maximal cap of the adjusted yield rate, as specified in the above mentioned Bonus Plan, then the varying bonus shall not exceed 55% of the total office and employment terms of the CEO and President for the bonus year.

8.3 As specified in the Bonus Plan, the CEO and President shall return to the Bank amounts paid thereto under the Bonus Plan, if such were paid on the basis of data that was discovered to be misleading and was represented anew in the Bank's financial statements.

8.4 For further details regarding the terms of the annual bonus, including the annual bonus maximal cap, a detailed description of the mechanism for its determination and the dates of receipt thereof, see the specified in section 4 of the immediate report and the Bonus Plan attached as Annex B to the immediate report.

8.5 For details regarding the scope of the annual performance-based bonus to which the CEO and President would be entitled if the Bonus Plan applied in the years 2011-2012, based on the data for these years of report, see section 4.2.1 of the immediate report.

9 One-time Capital Bonus (Preserving Bonus)

9.1 Subject to the approval of the Bonus Plan by the General Meeting, the CEO and President shall be entitled to a one-time capital bonus, in accordance with and subject to the specified in the Bonus Plan with respect to the CEO and President.

9.2 For further details regarding the terms of the one-time capital bonus and the dates of receipt thereof, see the specified in the Bonus Plan attached as Annex B' to the report related to the capital bonus.

10 Ratio between the terms of office of the CEO and President and of other Bank employees

The Remuneration Committee and the Board of Directors have examined the ratio between the cost of the CEO and President's office and employment terms and the cost of the salary of the remaining Bank employees and that of the contractors employed in the Bank, and particularly the ratio to the average salary cost and the median salary of such employees, as well as the effect of the differences between them on the working relations in the Bank.

11 CEO and President's Education, Skills, Expertise, Achievements and Professional Experience

11.1 The academic education of the CEO and President

Academic Degree	Field	Name of Academic Institution
Graduate	Accountancy and Economics	The Tel Aviv University
Graduate	Law	The Tel Aviv University
Qualified	Business Administration	The Tel Aviv University

11.2 The professional experience of the CEO and President during the last five years

Position	Work place	Term of Office
CEO and President	Bank Leumi Le-Israel Ltd	As of 1.5.2012
Management member	Bank Leumi Le-Israel Ltd	As of 1.1.2004
Senior Deputy to CEO and President, CEO and President substitute	Bank Leumi Le-Israel Ltd	As of 1.7.2011 until 30.4.2012
Head of Business Division	Bank Leumi Le-Israel Ltd	App. 8 years until 30.4.2012

11.3 Other positions or occupations of the CEO and President

Member of the Managing committee of the Soraski Medical Center Friends Association and of the Association of Banks in Israel.

11.4 Skills, expertise and achievements of the CEO and President

Appointed to the CEO and President position in May 2012 after an 8-year term of office as the Manager of the Business Division. Shortly afterwards undertook initiatives designed to strengthen and improve the Bank's senior managing staff, along with encouraging the retirement of senior employees and promoting a younger and more determine generation within the framework of a plan for efficiency and renewal. This trend was executed with the support of the Board of Directors, which together with the CEO and President leads the update of the Bank's strategy towards innovation, with simultaneous emphasis on quality professional client service.

11.5 The CEO and President is not a relative of any interested person in the Bank.

11.6 A full description of the positions of the Bank's CEO and President, the matters handled there within and the scope thereof.

The Leumi Group's CEO and President is employed in a full-time position.

12 Expected Remunerations

Herein below are further details regarding the expected remunerations to which the CEO and President shall be entitled for the year 2013 (in thousands of NIS and in terms of cost to the Bank, assuming employment of one full calendar year):

Position scope	Rate of holding of Bank Capital (1)	Salary (5)	Bonus	Social provisions (2)	Value of Benefits	Share-based bonus(3)(4)	Total	Interest value
100%	App. 0.003%	2,365	(6)	1,363	138	1,585	5,451	3

(1) 47,123 shares as of 30.6.2013.

(2) The social provisions include provisions for severance, provident, pension, study fund, vacation, jubilee grant bonus, non-competition period, national insurance and reserve completion for the above specified following changes in the Salary during the account year. Vacation has been calculated in accordance with the status as of the end of June 2013.

(3) Payment of a share-based bonus was calculated on the basis of grant of the maximal capital bonus. For details regarding the one-time capital bonus see Annex B' of the immediate report. The right to a capital bonus is subject to the approval of Bonus Plan by the General Meeting of the Bank, as well as all approvals required under the law. (Calculation of the value of the capital bonus benefit was done taking into account the decrease in value of the share due to trading restrictions resulting from the shares being locked-up).

(4) The calculation was done for the entire year 2013. The said bonus of capital instruments is subject to additional approvals as specified in the Bonus Plan. Therefore, according to the IFRS 2 provisions, a share-based payment, the Grant Date shall apply only on the date of the final approval of the plan by all authorized organs there for. However, in light of the fact that the CEO and President renders services to the Bank prior to the date of obtaining of all the relevant approvals, the costs of the capital instruments shall be acknowledged for the services upon the receipt thereof, over the vesting period, as until the Grant Date the fair value of the capital instruments shall be estimated in accordance with the price of the Bank's shares at the end of each report period, on the date of receipt of all final approvals required for each function, namely – the Grant Date, the fair value of each share shall be updated on the basis of the price of the Bank's share on this date. Respectively, the amount of cost of share-based payments that shall be acknowledged in the financial statements may vary from the amount specified in the above table.

- (5) The calculation shown in this table was done on the basis of the CEO and President's current Salary (without modification or index linkage, until the end of the year).
- (6) The performance-based annual bonus for the year 2013 is uncertain and cannot be evaluated. For the terms and details regarding the performance-based annual bonus subjected to the approval of the Bank's General Meeting – see Annex B' of the immediate report.

Articles of Association

OF

BANK LEUMI LE-ISRAEL

BEERAVON MOOGBAL

Amendments:
May 15, 1990
June 4, 1991

1. In these Articles unless there be something in the subject or context inconsistent there with: —

- "The Company" means the above-named Company.

"The Proper Banking Management Directives" means the directives of the Supervisor on Banks in accordance with Article 5(c1) of the Banking Ordinance, related to the manners of activity and management of a banking corporation, of an officer thereof and of any person employed thereby.

"The Directors Appointment Committee" means the committee for appointment of directors in banking corporations, appointed in accordance with the Banking Law (Licensing).

"The Banking Ordinance" the Banking Ordinance, 1941, including any other legislation replacing the same, its amendments and the regulations enacted from time to time in accordance there with.

~~"E.D.Outside Director"~~ – an external director, as defined in the Companies Law, 5759-1999.

"External Director" – an external director, according to the meaning in Directive 301 of the Proper Banking Management Directives.

"The Banking Law (Licensing), 5741-1981, including any other legislation replacing the same, its amendments and the regulations enacted from time to time in accordance there with.

"The Companies Law, 5759-1999, including any other legislation replacing the same, its amendments and the regulations enacted from time to time in accordance there with.

"The Companies Ordinance" means the Companies Ordinance as modified or modified in future by any further law for the time being in

force and affecting the Company. Expressions which are not defined in these Articles shall, except where the context otherwise requires, bear the meanings ascribed thereto in the Companies Ordinance.

"The office" means the registered office for the time being of the Company.

"The register" means the Register of Members.

"Seal" includes the common seal of the Company and the official seal for use abroad.

"Year" means from the 1st January to the 31st December of the same year inclusive.

"In writing" includes written or produced by any substitute for writing or partly one and partly another.

~~"Director from among the public" means a director holding office as a Director from among the public as provided in the provisions of Title B of Chapter Four of the Companies Ordinance.~~

~~"A banking corporation without a controlcontrolling core block" has the meaning of the term as defined in the Banking Ordinance.~~

**Amendment:
April 4, 1965**

2. The regulations contained in Table "A" in the Third Schedule to the Companies Ordinance shall not apply to the Company.

BUSINESS

3. Any branch or kind of business which the Company is either expressly or by implication authorized to undertake may be undertaken by the Directors at such time or times as they may think fit and further may be suffered by them to be in abeyance whether such branch or kind of business may have been actually commenced or not, so long as the Directors may deem it expedient not to commence or proceed with the same.

**Amendment: April
29, 1976**

4. None of the funds of the Company shall be applied in the purchase of shares in the Company; nor subject to the provisions of Section 98 of the Companies Ordinance shall the Company give, whether directly or indirectly, and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

CAPITAL

Amendments:

5. The Ordinary Shares shall confer upon the holders thereof the following rights to share in the profits and assets of the Company,

**October 29,
1963**

**March 10,
1977,**

**December 12,
1991**

namely:

- (1) The profits of the Company which it shall in any year be determined to distribute by way of dividend shall, subject to the rights conferred upon any other classes of shares for the time being issued and subject to the provisions of Article 111, be distributed among the holders of the Ordinary Shares in proportion to the capital paid up or credited as paid up on the nominal value of the shares held b them.
- (2) In a winding-up, the surplus assets of the Company shall, subject to the rights of any other class of shares for the time being issued, belong to and be distributed rateably among the holders of the Ordinary Shares in proportion to the amounts paid up or credited as paid up on the nominal value of such shares.

MODIFICATION OF RIGHTS

Amendment:

**October 19,
1950,**

July 9, 1981

6. If at any time the share capital is divided into different classes of shares the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied, modified or abrogated either while the Company is a going concern or during or in contemplation of a winding-up with the consent in writing of the holders of all the issued shares of that class, or with the sanction of an Extraordinary Resolution passed at a separate General Meeting of the holders of the shares of the class. To every such separate General Meeting the provisions of these Articles relating to General Meetings shall mutatis mutandis apply but so that the necessary quorum shall be two persons at least holding or representing by proxy not less than one-third of the issued shares of the class.
7. The special rights conferred upon the holders of any shares or class of shares issued with preferred or other special rights shall not unless otherwise expressly provided by the conditions of issue of such shares be deemed to be modified by the creation or issue of further shares ranking pari passu therewith.

SHARES

Amendments:

**December 12,
1991,**

8. The Shares shall be at the disposal of the Directors and they may allot, grant purchase options over or otherwise dispose of them to such persons at such times and on such terms as they think proper, provided that in the case of shares offered to the public for subscription, the amount payable on application on each share shall not be less than 5 per cent of the nominal amount of the share. The Directors shall within one month after any allotment of shares file with the Registrar of Companies all returns and documents relating thereto required by the Companies Ordinance.

June 5, 2008

The Board of Directors may delegate its authority to allot shares arising from the exercise or conversion of securities of the Company – to a Board Committee, to the General Manager of the Company or to any other person recommended to the Board of Directors by the General Manager.

9. The Directors may exercise the powers conferred by the Companies Ordinance of paying commissions to persons subscribing or procuring subscriptions for shares of the Company or agreeing to do so, whether absolutely or conditionally, provided that the rate per cent or the amount of the commission paid or agreed to be paid shall not exceed the rate of 10 per cent of the price at which the shares in respect whereof the commission is paid are issued. The Directors may also on any issue of shares pay such brokerage as may be lawful.
10. If any shares of the Company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthened period the Company may pay interest on so much of that share capital as is for the time being paid up for the period, subject to the conditions and restrictions prescribed by the Companies Ordinance and may charge the sum so paid by way of interest to capital as part of the cost of construction of the work, building or the provision of plant.
11. No person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or recognise any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share, or (except only as by these Articles otherwise provided) any other right in respect of any share except an absolute right to the entirety thereof in the registered holder.

CERTIFICATES

**Amendment:
October 29,
1963**

12. Every certificate for shares or debentures shall be issued under the seal and (subject as hereinafter provided) shall bear the autographic signatures of one Director and the Secretary or such other person as the Directors may appoint. The Directors may by resolution determine that the signature of such Director shall be affixed by some method or system of mechanical signature provided that the method or system for affixing the Seal or mechanical signature (where employed) shall be controlled by (or the certificate shall have been approved for sealing by) the Auditors or Transfer Auditors of the Company.
13. Every Member shall be entitled to one certificate for the shares registered in his name or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates each for one or more of such shares. Every

certificate of shares shall specify the denoting numbers of the shares in respect of which it is issued and the amount paid up thereon.

**Amendment:
April 29, 1976**

14. If any certificate be worn out or defaced then upon production thereof to the Directors they may order the same to be cancelled and may issue a new certificate in lieu thereof; and if any certificate be lost or destroyed then upon proof thereof to the satisfaction of the Directors and on such indemnity as the Directors deem adequate being given a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate.
15. The certificates of shares registered in the names of two or more persons shall be delivered to the person first named on the register.

CALLS

16. The Directors may from time to time make such calls as they think fit upon the Members in respect of all moneys unpaid on the shares held by them respectively and not by the conditions of allotment thereof made payable at fixed times and each Member shall pay the amount of every call so made on him to the persons and at the times and places appointed by the Directors. A call may be made payable by installments and shall be deemed to have been made when the resolution of the Directors authorizing such call was passed.
17. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
18. No call shall exceed one-fourth of the nominal amount of a share or be made payable within two months after the last preceding call was payable.
19. Fourteen days' notice of any call shall be given specifying the time and place of payment and to whom such call shall be paid. Before the time for payment the Directors may by notice in writing to the Members revoke the call or extend the time for payment.
20. If by the terms of issue of any share or otherwise any amount is made payable at any fixed time or by installments at fixed times whether on account of the amount of the share or by way of premium every such amount or installment shall be payable as if it were a call duly made by the Directors and of which due notice had been given and all the provisions herein contained in respect of calls shall relate to such amount or installment accordingly.

21. If the sum payable in respect of any call or installment be not paid on or before the day appointed for payment thereof the holder for the time being of the share in respect of which the call shall have been made or the installment shall be due shall pay interest for the same at the rate of 9 per cent, per annum or at such other rate as the Directors may determine from the day appointed for the payment thereof to the time of the actual payment.
22. The Directors may make arrangements on the issue of shares for a difference between the holders in the amounts and times of payment of calls on their shares.
23. The Directors may, if they think fit, receive from any Member willing to advance the same, all or any part of the money due upon the shares held by him beyond the sum actually called for, and upon the amount so paid or satisfied in advance or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate as the Member paying such sum in advance and the Directors agree upon and the Directors may at any time repay the amount so advanced if they think fit.

