

BANK LEUMI LE ISRAEL LTD
(the "Bank")

March 31st, 2014

Dear Madame, Dear Sir,

RE: Report in accordance with the Securities Regulations (Private Securities Offer in a Registered Company), 5760-2000

This report is issued in accordance with the resolution of the Bank's Board of Directors dated March 30th 2014 on the subject of approval of a private offer of 657,869 restricted Performance Share Units constituting a deferred and conditional right to receive Ordinary Shares of the Bank of NIS 1 par value each (hereinafter: the "**PSU Units**"), of which 71,232 PSU Unit shall be issued to the Chairman of the Board of Directors of the Bank's, 85,367 PSU Units shall be issued to the Bank's Chief Executive Officer and 501,270 PSU Units shall be issued to other officers of the Bank; as well as of approval of a private offer of 81,414 Restricted Share Units constituting a deferred and a conditional right to receive Ordinary Shares of the Bank of NIS 1 par value each (hereinafter: the "**RSU Units**"), which will be issued to two officers of the Bank (who are not the Chairman of the Board of Directors of the Bank's Chief Executive Officer).

For further details regarding the issuance of the PSU Units, as required according to the said regulations, refer to section 1 of this report herein below. For further details regarding the issuance of the RSU Units, as required under the said regulations, refer to section 2 of this report herein below.

1. Issuance of the PSU Units:

1.1 General:

- 1.1.1 On February 11th 2014, following the approval and the recommendation of the Bank's Board of Directors and of the Board of Directors' Remuneration Committee, the Bank's General Meeting approved a remuneration policy that applies, inter alia, on the Chairman of the Bank's Board of Directors, the Bank's Chief Executive Officer, the remaining members of the administration and other Bank officers (hereinafter: the "**Remuneration Policy**"). The Remuneration Policy is attached as **Annex A'** to this report.

For further details regarding the Remuneration Policy, refer to the Assembly Summoning Report published by the Bank on January 5th, 2014 (Reference no': 2014-01-003985) and attachments thereto (hereinafter: the "**Immediate Report on convention a General Meeting**").

- 1.1.2 On March 30th 2014, after receiving the approval and the recommendation of the Board of Directors' Remuneration Committee, the Bank's Board of Directors approved the amount of the variable annual bonus to the Chairman of the Board of Directors, the Chief Executive Officer and to the remaining officers of the Bank for the year 2013, in accordance with the specified in the Remuneration Policy.

For further details regarding the manner of calculation of the variable annual bonus to executives refer to Chapter D'1 of the Remuneration Policy. For additional details regarding the manner of calculation of the variable annual performance based bonus to non-executive officers of the Bank, refer to Chapter D'5 of the Remuneration Policy. For information regarding the size of the variable annual bonus due to the Chairman of the Board of Directors and the Chief Executive Officer, if the Remuneration Policy was applicable in the years 2011 and 2012, based on the those years' reported data, refer to the Immediate Report on convention a General Meeting.

1.1.3 As specified in the Remuneration Policy, half (50%) of the annual bonus is paid in cash and half (50%) is granted through restricted, performance based share units constituting a deferred and a conditional right to receive Ordinary Shares of the Bank of NIS 1 par value each (PSU Units)¹. The PSU Units will mature into shares in accordance with and subject to the terms specified in the Remuneration Policy and as specified herein below.

1.1.4 Issuance of the PSU Units for the year 2013 is conducted in accordance with and subject to the provisions of the Remuneration Policy, as specified above, subject to other approvals required under any law, and as specified in this report herein below.

1.2 Identity of the Offerees:

The Offerees with respect to the issuance of the PSU Units (hereinafter in the section 1: the "**Offerees**") are the officers entitled to a annual bonus for the year 2013, including the Chairman of the Bank's Board of Directors and the Bank's Chief Executive Officer.

The Chairman of the Bank's Board of Directors, Mr. David Brodet, and the Bank's Chief Executive Officer, Mrs. Rakefet Russak-Aminoach, are considered, by the power of their positions, as interest holders in the Bank².