FORFEITURE AND LIEN

24. If any Member fails to pay any call or installment on or before the day appointed for the payment of the same, the Directors may at any time thereafter during such time as the call or installment remains unpaid serve a notice on such Member requiring him to pay the same, together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.
25. The notice shall name a day (not being less than fourteen days from the date of the notice) and a place on and at which such call or installment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time and at the place appointed the shares in respect of which the call was made or installment is payable will be liable to be forfeited.
26. If the requirements of any such notice as aforesaid are not complied with any shares in respect of which such notice has been given may at any time thereafter before payment of all calls or installments, interest and expenses due in respect thereof be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

27. Any share so forfeited shall be deemed to be the property of the Company and the Directors may sell, re-allot or otherwise dispose of the same in such manner as they think fit and whether with or without all or any part of the amount previously paid on the share being credited as paid.
28. The Directors may at any time before any shares so forfeited shall have been sold, re-allotted or otherwise disposed of annul the forfeiture thereof upon such conditions as they think fit.
29. Any Member whose shares shall have been forfeited shall, notwithstanding, be liable to pay and shall forthwith pay to the Company all calls, installments, interest and expenses owing upon or in respect of such shares at the time of forfeiture, together with interest thereon from the time of forfeiture until payment at the rate of 9 per cent. per annum, and the Directors may enforce the payment of such moneys or any part thereof if they think fit, but shall not be under any obligation so to do.
30. The Company shall have a first and paramount lien upon all the shares (not being fully paid up) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof for his debts, liabilities and engagements solely or jointly with any other persons to or with the Company whether the period for the payment, ~~fulfilment~~ fulfillment or discharge thereof shall have actually arrived or not. Such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of any shares shall operate as a waiver of the Company's lien (if any) upon any shares.
31. For the purpose of enforcing such lien the Directors may sell the shares subject thereto in such manner as they think fit; but no sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such member, his executors or administrators, and default shall have been made by him or them in payment, ~~fulfilment~~ fulfillment or discharge of such debts, liabilities or engagements for seven days after such notice.
32. The net proceeds of any such sale after payment of the costs of such sale shall be applied in or towards satisfaction of the debts, liabilities or engagements of such Member and the residue (if any) paid to him, his executors, administrators or assigns.
33. Upon any sale after forfeiture or for enforcing a lien in purported

exercise of the powers hereinbefore given the Directors may cause the purchaser's name to be entered in the register in respect of the shares sold and the purchaser shall not be bound to see to the regularity of the proceedings or to the application of the purchase money and after his name has been entered in the register in respect of such shares the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

TRANSFER OF SHARES

**Amendment:
April 14, 1965**

34. Subject to the restrictions of these Articles any Member may transfer all or any of his shares.

**Amendment:
April 14, 1965**

35. All transfers of Shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the Directors. The Instrument of Transfer shall be signed by or on behalf of the Transferor and (except in the case of fully paid shares where the Directors may either generally or in any particular case or classes of case dispense with such requirement) by or on behalf of the Transferee. The Transferor shall be deemed to remain the holder of the shares concerned until the name of the Transferee is entered in the Register of Members in respect thereof.

36. The Directors may decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up may refuse to register a transfer to a transferee of whom they do not approve. If the Directors refuse to register a transfer of any shares, they shall within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal.

37. Every instrument of transfer shall be left at the office for registration accompanied by the certificate of the shares to be transferred and such other evidence as the Company may require to prove the title of the transferor or his right to transfer the shares. All instruments of transfer which shall be registered shall be retained by the Company but any instrument of transfer which the Directors may decline to register shall on demand be returned to the person depositing the same.

38. Canceled.

**Amendment:
October 17,
1983**

39. The transfer books and registers of Members and debenture-holders and debenture stock holders (if any) may be closed during

such time as the Directors think fit not exceeding in the whole thirty days in each year.

TRANSMISSION OF SHARES

40. The heirs, executors or administrators of a deceased Member (not being one of several joint holders) shall be the only persons recognized by the Company as having any title to the shares registered in the name of such Member; and in the case of the death of any one or more of the joint holders of any registered shares the survivors shall be the only persons recognized by the Company as having any title to or interest in such shares, but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share jointly held by him.
41. Any person becoming entitled to shares in consequence of the death, bankruptcy, insolvency or lunacy of any Member (herein referred to as a person entitled by transmission) shall, on producing to the Company such evidence as may be reasonably required by the Directors to prove his title, be entitled to be registered as a Member in respect of the shares, or instead of being registered himself to make such transfer as the deceased, bankrupt or insolvent or lunatic person could have made. This article is hereinafter referred to as the transmission article.
42. The Directors shall have the same right to refuse to register a person entitled by transmission as if he were the transferee named in an ordinary transfer presented for registration.

SHARE WARRANTS TO BEARER

**Amendment:
April 29, 1976**

43. The Company with respect to fully paid-up shares may issue warrants (hereinafter called "share warrants") stating that the bearer is entitled to the shares therein specified and may provide by coupons or otherwise for the payment of future dividends on the shares included in such warrants. The Directors may determine and from time to time vary the conditions upon which the share warrants shall be issued and in particular the conditions upon which a new share warrant or coupon will be issued in the place of one worn out, defaced or destroyed, or upon which the bearer of a share warrant shall be entitled to attend and vote at General Meetings or upon which a share warrant may be surrendered, and the name of the bearer entered in the register in respect of the shares therein specified. The bearer of a share warrant shall be subject to the conditions for the time being in force, whether made before or after the issue of such warrant

STOCK

**Amendment
October 17,
1983**

44. The Company in General Meeting may convert any paid-up shares into stock and may convert any stock into paid-up shares of any denomination. When any shares have been converted into stock the several holders of such stock may thenceforth transfer their respective interests therein or any part of such interests in the same manner and subject to the same regulations as and subject to which shares in the Company's capital may be transferred or as near thereto as circumstances will admit. But the Directors may from time to time if they think fit fix the minimum amount of stock transferable and direct that amounts of stock of a nominal value of less than IS 100 shall not be dealt with, but with power nevertheless at their discretion to waive such rules in any particular case.

45. The stock shall confer on the holders thereof respectively the same privileges and advantages as regards participation in profits and voting at meetings of the Company, and for other purposes as would have been conferred by shares of equal amount in the capital of the Company of the same class as the shares from which such stock was converted, but so that none of such privileges or advantages, except the participation in profits of the Company or in the distribution of the assets of the Company, shall be conferred by any such aliquot part of stock as would not if existing in shares have conferred such privileges or advantages. No such conversion shall affect or prejudice any preference or other special privilege attached to the shares so converted. Save as aforesaid all the provisions herein contained shall so far as circumstances will admit apply to stock as well as to shares.

INCREASE OF CAPITAL

46. The Company in General Meeting may from time to time increase the capital by the creation of new shares of such amount as may be deemed expedient.

47. The new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the General Meeting resolving upon the creation thereof shall direct and if no direction be given, as the Directors shall determine and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a special or without any right of voting.

48. The Company in General Meeting may before the issue of any

new shares determine that the same or any of them shall be offered in the first instance and either at par or at a premium to all the then holders of any class of shares in proportion to the amount of the capital held by them or make any other provisions as to the issue and allotment of the new shares; but in default of any such determination or so far as the same shall not extend the new shares may be dealt with as if they formed part of the shares in the original capital.

49. Except as otherwise provided by the conditions of issue or by these Articles any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien, surrender and otherwise

ALTERATION OF CAPITAL

**Amendment:
October 17,
1983**

50A. The Company may : —

- (a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares.
- (b) Cancel any shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person and diminish the amount of its capital by the amount of the shares so cancelled.
- (c) Sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association and so that the resolution whereby any share is subdivided may determine that as between the holders of the shares resulting from such sub-division one or more of the shares may have any such preferred or other special rights over or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.
- (d) Reduce its capital and any capital redemption fund in any manner authorized by the Companies Law.

50B. Upon any consolidation and division of fully paid shares into shares of larger amount the Directors may make such arrangements as they may think fit for (a) the sale of any fractions of a share arising on such consolidation and division in respect of any separate holding; (b) the distribution in the due proportions among the persons

entitled thereto of the net proceeds (after deduction of any levies that may apply and the expenses of sale and distribution if and to the extent that it is, in the case of any consolidation and division, so determined by the Directors); and (c) the appointment of some person to transfer to the purchaser or purchasers respectively purchasing the same the shares so arising from fractions.

BORROWING POWERS

**Amendment:
October 19,
1950,
April 29, 1976**

51. The Directors may from time to time at their discretion raise or borrow any sum or sums of money for the purposes of the Company.
52. The Directors may secure the repayment of such moneys in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds, notes, perpetual or redeemable debentures or debenture stock or any mortgage, charge or other security on the undertaking or the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being.
53. Any bonds, notes, debentures, debenture stock or other securities may be issued at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at General Meetings of the Company, appointment of Directors or otherwise.

GENERAL MEETINGS

54. General Meetings shall be held once at least in every year at such time (not being more than fifteen months after the holding of the last preceding General Meeting) and at such place as may be determined by the Directors. Such General Meetings shall be called "Ordinary Meetings" and all other meetings of the Company shall be called "Extraordinary Meetings".
55. The Directors may, whenever they think fit, convene an Extraordinary Meeting and the Directors shall, on the requisition of Members in accordance with the Companies Ordinance, forthwith proceed to convene an Extraordinary Meeting.
56. Seven days' notice or (in the case of a meeting convened for the purpose of passing a resolution as a Special Resolution) twenty-one days' notice to the Members specifying the place, day and

hour of meeting and in case of special business the general nature of such business shall be given in manner as hereinafter provided.

57. The accidental omission to give notice of any meeting to or the non-receipt of any such notice by any of the Members shall not invalidate any resolution passed at any such meeting.

57A. Notwithstanding the specified above, convening a General Meeting on the agenda of which is the appointment or dismissal of Directors shall be executed in accordance with the provisions of the Banking Ordinance, including publication and delivery of prior notice.

PROCEEDINGS AT GENERAL MEETINGS

58. The business of an Ordinary Meeting shall be to receive and consider the profit and loss account and the balance sheet, the reports of the Directors and of the Auditors, to elect Directors in the place of those retiring by rotation and Auditors, to declare dividends and to transact any other business which under these Articles ought to be transacted at an Ordinary Meeting, and all other business transacted at an Ordinary Meeting and all business transacted at an Extraordinary Meeting shall be deemed Special.

**Amendments:
March 10, 1977,
October 17,
1983,
December 12,
1991**

59. Three Members personally present shall be a quorum for a General Meeting and no business shall be transacted at any General Meeting unless the quorum requisite be present at the commencement of the business.

60. The Chairman of the Directors or in his absence the Deputy Chairman (if any) shall be entitled to take the chair at every General Meeting. If there be no chairman or deputy chairman, or if at any meeting he shall not be present within 15 minutes after the time appointed for holding such meeting or is unwilling to act, the Directors present may choose a chairman and in default of their so doing the Members present shall choose one of the Directors to be chairman, and if no Director present be willing to take the chair shall choose one of their number to be chairman

**Amendments:
June 7, 1983,
June 4, 1992**

61. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the same day in the next week at the same time and place or to such other day, time and place as the Directors may by notice to the shareholders appoint whether the meeting was convened by the Directors at their instigation or otherwise. If

Amendment:

**February 7,
1993**

at such adjourned meeting a quorum is not present any two Members who are personally present shall be a quorum and may transact the business for which the meeting was called.

62. Every question submitted to a meeting shall be decided by a poll conducted in the first instance by a show of hands in such manner as the Chairman of the meeting directs. In case of an equality of votes, whether in a vote by show of hands or by ballot, the Chairman shall have a casting vote in addition to the vote or votes to which he may be entitled as a Member.

**Amendment:
October 29,
1963**

63. At every General Meeting unless a poll is demanded before or on the declaration of the result of a show of hands by the Chairman or by at least three Members present and entitled to vote at the meeting a declaration by the Chairman that a resolution has been carried by a particular majority and an entry to that effect in the book of proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

Drafting of the minutes of the General Meeting shall be made subject to the provisions of the Banking Ordinance.

64. If a poll is demanded as aforesaid it shall be taken in such manner and at such time and place as the Chairman of the meeting directs and either at once or after an interval or adjournment, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand of a poll may be withdrawn. In case of any dispute as to the admission or rejection of a vote the Chairman shall determine the same and such determination made in good faith shall be final and conclusive.
65. The Chairman of a General Meeting may with the consent of the meeting adjourn the same from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
66. The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded. No poll shall be demanded on the election of a chairman and a poll demanded on a question of adjournment shall be taken at the meeting without adjournment

VOTES OF MEMBERS

**Amendments:
March 10, 1977,**

67. Subject to any special terms as to voting upon which any shares

**October 17,
1983,
December 12,
1991,
February 2,
1993**

may be issued or may for the time being be held, upon a poll any Member present in person or by proxy shall have one vote for every share held by him.

68. Any corporation which is a Member of the Company may by resolution of its Directors or other governing body authorize such person whether a Member of the Company or not as it thinks fit to act as its representative at any meeting of the Company or of any class of Members of the Company and the person so authorized shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member of the Company. A person whether a Member of the Company or not holding a power of attorney from a Member in that behalf may appoint himself or any other person as proxy for his principal.
69. Any person entitled under the transmission article to transfer any shares may vote at any General Meeting in respect thereof in the same manner as if he was the registered holder of such shares provided that forty-eight hours at least before the time of holding the meeting or adjourned meeting as the case may be at which he proposes to vote he shall satisfy the Directors of his right to transfer such shares unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.
70. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the register.
71. Votes may be given either personally or by proxy or in the case of a corporation by a representative duly authorized as aforesaid. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney or if such appointor is a corporation under its common seal or the hand of its attorney. Holders of share warrants shall not be entitled to vote by proxy in respect of the shares included in such warrants unless otherwise expressed in such warrant.
72. The instrument appointing a proxy and the power of attorney (if any) under which it is signed or an office copy or notarially certified copy thereof shall be deposited at such place or one of such places as may be specified for that purpose in the notice convening the meeting (or in a document accompanying such notice) or if no place is so specified at

**Amendment:
October 29,
1963**

the office not less than forty-eight hours before the time for holding the meeting or adjourned meeting (as the case may be) at which the person named in such instrument proposes to vote, but no instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution

73. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or transfer of the share in respect of which the vote is given unless an intimation in writing of the death, revocation or transfer shall have been received at the office before the meeting. Provided that if a poll shall be directed a notice in writing revoking an instrument of proxy shall be effective if such notice be under the hand of the appointor and shall be received at the office not later than one hour before the commencement of the poll.
74. Every instrument of proxy, whether for a specified meeting or otherwise, shall as nearly as circumstances will admit be in the form or to the effect following:

"BANK LEUMI LE-ISRAEL B.M.

"I, _____, of _____,
" _____, being a
"Member of the above-named Company, hereby
"appoint _____, of _____,
"or failing him _____, of _____,
"or failing him, _____ of _____
"as my proxy to vote for me and on my behalf at
"the (Ordinary or Extraordinary as the case may
"be) General Meeting of the Company to be held
"on the _____ day of _____ and at any
"adjournment thereof.
"As witness my hand this _____ day of _____

**Amendment:
June 29, 2005**

- 74A. As regards resolutions relating to the matters detailed below, and subject as determined in the Companies Law, ~~1999, and the regulations enacted and to be enacted by virtue thereof, from time to time (the "Companies Law")~~ a shareholder may also vote at a General Meeting in the way and manner detailed in the Companies Law by means of voting papers:
- A. appointment and removal of Directors;
 - B. approval of actions or transactions requiring approval of the General Meeting, in accordance with Sections 255 and 268 to 275 of the Companies Law;
 - C. approval of a merger, in accordance with Section 320 of the Companies Law;

D. additional matters as may be determined by the Minister of Justice, in accordance with Section 89 of the Companies Law.

Voting papers, if required, will be sent to shareholders by the Company in a manner to be determined by law. A shareholder may indicate the manner of his vote on the voting paper, and send it to the Company.

A voting paper, whereon a shareholder indicated the manner of his voting, which reaches the Company by the date indicated for such purpose in the notice of the meeting, will be considered as presence at the meeting for the purposes of the presence of the requisite legal quorum.

**Amendment:
February 7,
1993**

75. No Member shall be entitled to be present or to vote on any question either personally or by proxy or as proxy for another Member at any General Meeting or to be reckoned in a quorum whilst any call or other sum shall be due and payable to the Company in respect of any of the shares of such Member.

DIRECTORS

**Amendment:
December 12,
1991**

76. Unless and until otherwise determined by the Company in General Meeting the Directors shall be not less than seven nor more than fifteen in number.

**Amendment:
May 15, 1990**

- 76A. At least two of the Directors shall be E.D.Outside Directors from among the public, as laid down in the Companies Ordinance Law.

**Amendment:
June 4, 1992**

77. The remuneration of the Directors shall be such sum or sums as may be voted by the Company in General Meeting, having been first approved by both the Audit Committee and the Board of Directors. Any Director holding office for only a part of a year shall be entitled to a proportionate part of such remuneration. The Company in General Meeting may increase the amount of such remuneration either permanently or for a year or longer period. The Directors shall be paid by the Company such reasonable travelling, hotel and other expenses as they may incur in attending meetings of the Company or of Directors or of committees of Directors or which they may otherwise incur in or about the Company's business.

78. Any Director who by request performs special services or goes or

resides abroad for any purposes of the Company may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine.

**Amendment:
April 7, 1971**

79. Canceled.
80. The office of a Director shall be vacated in any of the following events namely : —
- (a) If he resign his office by writing under his hand left at the office.
 - (b) If he become bankrupt or compound with his creditors.
 - (c) If he be found lunatic or become of unsound mind.
 - (d) If he be absent from meetings of the Directors for six months without leave and the Directors resolve that his office be vacated.
 - (e) Deleted.
 - (f) If he be requested in writing by all his co-Directors to resign his office.

**Amendment:
April 7, 1971**

**Amendment:
May 15, 1990**

- 80A. ~~An E.D. Outside Director from among the public~~ shall cease to hold office before the expiry of the period for which he was appointed, if one of the conditions laid down in the Companies Law-Section 96 (k) of the Companies Ordinance is fulfilled.

**Amendments:
June 4, 1992,
June 11, 2000**

81. (a) The Company may enter into a transaction with another entity in which a Director of the Company has a personal interest, directly or indirectly, and the Company may enter into a transaction with a Director of the Company in which transaction the Director has a personal interest, directly or indirectly, provided that the Director has disclosed to the Company the general nature of his personal interest in the transaction, that the Director is acting in good faith and that the transaction does not prejudice the interests of the Company.

If such a transaction is an extraordinary transaction, it must in addition be approved by the Audit Committee and thereafter by the Board of Directors.

Should the majority of the members of the Board of Directors or

of the Audit Committee be personally interested in the said transaction, it must also be approved by the Company in General Meeting.

(b) A general notice given to the Directors by any Director regarding his holding office or regarding his carrying out a function or regarding his giving services or regarding his and/or his relative's being interested in certain bodies shall be deemed to be disclosure as required by paragraph (a) above by the Director to the Company of his personal interest for the purposes of all transactions made between the Company and another and for the purposes of all transactions other than extraordinary transactions in which the Director has a personal interest made between the Company and the Director.

In the case of an extraordinary transaction made between the Company and another and/or between the Company and the Director, in which the Director has a personal interest, directly or indirectly, the Director will give notice of his personal interest to the Audit Committee and to the Board of Directors at the commencement of the discussion of the transaction, he will not be present at the meeting during the discussions of the transaction, and he will not vote on the discussion regarding the transaction. Should the Director become personally interested thereafter, or should he become aware of the existence of a personal interest thereafter, he will disclose it without delay, and no later than at the first meeting of the Board of Directors after he becomes personally interested or becomes aware of such interest.

(c) A Director shall not be disqualified by his holding the office of Director of the Company from holding any other office or function with the Company or from giving services for consideration to the Company (other than the office of an internal or external auditor) save that his additional employment and the terms thereof must be approved by the Audit Committee and thereafter by the Board of Directors and thereafter by the Company in General Meeting; nor will he be disqualified by holding office as a Director of the Company from holding any other office or function or from giving services for consideration to a company in which the Company holds any shares or in which it is interested in any other way.

(d) A transaction of the Company with one of its officers as well as a transaction of the Company with another person in which an officer of the Company has a personal interest, as provided in Section 270(1) of the Companies Law, ~~1999~~, and which is not an extraordinary transaction, shall be approved in accordance

with the guidelines of the Company, as in effect from time to time.

ROTATION OF DIRECTORS

**Amendment:
May 15, 1990**

82. At the Ordinary Meeting in each year one-third of the Directors or if their number is not a multiple of three then the number nearest to but not exceeding one-third shall retire from office and be eligible for re-election. ~~A Director from among the public shall not be subject to retirement by rotation and he shall not be taken into account in determination of the rotation of retirement of Directors.~~
83. The one-third or other nearest number who have been longest in office shall retire. As between two or more who have been in office an equal length of time the Director or Directors to retire shall in default of agreement between them be determined by lot. The length of time a Director has been in office shall be computed from his last election or appointment where he has previously vacated office. A retiring Director shall be eligible for re-election and shall act as a Director throughout the meeting at which he retires,

ELECTION OF DIRECTORS

83A. Banking corporation without a ~~controlcontrolling core-block~~

Article 83A shall apply with respect to the Company so long as it is defined as a Banking corporation without a ~~controlcontrolling core-block~~, and shall prevail over any other contradicting provision of these Articles.

- (1) Proposition of candidates, appointment and dismissal thereof, including the maximal number of Directors that may be proposed and the maximal number of Directors that can be replaced in a General Meeting, shall be executed in accordance with the provisions of the Banking Ordinance.

Without derogating from the generality of the specified above, an officer of the Company, with the exception of a Director who is a member of the Directors Appointment Committee, shall not act for the appointment of a certain Director, or for the prevention of appointment thereof, however a Director shall be entitled to propose his candidanship for a Director's position to the Directors Appointment Committee.

(2) The term of office of a Director who is not an E.D. Outside Director and is not an External Director, shall be in accordance with the set forth in the Banking Ordinance, and the number of office terms shall not exceed the terms specified in the Banking Ordinance.

(3) A person who does not comply with the conditions specified in the Banking Ordinance shall not be appointed and shall not act as a Director, and the respective special provisions set forth in the Banking Ordinance shall apply with respect to Directors acting in the Company prior to its becoming a Banking corporation without a ~~control~~controlling core block.

**Amendment:
June 29, 2005**

84. The Company in General Meeting may subject to the provisions of these Articles from time to time appoint new Directors and may increase or reduce the number of Directors in office and may alter their qualifications.

84A. Resolutions of the General Meeting regarding the appointment or dismissal of Directors shall be adopted by a majority vote of the participants in the vote. The abstaining votes shall not be taken into consideration in the quorum of participating votes. Voting in the General Meeting regarding the appointment and dismissal of Directors shall be separate for each candidate for office or each Director, respectively.

**Amendment:
June 29, 2005**

A person shall not agree with another regarding their votes for appointment of a Director in the Company, including regarding their votes for dismissal of a Director, unless this is done in accordance with the specified in the Banking Law (Licensing) and in the Banking Ordinance.

85. The Company at any General Meeting at which any Directors retire by rotation may fill up the vacated office by electing a like number of persons to be Directors.

85A. The term of office of a Director will begin at the time of his appointment, unless a later date is determined for the beginning of his term of office.

85B. Should the number of people being proposed for election as Directors at a General Meeting, and receiving an ordinary majority of the total voting rights of shareholders entitled to vote and who voted (by themselves, by their proxies or by voting papers) at a General Meeting, exceed the number of available positions for Directors due to be filled pursuant to the agenda of the General Meeting, the candidates receiving a higher number of votes at the General Meeting than the other candidates will

be elected as Directors for the available positions. Should a determination need to be made between a number of candidates who received the same number of votes, the determination as to who shall be elected shall be made by lot.

86. Subject to the specified in the Banking Ordinance and in the Banking Law (Licensing), if at any General Meeting at which an election of Directors ought to take place the place of any Director retiring by rotation is not filled up he shall, if willing, continue in office until the Ordinary Meeting in the next year and so on from year to year until his place is filled up unless it shall be determined at such meeting to reduce the number of Directors in office.
87. No person not being a retiring Director shall ~~unless recommended by the Directors for election~~ be eligible for election to the office of Director at any General Meeting unless he or some other Member intending to propose him has, on the date set forth for this purpose in the prior notice (published by the Company regarding the intention to convene a General Meeting on the agenda of which is the selection of Directors), at least seven clear days and not more than 28 days before the meeting left at the office a notice in writing duly signed signifying his candidature for the office ~~or the intention of such Member to propose him.~~
- 87A. The Board of Directors shall not be entitled to appoint Directors to the Company, nor shall it be entitled to propose to the Directors Appointment Committee candidates to act as Directors.
88. Notwithstanding the specified in Article 87A above, the Board of Directors shall be entitled to appoint Directors to the Company if a vacancy has occurred in the Board of Directors pursuant to the previous annual General Meeting, or with the approval of the Supervisor, and only provided that the term of office~~adence~~ of such appointed Director shall expire by no later than the upcoming annual General Meeting, and subject to the fact that the ~~The Directors shall have power at any time and from time to time to appoint any other qualified person as a Director either to fill a casual vacancy or as an addition to the board but so that the~~ total number of Directors shall not at any time exceed the maximum number fixed; ~~but any Director so appointed shall hold office only until the next following Ordinary General Meeting of the Company and shall then be eligible for re-election.,~~
89. Subject to the provision of Article 84A above, ~~t~~The Company may

**Amendment:
October 31,**

2005

by a resolution of the General Meeting approved by an ordinary majority remove any Director before the expiration of his period of office, and may by a resolution approved by an ordinary majority at the General Meeting appoint another qualified person in his stead. The person so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.

**Amendment:
May 15, 1990**

~~89A. Notwithstanding all the provisions of Articles 80, 82, 83, 84, 86, 88 and 89, a Director from among the public will hold office for five consecutive years, subject to the provisions of Article 80A.~~

MANAGING DIRECTORS

90. The Directors may from time to time appoint one or more of their body to be Managing Director or Managing Directors of the Company either for a fixed term or without any limitation as to the period for which he or they is or are to hold office and may from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their place or places.

91. A Managing Director shall not while he continues to hold that office be subject to retirement by rotation and he shall not be taken into account in determining the rotation of retirement of Directors, but he shall, subject to the provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company, and if he cease to hold the office of Director from any cause he shall ipso facto and immediately cease to be a Managing Director.

92. The Directors may from time to time entrust to and confer upon a Managing Director for the time being such of the powers exercisable under these articles by the Directors as they may think fit and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they think expedient, and they may confer such powers either collaterally with or to the exclusion of and in substitution for all or any of the powers of the Directors in that behalf and may from time to time revoke, withdraw, alter or vary all or any of such powers.

**Amendment:
June 4, 1992**

93. The terms of office and employment of a Managing Director including his terms of employment as the holder of another office or another function with the Company must be approved

by the Audit Committee and thereafter the Board of Directors and thereafter the Company in General Meeting and may be by way of salary or commission on or participation in profits or by all or any of these modes.

PROCEEDINGS OF DIRECTORS

94. The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit and may determine the quorum necessary for the transaction of business. Until otherwise determined two Directors shall form a quorum. All acts bona fide done at or pursuant to any meeting held in Israel shall be valid notwithstanding that any Director not in Israel on the date when such meeting was convened did not receive notice thereof.
95. A Director may at any time and a Secretary upon the request of a Director shall convene a meeting of the Directors.
96. The Directors may elect a Chairman of their meetings and determine the period for which he is to hold office and unless otherwise determined the Chairman shall be elected annually. If no Chairman is elected or if at any meeting the Chairman is not present within 15 minutes after the time appointed for holding the same the Directors present shall choose some one of their number to be Chairman of such meeting.
97. Questions arising at any meeting of Directors shall be decided by a majority of votes and in case of an equality of votes the Chairman shall have a second or casting vote.
98. A meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under the articles of the Company for the time being vested in or exercisable by the Directors generally.
99. The Directors may delegate any of their powers to committees consisting of such Member or Members of their body as they think fit and may from time to time revoke such delegation. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed on it by the Directors. The meetings and proceedings of any such committee consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors so far as the same are applicable thereto and are not superseded

by any regulations made by the Directors under this Article.

**Amendment:
June 4, 1992**

- 99A. The Board of Directors will appoint an Audit Committee from its members. The Committee will not have less than three members and all the ~~E.D.Outside Directors from among the public~~ will be members thereof. The Chairman of the Board of Directors, the General Manager, Managing Director, Cashier, Secretary or any officer who is an employee of the Company shall not be members of the Committee.

~~The tasks and authorities of the Audit Committee will be in accordance with those laid down in the Companies Ordinance.~~

100. Subject to the specified in the Banking Ordinance and the Banking Law (Licensing), ~~t~~The continuing Directors or a sole continuing Director may act notwithstanding any vacancies in the Board, but if and so long as the number of Directors is reduced below the minimum number fixed by or in accordance with these Articles the continuing Directors or Director may act for the purpose of filling up vacancies in the Board or of summoning General Meetings of the Company, but not for any other purpose.
101. All acts bona fide done at any Meeting of Directors or by a committee of Directors or by any person acting as a Director shall, notwithstanding it be afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director. A resolution in writing signed by all the Directors shall be as effectual as if it had been passed at a meeting of Directors

ALTERNATE DIRECTORS

**Amendment:
April 7, 1971**

102. A Director may with the approval of the Directors appoint any person to act as his alternate Director in his place during his absence or inability for any reason to act as such Director, and such appointment shall have effect and such appointee while he holds office as an alternate Director shall be entitled to notice of meetings of the Directors and to attend and vote thereat accordingly, but he shall ipso facto vacate office if and when the appointor vacates office as a Director or removes the appointee from office and any appointment and removal under this Article shall be effected by notice in writing under the hand of the Director making the same. The remuneration of an alternate Director shall be provided by the Director by whom the alternate Director was appointed.