1.3 Terms of the PSU Units, quantity thereof and percentage which they will constitute of the Bank's voting rights and issued and outstanding capital after conversion thereof into shares, as well as on a full dilution basis:

1.3.1 Within the framework of the issuance, the Bank shall issue, free of charge, 657,869 PSU Units to the Bank's Chairman of the Board of Directors and to the Bank's Chief Executive Officer, such constituting a conditional right to receive 657,869 Ordinary Shares of the Bank of NIS 1 par value each. As aforesaid the issued PSU Unit, 71,232 PSU Units will be issued to the Chairman of the Board of Directors, 85,367 PSU Units will be issued to the Chief Executive Officer and 501,270 PSU Units will be issued to the remaining officers.

1.3.2 Issuance of the PSU Units will be executed in accordance with the specified in the Remuneration Policy, by a capital gain course (with a trustee), in accordance with article 102 of the Income Tax Ordinance (New Version) 5721-1961.

¹#With the exception of when the variable annual bonus does not exceed 1/6 of the officer's total fixed remuneration, all as specified in the Remuneration Policy.

²#For the sake of good order it shall be clarified that except for the Chairman of the Board of Directors, there are no Bank directors among the Offerees.

- 1.3.3 The quantity of PSU Units that will be issued to each of the Offerees as specified in section 1.3.1 above was determined by dividing an amount constituting fifty percent (50%) of the annual bonus to which each of the Offerees was entitled to for the year 2013, by NIS 13.508, such being the average price (according to the daily closing rates) of one Bank share during the period commencing on January 1st 2014 and ending on the day of publishing of the Bank's annual financial statements for the year 2013 (namely March 30th 2014).
- 1.3.4 The vesting of the PSU Units that will be issued to each of the Offerees in accordance with this report is conditional upon the Bank's business results in each one of the calendar years ending prior to each of the vesting dates (namely the Bank's business results in each one of the 2014, 2015 and 2016 calendar years), in accordance with and subject to the specified and the terms set forth in the Remuneration Policy and as specified herein below, whereas each PSU Unit will be automatically converted into one share of NIS 1 par value of the Bank upon the vesting date and subject to the fulfillment of the said terms with respect to the said vesting date.

The vesting of the PSU Units into shares on each of the vesting dates is conditional upon the fulfillment of the following two accumulative conditions: (a) the Bank's yield to capital rate in the calendar year preceding the vesting date of the relevant portion of PSU Units (the "**Previous Calendar Year**") will not be lower than 5%; and (b) During the Previous Calendar Year, the Bank complied with all the capital adequacy ratios required according to the directives of the Supervisor of Banks, in accordance with the financial statements.

For further details regarding the vesting terms of the PSU Units into shares refer to section 33.5 of the Remuneration Policy.

- 1.3.5 The vesting of the PSU Units that will be issued will be executed, **subject to fulfillment of the said terms of vestment thereof**, in three equal portions, as follows:
- 1.3.5.1 One third (approximately 33.3%) of the quantity of PSU Units that will be issued to each of the Offerrees as specified, will vest into Ordinary Shares of the Bank of NIS 1 par value each, in proximity to the report on the banking system's financial results for the year 2014, as these shares will be restricted for a period of one additional year;
- 1.3.5.2 One third (approximately 33.3%) of the quantity of PSU Units that will be issued to each of the Offerrees as specified, will vest into Ordinary Shares of the Bank of NIS 1 par value each, in proximity to the report on the banking system's financial results for the year 2015; and
- 1.3.5.3 One third (approximately 33.3%) of the quantity of PSU Units that will be issued to each of the Offerrees as specified, will vest into Ordinary Shares of the Bank of NIS 1 par value each, in proximity to the report on the banking system's financial results for the year 2016.
- 1.3.6 Assuming that the vesting terms of the PSU Units issued in accordance with this report are complied with, the shares resulting from the vesting of

the PSU Units into shares, after their issuance and on the basis of the Bank's share capital data as of the date of this report³, will constitute:

The Offeree	Quantity of issued PSU Units	Percentage of the Bank's issued and outstanding capital after and subject to the vesting of all PSU Units	
		In capital	In votes
Chairman of the Board of Directors	71,232	0.00%	0.00%
Chief Executive Officer	85,367	0.01%	0.01%
Remaining Offerees	501,270	0.03%	0.03%
Total	657,869	0.04%	0.04%

And on a full dilution basis:

The Offeree	Quantity of issued PSU Units	Percentage of the Bank's issued and outstanding capital after and subject to the vesting of all PSU Units on a full dilution basis ⁴	
		In capital	In votes
Chairman of the Board of Directors	71,232	0.00%	0.00%
Chief Executive Officer	85,367	0.01%	0.01%
Remaining Offerees	501,270	0.03%	0.03%
Total	657,869	0.04%	0.04%

- 1.3.7 The PSU Units that will be issued in accordance with this report will not be listed and will not be registered for trade on the Tel Aviv Stock Exchange Ltd (hereinafter: the "**Stock Exchange**"), however, subject to the Stock Exchange's approval, the shares that will derive from the vesting thereof will be registered for trade at the Stock Exchange in the name of the Bank Leumi Le Israel Ltd listing company, and as of the date of issuance thereof will vest equal rights for all intents and purposes as the ordinary shares of NIS 1 par value each that exist in the Bank's capital, with the exception for the restrictions on resale, as specified in Article 15C of the Securities Act and in Regulation 5 of the Securities Regulations (Details regarding Articles 15A to 15C of the Act), 5760-2000, or any other restrictions imposed in accordance with the law⁵.

1.4 Adjustment of rights and provisions for protection of the Offerees:

- 1.4.1 Whereas the Bank distributes bonus shares and the date set forth for the distribution thereof (hereinafter: the "**Bonus Date**") shall be after the date of grant of the PSU Units, but before the date of conversion thereof into shares, the number of PSU Units of each Offeree shall be increased by the number reflecting the number of shares which the Offeree would have

³#Excluding the holdings of each of the Offerees on the date of this report – for details regarding the holdings of Offerees who are interested parties in the Bank, refer to Annex B' to this report.

⁴#The calculation assumes that in addition to the issuance of the PSU Units and the vesting thereof into shares, all RSU Units issued in accordance with this immediate report will vest as well. The calculation does not refer to NIS 400,000,000 deferred (non-tradable), index linked deposits / capital notes that were issued in June and July of 2002, which are repayable on June 30th 2101, and which were acknowledged by Bank Israel as the Bank's secondary top tier capital and which, as of the date of the Bank's periodic report for the year 2013, are convertible into 153,102,276 ordinary shares of the Bank in certain circumstances defined by the Supervisor on Banks, in accordance with a conversion formula as specified in the terms of the deferred deposit / capital note.

⁵#Including directives and guidelines of the Supervision on Banks.

been entitled to as bonus shares if the PSU Units were converted on the date preceding the Bonus Date, and the provisions of the Remuneration Policy on the subject of PSU Units shall apply also on the additional units that will be issued. Similar adjustments will be made in the event of split (or unification) of Bank shares. The additional units that will be issued as specified will be deposited in the hands of a trustee and the capital gain course with a trustee under Article 102 of the Ordinance will apply with respect thereto.

1.4.2 In the event of a rights offering by the Bank to its shareholders after the date of grant of the PSU Units, but before the date of conversion thereof into shares, the number of PSU Units of each Offeree will be increased in a manner that will reflect the bonus component inherent in the rights. The provisions of the Remuneration Policy on the subject of PSU Units will apply also on the additional units that will be issued. The additional units that will be issued as specified will be deposited in the hands of a trustee and the capital gain course with a trustee under Article 102 of the Ordinance will apply with respect thereto.

1.4.3 Notwithstanding the specified in section 1.4.1 and 1.4.2 above, it is clarified that the PSU Units may not be converted into share fraction and that in the event of a non-whole number, the number of converted shares will be rounded up to the closest whole number.