POWERS OF DIRECTORS

103. The management of the business of the Company shall be vested in the Directors and the Directors may exercise all such powers and do all such acts and things as the Company is, by its Memorandum of Association or otherwise, authorized to exercise and do and are not hereby or by the Companies Ordinance directed or required to be exercised or done by the Company in General Meeting, but subject nevertheless to the provisions of the Companies Ordinance and of these Articles and to any regulations not being inconsistent with these Articles from time to time made by the Company in General Meeting provided that no such regulation shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made

SEAL

104. The Seal shall not be affixed to any instrument except by the authority of a resolution of the Board and unless and until the Board shall otherwise determine one Director and a Secretary or such other person as the Directors may appoint for the purpose shall sign every instrument to which the Seal of the Company shall be so affixed.

LOCAL MANAGEMENT

105. The Directors may from time to time provide for the management and transaction of the affairs of the Company in any specified locality whether at home or abroad in such manner as they think fit and the provisions contained in the three next following Articles shall be without prejudice to the general power conferred by this Article.
106. The Directors from time to time and at any time may establish a local board or agency for managing any of the affairs of the company in any such specified locality and may appoint any persons to be members of such local board or managers or agents and may fix their remuneration. And the Directors from time to time and at any time may delegate to any person so appointed any of the powers, authorities and discretions for the time being vested in the Directors other than their power to make calls and may authorize the Members for the time being of any such local board or any of them to fill up any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit and the

Directors may at any time remove any person so appointed and may annul or vary any such delegation.

107. The Directors may at any time and from time to time by power of attorney under the seal appoint any person or persons to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as the Directors may from time to time think fit and any such appointment may (if the Directors think fit) be made in favour of the Members, or any of the Members of any local board established as aforesaid or in favour of any company or of the members, directors, nominees or managers of any company or firm or in favour of any fluctuating body of persons whether nominated directly or indirectly by the Directors, and any such power of attorney may contain such powers for the protection or convenience of persons dealing with such attorneys as the Directors may think fit.

108. Any such delegates or attorneys as aforesaid may be authorized by the Directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them.

**Amendment:
June 7, 1983**

109. ~~[DELETED] The Company may exercise all the powers conferred by the Companies Ordinance with regard to having an official seal for use abroad and such powers shall be vested in the Directors. The Company may also exercise the powers conferred by the Companies Ordinance of keeping in the United Kingdom of Great Britain and Northern Ireland and in the United States of America a branch Register of Members resident there and such powers shall be vested in the Directors.~~

RESERVE

110. The Directors may before recommending any dividend set aside out of the profits of the Company such sums as they think proper as a reserve fund to meet contingencies or for special dividends or for equalizing dividends or for repairing, improving and maintaining any of the property of the Company and for such other purposes as the Directors shall in their absolute discretion think conducive to the interests of the Company and may invest the several sums so set aside upon such investments, other than shares of the Company, as they may think fit and from time to time deal with and vary such investments and dispose of all or any part thereof for the benefit of the Company and may divide the reserve fund into such special funds as they think fit and employ the reserve

fund or any part thereof in the business of the Company and that without being bound to keep the same separate from the other assets.

DIVIDENDS

**Amendment:
October 29,
1963**

111. Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid in proportion to the amounts paid up or credited as paid up on the nominal value of the shares during any portion or portions of the period in respect of which the dividend is paid. For the purposes of this Article and of Article 5 no amount paid on a share in advance of calls shall be treated as paid on the share.
112. The Company in General Meeting may declare a dividend to be paid to the Members according to their rights and interests in the profits and may fix the time for payment. No larger dividend shall be declared than is recommended by the Directors, but the Company in General Meeting may declare a smaller dividend
113. Save as hereinbefore provided no dividend shall be payable except out of the profits of the Company and no dividend shall carry interest as against the Company. The declaration of the Directors as to the amount of the profits of the Company shall be conclusive.
114. The Directors may from time to time pay to the Members on account of the next forthcoming dividend such interim dividends as in their judgment the position of the Company justifies.
115. The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
116. The Directors may retain the dividends payable upon shares in respect of which any person is under the transmission article entitled to become a Member or which any person under that article is entitled to transfer until such person shall become a Member in respect of such shares or shall duly transfer the same.
117. In case several persons are registered as the joint holders of

any share any one of such persons may give effectual receipts for all dividends and payments on account of dividends, return of capital and other money payable in respect of such share.

118. A transfer of shares shall not pass the right to any dividend declared thereon after such transfer and before the registration of the transfer.
119. Notice of the declaration of any dividend, whether interim or otherwise, shall be given to the holders of registered shares in manner hereinafter provided.
120. Unless otherwise directed any dividend may be paid by cheque or warrant sent through the post to the registered address of the Member or person entitled or in case of joint holders to that one of them first named in the register in respect of the joint holding. Every such cheque shall be made payable to the order of the person to whom it is sent. All dividends unclaimed for one year after having been declared may be invested or otherwise used by the Directors for the benefit of the Company until claimed.

DIVIDEND IN SPECIE AND CAPITALISATION OF PROFITS

121. Any General Meeting declaring a dividend may resolve that such dividend be paid wholly or in part by the distribution of specific assets and in particular of paid-up shares, debentures or debenture stock of any other company or in any one or more of such ways.
- 122 (a) Any General Meeting may resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of the reserve fund or in the hands of the Company and available for dividend or representing premiums received on the issue of shares and standing to the credit of the share premium account be capitalised and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such shareholders in paying up in full — either at par or at such premium as the resolution may provide — any unissued shares or debentures or debenture stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares or debentures or debenture stock. The General Meeting resolving upon such capitalisation and distribution may decide that any shares so distributed may be of one class for all the shareholders or if approved by separate meetings of the holders of the different

**Amendments:
October 29,
1963,
April 29, 1976**

classes of shares of the same class as already held by them respectively: such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum.

**Amendments:
April 29, 1976,
March 10, 1977,
July 9, 1981**

(b)1. On each occasion that the Company makes any issue by way of capitalization of profits or reserves on a date when any Rights of conversion into or subscription for shares in the capital of the Company (below called "the Rights") are outstanding the Directors may (to the extent that all or any of such Rights are not otherwise adjusted in accordance with their terms) transfer to a special reserve (to be entitled as the Directors think fit and below called "the Special Reserve") a sum equal to the nominal amount of the share capital which the holders of all or any of such Rights would have received on the capitalization, had they exercised their Rights before the record date for the capitalization issue including fractional entitlements and in the case or a second or subsequent capitalization the entitlement arising from any previous capitalization.

(b)2. Upon the allotment by the Company of shares pursuant to the exercise by a holder of his Rights, where the Directors have made a transfer to the Special Reserve on account of such Rights in accordance with Sub-Paragraph (1) of this Special Resolution the Company shall also allot to such holder, in addition to the shares to which he is entitled on exercising his rights, credited as fully paid by means of capitalizing part of the Special Reserve the nominal amount of Ordinary Shares which equals the amount relating to his Rights which shall have been transferred to the Special Reserve so that all fractional entitlements shall be dealt with as the Directors think fit.

(b) 3. If after any transfer has been made to the Special Reserve the Rights shall be terminated or the period for exercising the relevant Rights to which any holder was entitled shall have expired and the Rights shall remain unexercised, then any amounts transferred to such Special Reserve in respect of such unexercised Rights shall be set free from the Special Reserve and thereafter shall be capable of being dealt with by the Company in any way in which the Company could have dealt with the same had the same not been transferred to the Special Preserve.

(b) 4. These Articles of Association are hereby altered to the extent necessary to give effect to the provisions of this Resolution

123. For purposes of Article 122 the bearers for the time being of

share warrants shall be treated as the persons entitled to receive that portion of the sum capitalized by a resolution passed under that article attributable to the shares comprised in such share warrants and in order that the Directors may allot to them any shares, debentures or debenture stock to which they shall so become entitled, they shall surrender the share warrants for the purpose of having endorsed thereon a record of such allotment. If any bearers fail within six months or such extended period as the Directors may fix to claim the shares, debentures or debenture stock to which they are so entitled, the Directors may allot and issue the same to trustees to be held by them in trust for and until claimed by such bearers and confer upon any such trustees powers with regard to the realisation of the shares for purposes of distribution and otherwise as the Directors may deem expedient and any such allotment and issue as aforesaid shall constitute full satisfaction to such bearers of share warrants of their interest in the capitalised sum.

**Amendment:
July 9, 1981**

124. For the purpose of giving effect to any resolution under the four last preceding Articles the Directors may settle any difficulty which may arise in regard to the distribution as they think expedient and in particular may issue fractional certificates and may fix the value for distribution of any specific assets and may determine that cash payments shall be made to any Members upon the footing of the value so fixed or that fractions whose value is equal to less than one pound sterling or such other amount as may, from time to time be permitted by the Stock Exchanges upon which the shares of the Company may then be listed may be disregarded in order to adjust the rights of all parties and may vest any such cash or specific assets in trustees upon such trusts for the persons entitled to the dividend or capitalised fund as may seem expedient to the Directors. Where requisite a proper contract shall be filed in accordance with Section 93 of the Companies Ordinance and the Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund and such appointment shall be effective.

ACCOUNTS

125. The Directors shall cause to be kept proper books of account with respect to all sums received and expended by the Company and the matters in respect of which such receipts and expenditure takes place and of the assets, credits and liabilities of the Company.

126. The books of account shall be kept at the office or at such other place as the Directors think fit and shall always be open to inspection by the Directors. No Member (other than a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Ordinance or authorised by the Directors or by the Company in General Meeting.
127. At the Ordinary General Meeting in each year the Directors shall lay before the Company a balance sheet and a profit and loss account both made in accordance with the provisions of the law and the relevant regulatory requirements. ~~up to a date not more than six months before the meeting in such form and containing all such particulars with regard to the capital, the assets and the liabilities of the Company as required by the Companies Ordinance.~~
128. Every such balance sheet as aforesaid shall be signed by the Secretary or Manager (if any) and where there are more than three Directors by at least three of the Directors and where there are not more than three Directors then by all the Directors, and shall have attached to it a report by the Directors with respect to the state of the Company's affairs and the amount, if any, which they recommend shall be paid by way of dividend to the Members and the amount (if any) which they have carried or propose to carry to reserve. It shall also have attached to it the Auditors' report.

**Amendments:
October 19,
1950,
April 6, 1995**

129. A printed copy of the profit and loss account, balance sheet (including every document required by law to be annexed thereto) and Directors' and Auditors' report shall, seven days previously to the meeting, be delivered or sent by post to the registered address of every Member.

AUDIT

130. Once at least in every year the accounts of the Company shall be examined and the correctness of the profit and loss account and balance sheet ascertained by one or more Auditor or Auditors.
131. The Company at each Ordinary Meeting shall appoint an Auditor or Auditors to hold office until the next Ordinary Meeting and their appointment, remuneration, rights and duties shall be regulated by Sections 105 and 109 of the Companies Ordinance.

NOTICES

**Amendment:
October 19,
1950**

132. Subject as in these Articles otherwise provided a notice may be served by the Company upon any Member either personally or by sending it through the post in a prepaid letter, envelope or wrapper addressed to such Member at his registered place of address or by advertisement as hereinafter provided. In the case of Members with registered addresses in the United Kingdom notices shall be posted in the United Kingdom.

**Amendment:
October 19,
1950**

133. Each holder of registered shares whose registered place of address is not in Israel or the United Kingdom may from time to time notify in writing to the Company an address in Israel or the United Kingdom which shall be deemed his registered place of address within the meaning of the last preceding Article. As regards those Members who have no registered place of address in Israel or the United Kingdom a notice posted up in the office shall be deemed to be well served on them at the time the same is posted up.

133A. A Shareholder of the Company shall submit reports to the Company in accordance with the set forth in the law, including submission to the Company of reports regarding his holdings in the Company, in accordance with the specified in the Banking Law (Licensing).

**Amendment:
October 19,
1950**

134. The holders of share warrants shall not unless otherwise expressed therein be entitled in respect thereof to notice of any General Meeting of the Company and it shall not be necessary to give notice of General Meetings to any person entitled to a share by transmission unless such person shall have been duly registered as a Member of the Company.

135. Subject to any law, aAny notice which by these Articles may or is required to be given by the Company to the Members or any of them by advertisement shall be sufficiently advertised if advertised once in two Israel daily newspapers and two leading London daily newspapers

136. All notices with respect to any registered shares to which persons are jointly entitled shall be given to whichever of such persons is named first in the register and notice so given shall be sufficient notice to all the holders of such shares.

137. Any notice sent by post shall be deemed to have been served on the day on which the letter, envelope or wrapper containing the same is posted and in proving such service it shall be sufficient to prove that the letter, envelope or wrapper containing the notice was properly addressed and put into the post office. A certificate in writing signed by any Manager, Secretary or other

officer of the Company that the envelope or wrapper containing the notice was so addressed and posted shall be conclusive evidence thereof.

138. Every person who by operation of law, transfer or other means whatsoever shall become entitled to any share shall be bound by every notice in respect of such share which previously to his name and address being entered on the register shall be duly given to the person from whom he derives his title to such share.
139. Any notice or document sent by post to or left at the registered address of any Member in pursuance of these Articles shall, notwithstanding such Member be then deceased and whether or not the Company have notice of his decease, be deemed to have been duly served in respect of any registered shares whether held solely or jointly with other persons by such Member until some other person be registered in his stead as the holder or joint holder thereof and such service shall for all purposes of these Articles be deemed a sufficient service of such notice or document on his heirs, executors or administrators and all persons, if any, jointly interested with him in any such shares.
140. Where a given number of days' notice or notice extending over any other period is required to be given the day of service shall, unless it is otherwise provided, be counted in such number of days or other period.

WINDING-UP

141. If the Company shall be wound up, whether voluntarily or otherwise, the liquidator may, with the sanction of an Extraordinary Resolution, divide among the contributories in specie or kind any part of the assets of the Company and may with the like sanction vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories or any of them as the liquidator with the like sanction shall think fit.
142. If thought expedient any such division may be otherwise than in accordance with the legal rights of the contributories and in particular any class may be given preferential or special rights or may be excluded altogether or in part; but in case any division otherwise than in accordance with the legal rights of the contributories shall be determined on any contributory who would be prejudiced thereby shall have such statutory rights of dissent and ancillary rights as are incapable of being varied or excluded by these Articles.

INDEMNITY

**Amendments:
June 4, 1991,
December 9,
2001,
October 31,
2005,
October 30,
2011
August 1, 2012**

143. a. The Company may release its officer in advance of all or any of his liability for damage due to a breach of the duty of care to it. Despite the above, the Company may not release its Director in advance of his liability to it due to a breach of the duty of care in the case of a "distribution" (as defined in the Companies Law, ~~1999~~).
- b. The Company may indemnify its officer in respect of a liability or expense, as set out below in this Article, that is imposed upon him or incurred by him due to an act committed by him in his capacity as its officer:
- (1) a pecuniary liability imposed upon him in favour of another person pursuant to a judgement, including a judgement awarded on a compromise or an arbitrator's award that has been confirmed by a court;
 - (2) reasonable litigation expenses, including lawyers' professional fees, incurred by the officer due to an investigation or proceeding carried out against him by an authority authorized to carry out investigations or proceedings, and which was concluded without the filing of a criminal indictment against him and without the imposition of a monetary obligation as an alternative to criminal proceedings, or which was concluded without the filing of a criminal indictment against him, but with the imposition of a monetary obligation as an alternative to criminal proceedings in an offence that does not necessitate the proof of *mens rea*. or in connection with a monetary sanction.

"conclusion of proceedings without the filing of a criminal indictment in a matter in which a criminal investigation was opened" – shall have the meaning of closing of the file in accordance with Section 62 to the Criminal Procedure Law [Consolidated Version], 1982 (for the purposes of this subparagraph – the Criminal Procedure Law), or a stay in proceedings by the Attorney General, in accordance with Section 231 of the Criminal Procedure Law.

"monetary obligation as an alternative to criminal proceedings" – monetary obligation imposed by law as an alternative to criminal proceedings, including an administrative fine in accordance with the Administrative Offences Law, 1985, a fine in respect of an offence

determined to be a finable offence in accordance with the provisions of the Criminal Procedure Law, a financial sanction or composition.

- (3) Reasonable litigation expenses, including lawyers' professional fees, incurred by the officer or for which he is made liable by the court, in proceedings brought against him by or on behalf of the Company or by another person or on a criminal indictment of which he is acquitted, or on a criminal indictment under which he is convicted of an offence that does not necessitate the proof of *mens rea*.
 - (4) Expenses, including reasonable litigation expenses, including lawyers' professional fees, incurred in connection with a proceeding conducted in his regard pursuant to one or more of the following:
 - (a) pursuant to Chapter H3, Chapter H4 and/or Chapter I1 of the Securities Law, 1968;
 - (b) pursuant to Chapter G1, Chapter G2 and/or Chapter H1 of the Regulation of Investment Advising, Investment Marketing and Investment Portfolio Management Law, 1995;
 - (c) pursuant to Chapter J, Chapter J1 and/or Chapter K1 of the Joint Investment Trusts Law, 1994.
 - (d) pursuant to Chapter G1 of the Anti-Trust Law, 1988
 - (5) Payment to an injured party as stated in Section 52BBB(a)(1)(a) of the Securities Law, 1968, within the scope of a proceeding as defined in paragraph (4) above.
- c. The Company may give an undertaking in advance to indemnify its officer, in each of the following (for the purposes of this paragraph – the "Undertaking to Indemnify"):
- (1) as detailed in paragraph b(1) above, but only provided that the Undertaking to Indemnify shall be limited to events that, in the opinion of the Board of Directors, are foreseeable at the time of giving the Undertaking to Indemnify in light of the actual activities of the Company and to such amount or criterion that the Board of Directors has determined as reasonable under the circumstances, and provided that the events that, in the opinion of the Board of Directors, are foreseeable at the time of giving the Undertaking to Indemnify in light of the actual activities of

the Company and such amount or criterion that the Board of Directors has determined as reasonable under the circumstances are indicated in the Undertaking to Indemnify¹;

The maximum amount for actual exercise of the Undertaking to Indemnity shall not exceed at any time 25% (twenty five percent) of the Company's equity, as defined in the directives of the Supervisor on Banks, as reflected in its latest (annual or quarterly) financial statements published prior to the date of actual exercise of the Undertaking to Indemnity, and only provided that the exercise of the Undertaking to Indemnity shall not hinder the minimal capital ratio required from the Company under the Supervisor on Banks' Proper Banking Management Directives.

- (2) as detailed in paragraphs b(2) to b(5) above.
- d. The Company may indemnify its officer *ex post facto*.
- e. The Company may enter into a contract to insure the liability of its officer in respect of liability that is imposed upon him due to an act committed by him in his capacity as its officer by reason of any of the following:
 - a breach of the duty of care to the Company or to another person;
 - a breach of the fiduciary duty to the Company, provided that the officer acted in good faith and had reasonable grounds to believe that the act would not prejudice the Company's interests;
 - a pecuniary liability that is imposed upon him in favour of another person;
 - expenses, as defined in Article 143(b)(4) above;
 - payment to an injured party, as defined in Article 143(b)(5) above.
- f. Notwithstanding as provided in clauses (a) to (e) above, the Company shall not enter into a contract to insure the liability of its officer, indemnify its officer or release its officer of his liability to the Company in respect of any of the following:
 - (1) a breach of fiduciary duty, other than for the purposes of indemnity and insurance in respect of a breach of a fiduciary duty to the Company when the officer acted in good faith and had reasonable grounds to believe that the act would not prejudice the Company's interests;

¹ For the form of indemnity, the limitations determined therein (type of events and maximum amount of indemnity) – see the Company's Immediate Report regarding the Results of the General Meeting of October 30, 2011 (reference: 2011-01-311388)

- (2) a breach of the duty of care committed with intent or recklessly, other than if such is committed negligently only;
- (3) an act with intent to produce an unlawful personal gain;
- (4) a fine, civil fine, monetary sanction or composition imposed upon him.

Amendments:
June 4, 1991,
December 9,
2001,
June 29, 2005

144. The Company may amend its Articles by a resolution approved at the General Meeting by a simple majority.

Amendment:
June 29, 2005

145. A. The Company may contribute a reasonable amount to an appropriate cause, even if the contribution does not fall within business considerations.

B. The Company may also consider community causes or activities as part of its profitability considerations.

Bank Leumi le-Israel B.M. (the "Bank")

Resolution of the ~~Audit Remuneration~~ Committee / Board of Directors / General Assembly on the Grant of Indemnification to ~~Senior Corporate Officers of the Bank Who Are Not Directors~~

1. For the purpose of this Resolution:

The "Bank" – Bank Leumi le-Israel B.M.

The "Events" – as set forth in Appendix A of this Resolution.

~~"Senior Corporate Officers"~~ – ~~Chief Executive Officer, Chief Business Officer, Deputy Chief Executive Officer, Vice President, Internal Auditor, Risk Supervisor, Credit Supervisor, any person carrying out such function at the Bank, even if described otherwise, as well as any Director or other manager directly subordinate to the Chief Executive Officer. Chief Executive Officer, Chief Business Officer, Deputy Chief Executive Officer, Vice President, Internal Auditor, any person carrying out such function at the Bank, even if described otherwise, as well as any Director or manager directly subordinate to the Chief Executive Officer.~~

"Equity Capital" – the capital of the Bank, as defined in Section 3 of Regulation no. 313 of the Proper Conduct of Banking Business Regulations.

2. Subject to the provisions of any law and the provisions of this Resolution on indemnification, the Bank hereby grants individually to each of the ~~Senior Corporate~~ Officers of the Bank, an undertaking to indemnify:

- 2.1 Respecting a monetary liability to be incurred by any of the aforesaid, as stated in Section 3.1.1 below, in connection with the Events, provided however that in each case:

- 2.1.1 the maximum amount of indemnification ~~given and to be given~~ to all ~~Senior Corporate~~ Officers of the Bank and the ~~Senior Corporate~~ Officers of the subsidiaries, that shall be de facto exercised at any time, shall not exceed, in aggregate, 2510% (~~twenty five~~ percent) of the Equity Capital of the Bank as reflected in its latest financial statements published immediately prior to the actual date of indemnification (hereinafter, the "**Indemnification Ceiling**").

and

- 2.1.2 exercising the indemnification shall not prejudice the minimum capital ratio required under Regulation no. 311 of the Proper Conduct of Banking Business Regulations (hereinafter, the "**Minimum Capital Ratio**").

In the event that the total of all amounts which the ~~Senior Corporate Officers and directors~~ are charged exceeds the Indemnification Ceiling or in the event that the indemnification respecting these amounts prejudices the Minimum Capital Ratio, the total indemnification amount or its balance, as the case may be, shall be calculated between the relevant ~~Senior Corporate Officers and directors~~ according to the ratio between the amount which each ~~Senior Corporate Officer and each director~~ was charged and the total of all amounts which all the ~~Senior Corporate Officers and directors~~ were charged with respect to such matter.

- 2.2 Respecting reasonable litigation costs incurred by an ~~Senior Corporate Officer~~ or which such ~~Senior Corporate Officer~~ is charged by a court as stated in Sections ~~3.1.2, 3.1.3, 3.1.4~~ and ~~3.1.35~~ below.

The aforesaid indemnification undertaking shall inure to the benefit of any heir, estate or other substitutes of a ~~Senior Corporate Officer~~ under the provisions of any law.

3. The indemnification is also contingent on the fulfillment of all the following conditions, as the case may be:

3.1

3.1.1 The indemnification shall be given for a monetary liability imposed on an ~~Senior Corporate Officer~~ for the benefit of any other person under any judgment, including a judgment handed down in a settlement or an arbitral award confirmed by a court, for an act performed by an ~~Senior Corporate Officer~~ or respecting any omission on the part of an ~~Senior Corporate Officer~~ in performance of such function at the Bank in connection with the Events.

3.1.2 The indemnification shall also be granted for reasonable litigation costs, including attorneys' fees, incurred by an ~~Senior Corporate Officer~~ or charged to such ~~Senior Corporate Officer~~ by a court in a proceeding initiated against such Senior Corporate Officer by or on behalf of the Bank or by any other person, or for a criminal charge from which such ~~Senior Corporate Officer~~ was acquitted or for a criminal charge in which such ~~Senior Corporate Officer~~ was found guilty of an offense not requiring proof of criminal intent, all for any act performed or omission made by virtue of such person being an ~~Senior Corporate Officer~~ of the Bank.

3.1.3 The indemnification shall also be granted for reasonable litigation costs, including attorneys' fees, incurred by an ~~Senior Corporate Officer~~ in consequence of any investigation or proceeding conducted against such ~~Senior Corporate Officer~~ by an authority competent to conduct such

investigation or proceeding, and which was concluded without the filing of an indictment against the ~~Senior Corporate~~ Officer and without a monetary liability being imposed on the ~~Senior Corporate~~ Officer in lieu of a criminal proceeding or which ended without the filing of an indictment against such ~~Senior Corporate~~ Officer, but with the imposition of a monetary liability in lieu of a criminal proceeding for an offense not requiring proof of criminal intent or in connection with a monetary sanction.

For this purpose – "**concluding a proceeding without the filing of an indictment in a matter on which a criminal investigation was commenced**" means closing a case under Section 62 of the Criminal Procedure Law [Consolidated Version], 5742-1982 (hereinafter, the "**Criminal Procedure Law**") or a stay of proceedings by the Attorney General under Section 231 of the Criminal Procedure Law, or closing of a case, settlement or delay of proceedings conducted abroad in accordance with the relevant foreign law.

"**Monetary liability in lieu of a legal proceeding**" means a monetary liability imposed under law in lieu of a legal proceeding, including an administrative fine under the Administrative Offenses Law, 5746-1985, a fine for an offense determined as a finable offense under the provisions of the Criminal Procedure Law, a monetary sanction or forfeit.

- 3.1.4 Indemnification shall also be granted for costs incurred by an ~~Senior Corporate~~ Officer in connection with an administrative proceeding conducted in his case, including reasonable litigation costs, inclusive of attorneys' fees; and also for a monetary liability imposed on an ~~Senior Corporate~~ Officer for payment to an injured party within the meaning in Section 52(LIV)(a)(1)(a) of the Securities Law, 5728-1968 in connection with an administrative proceeding conducted in his case.

For this purpose, "**administrative proceeding**" means each of the following:

- 3.1.4.1 A proceeding under Chapter H3 ("Imposition of Monetary Sanction by an Authority"), Chapter H4 ("Imposition of Administrative Means of Enforcement by the Administrative Enforcement Committee") and/or Chapter I1 ("Arrangement for Refraining from Taking Proceedings or Cessation of Proceedings Subject to Conditions") of the Securities Law, 5728-1968.

3.1.4.2 A proceeding under Chapter G1 ("Imposition of Monetary Sanction by an Authority"), Chapter G2 ("Imposition of Administrative Means of Enforcement by the Administrative Enforcement Committee") and/or Chapter H1 ("Arrangement for Refraining from Taking Proceedings or Cessation of Proceedings Subject to Conditions") of the Regulation of the Engagement in Investment Consulting, Investment Marketing and Investment Portfolio Management Law, 5755-1995.

3.1.4.3 A proceeding under Chapter J ("Imposition of Monetary Sanction by an Authority"), chapter J1 ("Imposition of Administrative Means of Enforcement by the Administrative Enforcement Committee") and/or Chapter K1 ("Arrangement for Refraining from Taking Proceedings or Cessation of Proceedings Subject to Conditions") of the Joint Investments Trust Law, 5754-1994.

3.1.5 Indemnification shall also be granted for costs incurred by an Officer in connection with a proceeding in accordance with Chapter G'1 ("Monetary Sanction") of the Antitrust Law, 5748-1988 conducted in his case, with respect to any act or omission in his capacity in the Bank, including reasonable litigation costs, inclusive of attorneys' fees.

3.2 Notwithstanding the above, an undertaking to indemnify shall not apply for a monetary liability imposed on an ~~Senior Corporate~~ Officer for one of the following:

3.2.1 Breach of ~~the~~ fiduciary duty to the Bank, except for a breach of ~~the~~ fiduciary duty if the ~~Senior Corporate~~ Officer acted in good faith and had reasonable cause to presume that the act would not prejudice the Bank.

3.2.2 Breach of the duty of care committed intentionally or recklessly, unless committed negligently only.

3.2.3 An activity with the intent to secure an unlawful personal gain.

3.2.4 A fine or forfeit imposed on an ~~Senior Corporate~~ Officer for an offense.

3.3 The indemnification under this Resolution shall only be granted if the monetary liability and/or costs were not actually covered, in whole or in part, in any manner whatsoever, including by an insurance policy or by any other indemnification granted to any of the ~~Senior Corporate~~ Officers from any third party whatsoever, in an amount which is

beyond the amount paid, if any, under the insurance policy and/or other such indemnification. However, if the monetary liability and/or costs shall not actually be covered on time by the third party, the Bank shall indemnify the ~~Senior Corporate~~ Officer pursuant to this Resolution and subject to fulfillment of its terms, provided however that the ~~Senior Corporate~~ Officer assigns the right *vis-à-vis* such third party to the Bank, and it shall act in his place for all intents and purposes *vis-à-vis* the third party.

4. The Bank shall not be obligated to indemnify an ~~Senior Corporate~~ Officer for any amount paid by it under the terms of a settlement arrangement reached in a claim, demand or other proceeding, if the Bank's prior written consent was not given for the settlement arrangement.

5.

5.1 Notwithstanding the provisions of this Resolution, the Bank shall provide the ~~Senior Corporate~~ Officer with all the amounts set forth in Section ~~3.1~~ above on the date on which the obligation to pay them falls due, and as part of this the Bank shall provide the ~~Senior Corporate~~ Officer with the attorneys' fees as set forth in the concluding part of Section ~~3.1~~, on performance of payment upon the attorney's demand.

5.2 Each ~~Senior Corporate~~ Officer undertakes to repay the amounts paid by the Bank as stated in Section ~~5.1~~ above, such amounts being linked to the consumer price index (including fruit and vegetables), immediately upon it becoming apparent that the ~~Senior Corporate~~ Officer was not entitled to indemnification under this Resolution. The Bank may set off these amounts from any amount owed to the ~~Senior Corporate~~ Officer from the Bank.

6. The Bank shall be entitled to any amount to be paid by any third party (even if paid to the ~~Senior Corporate~~ Officer) for any act or omission for which the Bank ~~paid indemnification was liable to indemnify~~ as stated above.

7. The grant of indemnification is also subject to the fulfillment of the following procedures:

7.1 The ~~Senior Corporate~~ Officer shall notify the Bank of any legal or administrative proceeding against such ~~Senior Corporate~~ Officer and of any suspicion or threat that such a proceeding will be initiated against him, within 3 business days of the date of first becoming aware thereof, and shall transfer to the Bank or to whomsoever the Bank shall notify, without delay, a copy of any document served on the ~~Senior Corporate~~ Officer in connection with such proceeding.

Moreover, the ~~Senior Corporate~~ Officer shall notify the Bank on an ongoing basis about any event with respect to which it is suspected that legal or administrative proceedings will be initiated.

- 7.2 The Bank may assume the handling of the defense of an ~~Senior Corporate~~ Officer before such proceeding and/or deliver the handling of the case to an attorney selected by the Bank for this purpose, at the exclusive discretion of the Bank.

The Bank and/or such attorney shall be entitled to act within the scope of the handling of such case exclusively (although reporting on an ongoing basis to the ~~Senior Corporate~~ Officer and its consultants) to bring about the conclusion of such proceedings, all as they see fit.

- 7.3 At the request of the Bank, the ~~Senior Corporate~~ Officer shall sign any document authorizing the Bank and/or such attorney to handle the defense on his behalf before such proceedings, and to represent him in all matters in connection therewith, according to the above provisions. As part of this, every ~~Senior Corporate~~ Officer shall authorize the Bank to take any measures at its disposal to collect any amount borne by the Bank under a judgment which was reversed, in whole or in part, in an appellate court.

- 7.4 At the reasonable request of the ~~Senior Corporate~~ Officer, the Bank and/or the attorney on its behalf, shall report on an ongoing basis to the ~~Senior Corporate~~ Officer, from time to time, about the handling of his aforesaid defense.

- 7.5 The ~~Senior Corporate~~ Officer shall cooperate fully with the Bank and/or with any such attorney, or any other consultant appointed by the Bank, as any of the aforesaid may request within the scope of their handling of the case in connection with such proceeding, provided however that the Bank ensures that all incidental costs are fully covered in such manner that the ~~Senior Corporate~~ Officer shall not be asked to pay or finance them himself.

- 7.6 The Bank shall notify the ~~Senior Corporate~~ Officer of its intention to conduct such a proceeding as stated above. Upon giving such notice, and the management of the proceeding by the Bank, the Bank shall not be obligated to indemnify for litigation expenses, including attorneys' fees (except as stated in Section ~~7.5~~ above), incurred by the ~~Senior Corporate~~ officer in relation to management of the legal defense, and the ~~Senior Corporate~~ Officer shall have no contentions and/or claims and/or demands against the Bank and/or any one on its behalf for the management of the defense by the Bank as aforesaid.

- 7.7 Alternatively, the ~~Senior Corporate~~ Officer may assume the management of his defense and appoint his own attorney, and in such case, the provisions of Sections ~~7.2 – 7.6~~ above shall not apply, however, the management of the ~~Senior Corporate~~ Officer's defense, including appointment of an attorney and the determination of his fee, shall be carried out upon the prior written consent of the Bank.

- 8.1 The undertaking of the Bank under this Resolution shall remain in effect in favor of the ~~Senior Corporate~~ Officer also after the termination of his term as ~~Senior Corporate~~ Officer at the Bank, provided however that the activities and/or acts in connection with which the indemnification shall be given occurred during his term as ~~Senior Corporate~~ Officer at the Bank and relate to this period, in connection with the Events.
 - 8.2 Nothing in this undertaking shall restrict the Bank or prevent it from granting an additional or specific indemnification, provided however that this shall not prejudice the undertakings of the Bank to grant the indemnification, which shall be given pursuant to this Resolution.
9. This Resolution does not prejudice the Bank.

Appendix A

Categories of Events

Set forth below is a list of Events which were approved both by the Audit Committee and by the Board of Directors of the Bank. It is clarified, for the prevention of doubt, that grant of an indemnification for the Events stipulated below is subject to and contingent on the fulfillment of the conditions set forth in the body of the Deed of Indemnification (for example, indemnification will not apply to an event involving a breach of a fiduciary duty (except a breach of a fiduciary duty in good faith and with reasonable cause to presume that the act will not prejudice the Bank) or an intent to secure a personal gain).

1. An offering and/or issue of securities and/or a listing or delisting of securities, including but not derogating from the generality of the above, a public offering of securities under a prospectus, a private offering or an offering of securities of the Bank in any other manner whatsoever, including procurement offers, a self-acquisition of securities by the Bank, and any matters directly or indirectly deriving from and/or in connection with such an issue, including performance of due diligence, delivery of information, either written or verbal, documents, opinions and reports, whether made before the offering and/or issue or made during the offering and/or issue or thereafter, and irrespective of the time which has elapsed since the offering and/or issue, and including in connection with a prospectus and with any other document under which such issue was performed.
2. Reporting, giving, transfer, delivery or publication of information, data, details, presentations, opinions, documents, reports or notices (hereinafter, the "**Information**"), including under the Companies Law, 5759-1999, the Companies Ordinance [New Version], 5743-1983, the Banking Ordinance, 1941, the Securities Ordinance, 5728-1968, the Banking (Licensing) Law, 5741-1981, The Bank of Israel Law, 5770-2010, the Restrictive Trade Practices Law, 5748-1988, the Prohibition of Money Laundering Law, 5760-2000, the Regulation of Engagement in Investment Consulting, Investment Marketing and Investment Portfolio Management Law, 5755-1995, the Financial Services (Control) (Pension Consulting, Marketing and Clearing House) Law, 5765-2005, Income Tax Ordinance [New Version] and the equivalent legislation abroad, and also under Regulations, Orders and Rules enacted and published by virtue thereof or under rules or guidelines customary at the Stock Exchange in Israel and/or on stock exchanges abroad and/or under the directives of the Supervisor of Banks or banking supervision authorities abroad, to any competent authority in Israel and/or abroad and/or any third party, including the public, the Bank, the Board of Directors of the Bank, customers, the stock exchange, the Registrar of Companies, the Securities Authority, the Supervisor of Banks, the Supervisor of the Capital Market, Insurance and Savings at the Ministry of Finance and the tax authorities.

3. Compliance with orders, demands, instructions, directives and rules of the various authorities, institutions and entities in Israel and abroad, including the Bank of Israel, the Securities Authority, the Registrar of Companies, the Stock Exchange, the Tax Authority and the Ministry of Environmental Protection.
4. Activities and/or decisions in connection with the preparation, drafting, approval or signature of financial statements, interim financial statements, annual statements, periodic and quarterly statements etc., including the making of any evaluation in connection with the effectiveness of internal auditing, the adoption of resolutions on the operation of accounting rules and representation in the financial statements, in addition to work plans, business plans or forecasts in connection with the Bank.
5. Activities in connection with the issue, receipt of licenses, permits, exemptions and approvals in Israel and/or abroad (including business licenses and the approvals required for management of the Bank's business in Israel and abroad, and including exemptions with respect to anti-trusts and banking) and fulfillment of the terms thereunder, including the delivery of information in connection with such licenses, permits and approvals.
6. Resolutions and activities in connection with a distribution, including a distribution of dividends to the shareholders of the Bank.
7. An activity in connection with investment, acquisition, sale (including the exercise of securities and options) of securities and options in subsidiaries and/or other non banking companies in Israel and/or abroad.
8. An activity and/or transaction deriving from or in connection with the Bank's holding subsidiaries and/or non banking companies in Israel and/or abroad, including voting and participation at the general meeting, appointment of ~~senior corporate~~ officers therein and any activity and/or transaction carried out by an ~~Senior Corporate~~ Officer by virtue of his function as ~~Senior Corporate~~ Officer on behalf of the Bank in the subsidiary and/or non banking company according to the categories of Events with respect to which such company gave a prior indemnification and/or undertaking to indemnify the ~~Senior Corporate~~ Officers therein, and in his function as ~~Senior Corporate~~ Officer on behalf of the Bank in a subsidiary which is a banking corporation, also according to the categories of Events set forth in this Appendix in such subsidiary.
9. Activities in connection with the conduct and management of auditing of the activities of the Bank, its employees and ~~Senior Corporate~~ Officers, handling faults, exceptional incidents (such as conduct offenses, fraud and corruption, including activities in connection with the exposure of corruption) and complaints of employees and/or customers and/or other third parties, follow-up on the implementation of audit reports and remedying faults, preparation and approval of working plans for auditing and supervision of internal auditing work.

10. Any activity during the regular course of business concerning the bank-customer relationship, and without derogating from the generality of the above, any activity, act and/or omission in connection with the opening, management and closing of an account, transfer and deposit of monies from and to the account, deposits and withdrawals of monies, collection of commissions or payment of interest, delivery of documents to the customer, receipt of documents and/or information from the customer (including information or documents in connection with a third party), signing the customer on documents and forms, upholding the duty of confidentiality and obligations under the Protection of Privacy Law, 5741-1981 and the Consumer Protection Law, 5741-1981, deductions and set offs, in addition to providing the customer and/or third party with any information in connection with the account, and any reporting or lack of reporting to the customer and/or any authority or regulatory or other entity in connection with the account.
11. An activity in connection with the provision, renewal, non-renewal or cancellation of credit (including as part of the consortium), credit recycling, receipt, registration and handling of collateral, taking action rendering all or part of the credit immediately due and payable or any activity for collection of credit or realization of the collateral, including by means of appointment of a receiver, handling of problematic debts or debt rescheduling or making an arrangement with debtors as well as adopting resolutions with respect to risk management for credit loss – risk in consequence of the likelihood that the other party to the transaction will fail to meet its undertakings. For this purpose, "credit" includes the definition in the Banking (Licensing) Law, 5741-1981.
12. Activities and transactions in connection with receipt, management and payment of deposits, investments in provident funds and savings funds, the fixing and collection of commissions, interest and expenses, activities and transactions in the capital market for customers, including management of investment portfolios, consulting on investments and a joint investments trust fund, pension consulting, tax consulting, sale of auxiliary products in connection with the aforesaid services and referral to obtain such services or granting assistance to obtain such services, in addition to adopting resolutions on market risks management – risks of loss in on-and-off balance sheet positions deriving from any change in the fair value of the financial instrument in consequence of any change in market conditions.
13. Any activity in connection with giving due diligence to customers and/or in connection with the delivery of information on commissions and interest, including any activity under Sections 5 and 5A of the Banking (Service to Customer) Law, 5741-1981, under Section 4 of the Consumer Protection Law, 5741-1981 and under the rules determined under the authority under Sections 5 and 5A, and delivery of information to customers under the provisions of any law, and any activity in connection with collection of commission and/or interest, including the calculation thereof.
14. An activity and/or transaction in connection with the publication and/or marketing of the Bank's activities and business (including banking services,

commissions, interest, savings plans, grant of loans, investments in financial assets, issue and management of credit cards, etc.), including preparation for publication and/or marketing, as well as the correctness and non-misleading nature of the publication.

15. An activity in connection with the establishment, registration, management and use of registers and databases, as defined in the Protection of Privacy Law, 5741-1981, including a computerized database on account numbers and identifying particulars of account holders, authorized signatories, beneficiaries and holders of a controlling interest, as determined in the Prohibition on Money Laundering (Duties of Identification, Reporting and Keeping of Records of Banking Corporations) Order, 5761-2001.
16. An activity or transaction in connection with debit cards issued by the Bank or a corporation under the control of the Bank, and including the issue of the debit card, entering into a contract for the use of a debit card with customers, charging the customer under the debit card contract, reimbursement of charge amounts to the customer, passing on explanations to the customer and delivery of reports on transactions with the debit card and cancellation of a deferred payment transaction.
17. An activity in connection with identification, reporting and keeping records as provided by law, including in the Prohibition of Money Laundering Law, 5760-2000 and the Regulations, Orders and Rules enacted and published thereunder, including the Prohibition on Money Laundering (Duties of Identification, Reporting and Keeping of Records of Banking Corporations) Order, 5761-2001 and/or as determined in the Prohibition on Terror Financing Law, 5765-2005 and the Regulations, Orders and Rules enacted and published thereunder and/or as determined in other statutes and laws, including Orders, Regulations, Rules and Instructions issued thereunder; and including registration and authentication of identifying particulars at the time of opening an account, receipt of documents and declarations at the time of opening an account, "face to face" identification of the account holders and the authorized signatory, reporting to the competent authorities on activities according to size, management of a computerized database on the account numbers and identifying particulars of the account holder, authorized signatories, beneficiaries and holders of a controlling interest in the account, as well as saving documents in transactions according to size.
18. An activity in connection with identification, reporting and management of records, registration and authentication of identifying particulars at the time of opening an account, receipt of documents and declarations at the time of opening an account, "face to face" identification of the account holder and authorized signatory, reporting to the competent authorities on activities, management of a computerized database on account numbers and identifying particulars of account holders and other details, authorized signatories, beneficiaries and holders of a controlling interest in the account, saving of documents on transactions, under the provisions of any law, either Israeli or foreign, and including and without derogating from the generality of the

above, banking laws, securities laws, tax laws, laws ~~prohibiting~~ preventing money laundering and terror financing. |

19. Management of employer-employee relations, including employment agreements, conducting negotiations, hiring, employee benefits, determination and alteration of working conditions, granting employee options, social rights, rotation, removal of an employee from his position, termination of the employer-employee relationship and work safety matters.
20. Assimilation of information, procedures, laws, regulations, rules, regulatory and other instructions among the Bank's employees, outlining policy and/or procedures, and any defect, fault or shortcoming in the supervision and/or auditing and/or control and/or job descriptions and/or delineation of powers or failing to take measures to prevent such defect.
21. Any activity which was the subject matter of any investigation, examination, inquiry, proceeding and/or audit on behalf of any enforcement authority or other entity, either in Israel or abroad, including, but not only, an inquiry under Section 52LIII of the Securities Law, 5728-1968, and other inquiries under banking laws, securities laws or tax laws.
22. Any activity creating and/or enabling the creation of a restrictive arrangement or other trade restriction, the transfer of information between competitors and any other collusion, including in relation to the price, rate of interest or other conditions of a service provided by the Bank or of any other matter.
23. Any activity concerning access, proper representation, non-discrimination as well as upholding the rights of persons with disabilities and any discrimination on any other ground.
24. Any remark, statement, expression of an opinion or viewpoint, either written or verbal or in any other manner, including within the scope of a meeting or assembly or any other forum, or by means of distribution or publication of a document, message, response or notice.
25. Any activity in connection with a restructuring or reorganization of the Bank or the Leumi Group, including the formation and sale, liquidation, and merger or split of companies in the Bank's group or an alteration of the Bank's or its subsidiaries' equity capital.
26. Activities and/or resolutions causing, contributing, creating, increasing, preserving, enabling, not preventing and/or not reducing, directly or indirectly, damage or injury to the environment, including to the quality of air, water, food, land, plants and animals and/or exposing humans, animals or plants to injury, damage, nuisance or sickness.
27. Any provision stated above in this Appendix concerning performance of a specific activity shall be interpreted as relating also to adoption of a resolution and non performance thereof or refraining from performance of such activity,

all unless the context in the specific provision is inconsistent with such an interpretation.

In this Appendix, the "**Bank**" means Bank Leumi le-Israel B.M. and any subsidiaries or companies under its control, in Israel and abroad, as these terms are defined in Directive 661 of the Directives on Reporting to the Public of the Supervisor of Banks.

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Appendix F

Declaration to Serve as an External Director of Bank Leumi

I the undersigned Haim Samet, ID Number 007249675, of 1, HaSadot street Ramat HaSharon, hereby declare in writing as follows:

I make this declaration as a candidate for election to serve as an External Director (ED) in accordance with the provisions of Companies Law, 5759-1999 (hereinafter: “the **Companies Law**”) (an ED who also meets the conditions for the qualification of an External Director in accordance with Directive 301 of the Proper Banking Management Directives) of Bank Leumi le-Israel B.M. (the “**Bank**”).

1. I am an individual and a resident of Israel.
2. I am not an employee of the Bank.
3. I have the qualifications that are required for service as a Director of the Bank and in particular, I have knowledge, experience or expertise in one or more of the following fields: banking, financial activity, economic or business activity, law, finance, accounting, risk management, regulatory compliance and/or information technology and that I am able to dedicate the appropriate time to fulfill the position of a Director of the Bank, taking note of, *inter alia*, the scope of the Bank’s activity and of its size.

My said qualifications are as follows: (*education, qualification, experience*):

- 3.1 Bachelor of Laws
- 3.2 Director in Bank Leumi – 1995-2000
- 3.3 Director in Bank Hapoalim – 2000-2007
- 3.4 _____
- 3.5 _____
- 3.6 _____
- 3.7 _____

4.
 - 4.1 In light of my education, experience, past and current employment, and my skills, I have professional qualification, as defined below, on the basis of what has been specified above. The following are additional details beyond those stated in section 3 above which are relevant to the matter of my education and experience, which indicate that I fulfill the conditions and meet the tests which establish that I have such qualifications:

As stated above _____

- 4.2 In light of my education, experience, past and current employment, and my skills, I have accounting and financial expertise, as defined below, on the basis of what has been specified above. The following are additional details beyond those stated in section 3 above which are relevant to the matter of my education and experience, which indicate that I fulfill the conditions and meet the tests which establish that I have such expertise:

As stated above _____

Documents and certificates supporting this declaration, as stated in this section, have been provided to the Bank's Secretariat.

For the purpose of the above provisions of this section:

“Professional qualification” – shall mean an academic degree as required in accordance with one of the conditions described in paragraphs (1) or (2) below, **and** experience as required in paragraph (3) below:

- (1) An academic degree in one of the following subjects: economics, business administration, accounting, law and/or public administration;
- (2) A different academic degree, or the completion of a different form of higher education studies, all within the field of the Bank's business or in an area which is relevant to the position;
- (3) At least five years of experience in one of the following, or cumulative experience of five years in at least two or more of the following: (a) in a senior position in the area of business management of a corporation whose business is of a substantial size; or (b) in a senior public service position or in a senior position in the civil service; or (c) in a senior position in the banking field.

“Director with accounting and financial expertise” shall mean a person who, in the view of the Board of Directors meets the following conditions: a director who due to his education, experience and qualifications, possesses a high level of expertise and understanding in the business-accounting matters and financial statements, in a manner that allows him to understand in detail the Bank's financial statements and to raise a discussion with respect to the manner in which the financial data is presented.

In assessing the accounting and financial expertise, the Board of Directors will take the following considerations into account, inter alia: the director's education, experience, and knowledge of the following subjects: (1) accounting issues and the issues of accounting

supervision typical to the banking sector and to companies of the size and complexity of the Bank; (2) the tasks of the auditor, and the duties imposed on him; (3) the procedures for preparing financial statements and their approval according to the Securities Law, 1968 and the Companies Law.

5. I have not, during the past five years, been convicted in any final ruling of any of the offences described below, as determined in section 226 of the Companies Law:
 - 5.1 Offences pursuant to sections 290 to 297, 392, 415, 418 to 420 and 422 to 428 of the Penal Law, 1977, and pursuant to sections 52C, 52D, 53(a) and 54 of the Securities Law. A specification of these offenses is attached as Annex A to the Hebrew Declaration contained in the Hebrew Immediate Report.
 - 5.2 A conviction in a court outside of Israel for bribery, fraud, corporate director crimes or crimes involving exploitation of inside information.
 - 5.3 A conviction in a court regarding any other offence, in relation to which the court has determined that because of its substance, severity or circumstances, I am not fit to serve as a director of a public company.
6. No enforcement measures have been imposed on me by an administrative enforcement committee¹ which prohibit me from serving as a director of a public company.
7. I am not a minor, nor am I legally incompetent, nor have I been declared bankrupt.²
8. I **have/do not have (strike out the option that is not relevant)**, on the date of the appointment or in the two years preceding the date of the appointment, any connection to the Bank or to a corporation controlled by the Bank – including a minor connection – nor to the Chairman of the Board of Directors of the Bank, to its Chief Executive Officer, a substantial shareholder of the Bank or to the most senior officer of the Bank who works in the field of finance, and neither do any of my relatives, partners, employers, any parties to whom I am either directly or indirectly subject, or any corporation in which I am a controlling shareholder;

The following is the definition of the term “connection” from the Companies Law for the purpose of this section:

"connection" – an employment relationship, commercial or professional association in the ordinary course, or control, as well as service as an officer, other than service as a Director appointed to serve as External Director in a company about to offer shares to the

¹ A committee appointed to section 52FF(a) of the Securities Law, 1968.

² So long as I was not discharged.

public for the first time; the Minister may, in consultation with the Securities Authority, determine that – on conditions he prescribed – certain matters shall not constitute a connection.

(For this purpose, see also the Companies Regulations (Matters that Do Not Constitute a Connection), 5767-2006).

9. I meet all the conditions for holding the position of a director in a banking corporation without a controlling core, in accordance with the provisions of the Banking Ordinance, including the following:

9.1 Neither I nor my relatives hold shares in the Bank, or traded shares in a corporation which is controlled by the Bank, or traded shares in a “substantial holder” in a percentage exceeding one fourth of a percent of the issued and paid-up capital of any of them.

9.2

9.2.1 **I do not have**, from the date of the appointment and onward or in the two years preceding the date of the appointment, any connection to the Bank or to a corporation controlled by the Bank, to an officer of the Bank or to a “substantial holder”, and neither does any party who has a “close association” to me;

9.2.2 From the date of the appointment and onward, **I do not have** a connection to a relative of an officer of the Bank, to a relative of a “substantial holder” or to a partner of a “substantial holder”; it is hereby clarified that service as a director of the Bank of a candidate for an additional term will not be considered to be a connection.

9.3 **I do not have** a business or professional association with the Bank or with a corporation controlled by the Bank or with an officer of the Bank, or with a “substantial holder” who nominated me as a candidate for service as a director of the Bank, even if such association is not in the ordinary course, and neither does any party who has a “close association” with me;

9.4 A director whose candidacy was nominated by the Committee for the Appointment of Directors pursuant to Section 11D(A)(1) of the Banking Ordinance (“the **Committee**”) hereby further declares that:

- 9.4.1 **I do not have** a connection to a member of the Committee at the time of the appointment;
- 9.4.2 I am not a Minister, Deputy Minister or Member of the Knesset, nor do I have a personal, business or political connection to a Minister, Deputy Minister, nor am I a public servant or an employee of a statutory corporation;
- 9.4.3 I have not been convicted of any offense which, because of its substance, severity or circumstances, renders me not fit to serve in the position and I am not the subject of any pending indictment relating to such an offense is pending;

For the purpose of section 8 above:

“Close Association” – the relationship between a person and his relative, partner, employer, or a relationship with a person who is either directly or indirectly subject to him, or with a corporation of which he is a controlling shareholder;

“Connection” – an employment relationship, business or professional association in the ordinary course other than an association that is minor, and service as an officer, although a retail business association between a corporation and a customer will not be considered to be a connection;

“Substantial holder” – a party holding more than two and one half percent of a particular type of means of control in a banking corporation, a party controlling such a holder, a party controlled by any of these, a member of an association of holders as defined in Clause 11D(A)(3)(b), a party controlling a member of such an association of holders, and a party that is controlled by any of them. For a list of substantial holders in the Bank, see the Bank’s website, at www.leumi.co.il.

“Officer” – as defined in the Companies Law, and any other employee directly subject to an officer.

10. Without detracting from the above, **I have** either private or business accounts at the Bank and to the extent that loans have been given to me or to a corporation which I control – details regarding the above-mentioned loans and the balance thereof are attached hereto:

I have an account in the Bank, as well as an existing deposits and securities account.

11. My other positions or occupations do not create nor are they likely to create any conflict of interest with my position as a Director of the Bank, and they do not have the potential to adversely affect my ability to serve as a Director of the Bank.

1. I do not serve as a director of any other corporation in which one of the Bank's directors serves as an external director.

2. I am not an employee of the Israel Securities Authority or of an Israeli Stock Exchange.

11. I hereby undertake to notify the Bank's Secretariat immediately if any change takes place with respect to any of the above, including if any condition required by law with respect to my service as an External Director of the Bank ceases to apply.

12. This is my name, this is my signature and the content of my above declaration is the truth.

Date: 6.8.13

Signature of declarant: Haim Samet

Confirmation:

I, the undersigned, Adv. David Sackstein hereby confirm that Haim Samet whom I know personally/~~who identified himself/herself to me with his/her ID No. _____~~, after I cautioned him/~~her~~ to declare the truth and that he/~~she~~ will be subject to penalties laid down by law if he/~~she~~ does not do so, confirmed the accuracy of his/her above declaration, and signed it in my presence.

Date: 6/8/2013

Name and Signature of Advocate: David Sackstein

BANK LEUMI LE – ISRAEL B.M.

VOTING PAPER IN ACORDANCE WITH THE COMPANIES REGULATIONS (VOTING IN WRITING AND NOTICE OF STAND), 5766-2005 FOR THE EXTRAORDINARY GENERAL MEETING TO BE CONVENED ON SEPTEMBER 12TH 2013

PART ONE

1. **Company name:** Bank Leumi Le-Israel B.M. (the "Bank").
2. **Type of General Meeting, date and location for convention thereof**
An Extraordinary General Meeting that shall be convened on September 12th 2013, at 9:00 AM, at the Bank's offices in Beit Lyn, 35 Yehuda HaLevi street, Tel Aviv (hereinafter: the "Meeting"). If the Meeting shall be postponed, the postponed Meeting shall take place on October 1st 2013 at 16:00, at the same location.
3. **Details of the subjects on the agenda with respect to which voting can be made by a voting paper**
Herein below is a summary of the subjects on the agenda of the Meeting, with respect to which voting can be made by this voting paper. For further details regarding the subjects on the agenda and the resolutions' full drafts, see the immediate report published by the Bank on August 7th 2013 at the Securities Authority's distribution website at: www.magna.isa.gov.il (hereinafter: the "Distribution Website"), as well as at the website of the Tel Aviv Stock Exchange Ltd (hereinafter: the "Stock Exchange" and the "Stock Exchange Website", respectively), the address of which is maya.tase.co.il (hereinafter: the "Immediate Report"), to which this voting paper is attached, such constituting an integral part of this voting paper.
 - 3.1 **Approval of remuneration policy and bonus plan for Bank officers for the years 2013, 2014 and 2015:**
(Resolutions 1.1.1 and 1.1.2, respectively, on the Meeting's agenda)
 - 3.1.1 To approve the policy regarding the terms of office and employment of the Bank's officers, in accordance with the specified in articles 267A and 267B of the Companies Law, 5759-1999 (hereinafter: the "Companies Law"), in accordance with the draft attached as **Annex A'** to the Immediate Report (hereinafter: the "Remuneration Policy").

Resolution draft: to approve the policy regarding the terms of office and employment of Bank officers, in accordance with the specified in articles 267A and 267B of the Companies Law, 5759-1999, in accordance with the draft attached as Annex A' to the Immediate Report.
 - 3.1.2 To approve a bonus plan to the Chairman of the Board of Directors and the CEO and President for the years 2013-2015, in accordance with the Remuneration Policy, according to the draft attached as Annex 1 to the Remuneration Policy and as **Annex B'** to the Immediate Report, in accordance with the set forth in articles 272(c1) and 273 of the Companies Law, which shall also apply on all remaining Bank management members.

Resolution draft: To approve a bonus plan to the Chairman of the Board of Directors and the CEO and President for the years 2013-2015, in accordance with the Remuneration Policy, according to the draft attached as Annex 1 to the Remuneration Policy and as Annex B' to the Immediate Report.
 - 3.2 **Update of the CEO and President's employment terms (Resolution 1.2 on the Meeting's agenda):**
To approve an update of the CEO and President's employment terms (in accordance with the Remuneration Policy), as follows: (a) to update the rate of compensation in the event of resignation, in a manner in which after expiry of three years as of the date of commencement of service as a CEO and President of the Bank, the CEO and President shall be entitled to compensation at the rate of 250%; (b) to clarify what is resignation pursuant to a deterioration in working conditions which constitutes dismissal; and (c) to extend the non-competition period from 6 months to 12 months.

Resolution draft: To approve an update of the CEO and President's employment terms as specified in the Immediate Report.
 - 3.3 **Update of letters of indemnification (Resolution 1.4 on the Meeting's agenda)**
To approve amendments to the letters of indemnification to Bank directors and CEO and President position, in accordance with the Remuneration Policy, as well as in accordance with the draft of letters of indemnification attached as **Annex E'** to the Immediate Report.

Resolution draft: To approve amendment to the letters of indemnification to holders of director and CEO and President positions in the Bank, in accordance with the draft of letters of indemnification attached as **Annex E'** to the Immediate Report.

3.4 **Ratification of appointment of an ED (Resolution 1.5 on the Meeting's agenda)**

To ratify the resolution adopted in the General Meeting held on August 1st 2012, regarding the appointment of Mr. Haim Samet as an external director of the Bank, in accordance with article 239 of the Companies Law, taking into consideration the additional information presented before the General Meeting, as well as the resolution of the Bank's Audit Committee dated April 11th 2013, as extensively specified in the Immediate Report.

For further details regarding Mr. Haim Samet, to the Bank's best knowledge, see page 523 of the Bank's periodic report for the year 2012, published in MAGNA on March 21st 2013 (reference: 2013-01-013462).

An amended declaration of Mr. Samet, as required in accordance with articles 224B and 241 of the Companies Law is attached as **Annex F'** to the Immediate Report.

Resolution draft: To ratify the appointment of Mr. Haim Samet as an external director of the Bank, in accordance with article 239 of the Companies Law, 5259-1999, on the basis of the information presented before the General Meeting, as well as the resolution of the Bank's Audit Committee dated April 11th 2013.

4. **Eligibility effective date**

The effective date regarding the stock owner's eligibility to vote in the Meeting, as per article 182(b) and (c) of the Companies Law and Regulation 3 of the Companies Regulations (Voting in writing and notice of stand), 5766-2005 (hereinafter: the "**Regulations**") is the end of the trading day at the Stock Exchange on August 14th 2013 (hereinafter: the "**Effective Date**").

5. **Place and time for review of the full draft of the proposed resolutions**

The full draft of the resolutions and the documents related to the resolutions on the General Meeting's agenda can be reviewed in the Immediate Report, as specified in section 3 above, to which this voting paper is attached, as well as in the Bank's registered office at Beit Leumi, 34 Yehuda HaLevi street (11th floor), Tel Aviv, tel: 076-8859419, between the hours of 08:00 and 15:00.

This voting paper and notice of stand, if submitted, can be found at the Distribution Website and the Stock Exchange Website, as specified in section 3 above.

6. **The majority required for adoption of the resolutions**

6.1 In accordance with the specified in articles 267A(b), 272(c1) and 273 of the Companies Law, and taking into consideration the fact that the Bank is a banking corporation without a controlling core, the majority required for adoption of each one of the resolutions specified in **sections 3.1.1 (approval of Remuneration Policy), 3.1.2 (approval of bonus plan), 3.2 (approval of update of the CEO and President's terms of office) and 3.3 (approval of amendment of the letter of indemnification) above** (resolutions 1.1.1, 1.1.2, 1.2, 1.4 on the Meeting's agenda, respectively) is a simple majority of the total voting rights of the stock holders entitled to vote, and who have voted by themselves or via a proxy (hereinafter, respectively: "**Simple Majority**" and "**Vote Participants**"), and only provided that one of the following is fulfilled:

6.1.1 The forum of majority votes includes a majority of all the Vote Participants who do not have a personal interest in the approval of the Remuneration Policy, the bonus plan, the update of the CEO and President's employment terms or the amendment of the letter of indemnification, respectively (hereinafter: the "**Independent Shareholders**"); or

6.1.2 The total number of objecting votes from among the Independent Shareholders in the approval of the Remuneration Policy, bonus plan, update of CEO and President's employment terms or amendment of the letter of indemnification, respectively, shall not exceed 2% of the overall voting rights in the Bank.

6.2 In accordance with the set forth in article 239(b) of the Companies Law, and taking into consideration the fact that the Bank is a banking corporation without a controlling core, the majority required for adoption of the resolution specified in **section 3.4 (ratification of appointment of an ED) above** (resolution 1.5 of the Meeting's agenda) is a simple majority from the total voting rights of the stock holders entitled to vote, and who have voted by themselves or via a proxy (hereinafter, respectively: "**Simple Majority**" and "**Vote Participants**"), and only provided that one of the following is fulfilled:

6.2.1 The forum of majority votes includes a majority of all the Vote Participants who do not have a personal interest in appointment ratification (hereinafter: the "**Independent Shareholders**"); or

6.2.2 The total number of objecting votes from among the Independent Shareholders in the appointment ratification shall not exceed 2% of the overall voting rights in the Bank.

6.3 Regarding the resolution specified in section 3.4 above, attention is referred also to the specified in article 34(a1) of the Banking Law (Licensing), 5741-1981, according to which: *"a person shall not agree with another regarding their vote for appointment of a Director in a Banking Corporation or in banking holding corporation, including with respect to their vote for termination of office, but in accordance with a permit issued by the Governor, after consultation with the Licenses Committee; this provision shall not apply on a Holders Union, as per the meaning of article 11D(a)(3)(b) of the Ordinance, regarding a vote for appointment of a Director proposed as a candidate by them in accordance with the said article, as well as on a holder of Means of Control who has agreed with another that the other will vote in his name and on his behalf without discretion, as instructed by the holder of the Means of Control, and only provided that if the other holds Means of Control by himself in the Banking Corporation or the Banking Holding Corporation, respectively, he shall not vote in the name and on behalf of more than one other holder"*.

Therefore, regarding the resolution specified in section 3.4 above, a proxy who is (also) a stockholder in the Bank can vote in the name and on behalf of only one additional stockholder. Regarding the remaining subjects on the General Meeting's agenda, there is no hindrance for a said proxy to represent more than one stockholder.

6.4 **Abstaining votes shall not be considered in the quorum of votes of the Vote Participants.**

7. Note regarding personal interest, interest holder in the Bank, senior officer and institutional investor

7.1 Articles 267A(b)(1) and 239(b)(1) of the Companies Law state, inter alia, that "the provisions of article 276 shall apply, mutatis mutandis, on a person who has a personal interest". Article 276 of the law states: "A shareholder participating in a vote according to article 275 shall notify the company prior to the vote in the meeting, or if the vote is via a voting paper – within the voting paper, whether or not he has a personal interest in the approval of the transaction; whereas the shareholder has not notified as specified, he shall not vote and his voice shall be disregarded." Article 272(c1)(1) of the Companies Law states, inter alia, that the specified in article 267A(b)(1) shall also apply with respect to approval of a transaction of a public company with the company's Executive Officer, in which the specified in article 270(2) of the Companies Law is met.

7.2 It is clarified that article 1 of the Companies Law states that a **personal interest** is also "a personal interest of a person voting in accordance with a power of attorney granted to him by another, even if the other person has no personal interest, and the vote of the person who has received a power of attorney to vote in the name of an individual having a personal interest shall be deemed as a vote of an owner of a personal interest, whether the discretion regarding the vote lies with the voter or not".

7.3 Therefore, and as a result of these provisions, a stock owner voting via this voting paper must specify in Part Two of the voting paper whether he has a personal interest in the approval of any of the resolutions specified in sections 3.1.1, 3.1.2, 3.2, 3.3 and 3.4 above, and the nature of his personal interest, if existent, or whether he doesn't have such, as well as whether he is an "interest owner" in the Bank, a "senior officer" or an "institutional investor" (as such terms are defined herein below). **It shall be emphasized that a shareholder who does not notify whether he is an owner of a "personal interest" or does not specify the nature of his personal interest, as specified, if such exists – shall not vote on these sections on the agenda and his vote shall be disregarded for this purpose.**

"Interest owner" – as defined in article 1 of the Securities Law, 5728-1968 (hereinafter: the "**Securities Law**");

"Senior officer" – as defined in article 37(d) of the Securities Law;

"Institutional investor" – as defined in Regulation 1 of the Supervision on Financial Services (Provident Funds) (Participation of a management company in a General Meeting) Regulations, 5769-2009, or joint investment trust funds manager, as defined in the Joint Investment Trust Law, 5754-1994.

8. Voting and validity of voting paper

Stock holders may vote with respect to the resolutions specified in sections 3.1.1, 3.1.2, 3.2, 3.3 and 3.4 above within the second part of this voting paper.

This voting paper shall be valid only if an ownership confirmation of the non-registered share (stock) holder is attached hereto on the Effective Date (namely, the person for the benefit of whom the Bank's ordinary stock is registered with the Stock Exchange member, and such stock is included among the stock that is registered in the Shareholders' Registry in the name of the nominee company), and in the event of a share (stock) holder registered in the Bank's Shareholders' Registry, the voting paper shall only be valid if a copy of an identification card, passport or incorporation certificate is attached thereto. For the purpose of the specified in section 9 herein below, this voting paper, along with the documents attached thereto, as specified above, must be delivered to the Bank by no later than **9:00 AM on September 9th 2013**.

A stock owner may obtain an ownership confirmation at the branch of the Stock Exchange member or via postal delivery, if such requested. A respective request shall be granted in advance to a particular securities account.

A non-registered stock owner is entitled to receive, via electronic mail, at the Distribution Website, from the Stock Exchange member through which he holds his stock, a free link to the draft of the voting paper and notices of stand, unless he has notified the Stock Exchange member that he is not interested in receiving the said link, or that he is interested in receiving voting papers via post against payment; a notice regarding the voting papers shall also apply with respect to receipt of notices of stand.

9. Bank's address for delivery of voting papers and notices of stand

Voting papers and notices of stand can be delivered to the Bank's secretariat located at the Bank's registered office at: Beit Leumi (11th floor), 34 Yehuda HaLevi street, Tel Aviv 6513616.

10. Last date for submission of voting papers to the Bank: 9:00 AM on September 9th 2013.

11. Notices of stand

The last date for submission of notices of stand to the Bank is August 24th 2013.

The last date for submission of the response of the Board of Directors to the notices of stand is August 29th 2013.

12. Review of voting papers

One or more stock owners, holding as of the Effective Date (August 14th 2013) a rate constituting five percent or more of the total voting rights in the Bank, as well as any person holding the said rate of the total voting rights that are not held by the Bank's controlling owner, as defined in article 268 of the Companies Law, is entitled to review, by himself or via a proxy on his behalf, the voting papers specified in Regulation 10 of the Regulations, after the convention of the General Meeting, at the Bank's registered office during acceptable working hours.

The quantity of stock constituting 5% of the total voting rights in the bank is: NIS 73,677,561¹ par value of the Bank's ordinary stock.

¹ As of August 6th 2013.

VOTING PAPER - PART TWO

COMPANIES REGULATIONS (VOTING IN WRITING AND NOTICE OF STAND), 5766-2005 (the "REGULATIONS")

Company name: Bank Leumi Le-Israel B.M.

Company address (for delivery and dispatch of voting papers): Beit Leumi, 34 Yehuda HaLevi, Tel Aviv, 65546, 11th floor, to the Bank's secretariat.

Company no': 52-001807-8

Meeting date: 9:00 AM on September 12th 2013.

Meeting type: extraordinary.

Effective date: August 14th 2013

(Up to here shall be filled in by the Company).

Shareholder's Data

Name of shareholder (ordinary stock) - _____

Identification No' - _____

If the shareholder does not have an Israeli identification card –

Passport No' - _____

Issuing country - _____

Valid until - _____

If the shareholder is a corporation –

Corporate No' - _____

Country of incorporation - _____

MANNER OF VOTING

Subject on the agenda	Manner of voting ¹			Do you own a personal interest in the approval of the resolution ²	
	For	Against	Abstaining	Yes*	No
Section 3.1.1 – approval of Remuneration Policy (resolution 1.1.1 on the Meeting's agenda)					
Section 3.1.2 – approval of bonus plan (resolution 1.1.2 on the Meeting's agenda)					
Section 3.2 – update of CEO and President 's employment terms (resolution 1.2 on the Meeting's agenda)					
Section 3.3 – Approval of amendment of the letter of indemnification (resolution 1.4 on the Meeting's agenda)					
Section 3.4 – Ratification of appointment of ED (resolution 1.5 on the Meeting's agenda)					

Date

Signature

Below are details regarding my being an owner of a "personal interest" regarding the approval of the above specified resolutions

Please specify whether the shareholder is an interest owner in the Bank³, a senior officer in the Bank⁴, an institutional investor⁵ or a joint trust investment fund manager⁶

For stock holders holding stock through a member of the Stock Exchange (according to article 177 (1) of the Companies Law) – this voting paper is valid only with the attachment of an ownership confirmation.

For stock holders registered in the Bank's Shareholders' Registry – this voting paper is valid with the attachment of a copy of the identification certificate / passport / incorporation certificate.

This voting paper must be submitted to the Bank, or sent by registered post, in a manner that the voting paper and the above specified documents are received at the Bank's registered office by no later than 9:00 AM on September 9th 2013. A voting paper that shall be received later shall not be deemed as presence in the Meeting for the purpose of a legal quorum for the vote and shall not be calculated in the voting.

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* Specify in the designate space

¹ Lack of marking shall be deemed as abstinence from voting on the said subject.

² A shareholder who does not fill in this column or marks "yes" and does not specify – his vote shall not be calculated in the quorum.

³ As the term "interest owner" is defined in article 1 of the Securities Law, 5728-1968.

⁴ As the term "senior officer" is defined in article 37(d) of the Securities Law. 5728-1968.

⁵ As the term "institutional investor" is defined in Regulation 1 of the Supervision on Financial Services (Provident Funds) (Participation of a management company in a General Meeting) Regulations, 5769-2009.

⁶ Joint trust investment fund manager, as defined in the Joint Trust Investments Law, 5754-1993.