1.4.4 Dividend distribution by the Bank (in cash and/or equivalent) will not affect in any manner whatsoever the number of share that will result from the conversion of the PSU Units and will not obligate the Bank to execute any adjustment whatsoever regarding the PSU Units and/or the converted shares, except as specified herein below:

1.4.4.1 Whereas the Bank shall distribute dividend before the date of vesting of any of the PSU Units, the Offeree will be entitled to a conditional bonus, in cash, in a (gross) amount equivalent to the amount of the dividend that would have been paid to the said Offeree if the same held such number of Bank shares that is equivalent to the number of PSU Units on the effective date of the dividend distribution, subject to the vesting of the PSU Units into shares, as well as to the adjustments specified in this section 1.4.4 (hereinafter: the "**Dividend-like Bonus Amount**"). Tax at source will be deducted from the Dividend-like Bonus Amount, as required in accordance with the law, or in accordance with the decision of the Tax Authorities.

1.4.4.2 **The Offeree will not be entitled to the Dividend-like Bonus Amount, but subject to the vesting of the PSU Units into shares.** The Dividend-like Bonus Amount and all accumulations thereto will be paid within the framework of the salary due to be paid to the Offeree immediately after each one of the PSU Units' vesting dates into shares, whereas such will be vested, all immediately after the date on which it is known whether the PSU Units have vested in accordance with and subject to the specified in the Remuneration Policy.

1.4.4.3 Any revenue or profit attributed to an Offeree as a result of the PSU Units, including due to payment of the Dividend-like Bonus Amount, will not be deemed part of the Offeree's wage for any intents and purposes and will not be taken into consideration for the purpose of

any social benefits whatsoever (including severance pay, social contributions, pension, etc.), or for any other rights or benefits deriving from an employer-employee relations. Notwithstanding the specified, taxes and other mandatory deductions will be made due to income or profit attributable to an Offeree as a result of the PSU Units, as specified, in accordance with the required under law.

- 1.4.5 Notwithstanding all of the above specified, no conversion of PSU Units into shares will take place on the effective date for distribution of bonus shares, for rights offer, for distribution of dividend, for capital consolidation, for capital spilt or for capital decrease (each of the above specified shall hereinafter be referred to as: "**Company Event**").

If the X day of a Company Event occurs prior to the effective date of a Company Event, no conversion will take place on the said X day.

- 1.5 Price of PSU-Units and price thereof on the Stock Exchange on the date preceding the date of publication of the immediate report and the percentage ratio between them:

The Bank has not issued PSU Units in the past. The shares that will result from the PSU Units will be listed for trade at the Stock Exchange, subject to approval of the Stock Exchange. The closing rate of the Bank's share at the Stock Exchange as of March 30th 2014 is NIS 13.63.

- 1.6 The fair value of the average PSU Units:

1.6.1 The fair value of each PSU Unit has been calculated in accordance with the terms of the Remuneration Policy and in accordance with the Number 2 International Financial Reporting Standard Directives "Share-based Payment" on the subject of registration of expenses for share-based payment transactions in the financial statements, in accordance with their economic value on the date of the grant thereof, and with the assumption that all PSU Units issued in accordance with this report will vest into shares.

1.6.2 The fair value of each PSU Unit is estimated at approximately NIS 13.63, based on the price of one Bank share on the date prior to the date of publication of this report, as specified above. The value was determined in accordance with the terms of the PSU Units, including the conversion thereof into shares without consideration, as well as the compensation mechanism for distribution of dividend, as specified in section 1.4.4 above.

1.6.3 For the manner of calculation of the quantity of PSU Units that will be issued in accordance with this report, refer to section 1.3.3 above.

1.6.4 Based on the terms of the PSU Units (including, inter alia, conversion into shares without consideration and inclusion of a compensation mechanism for distribution of dividend), the fair value of the PSU Units as of the date of publication of this report is as specified herein below:

1.6.4.1 The accumulative fair value of the PSU Units that will be issued in accordance with this report to all Offerees is approximately NIS 8.97 million;

1.6.4.2 The accumulative fair value of the PSU Units that will be issued in accordance with this report to the Chairman of the Board of Directors is approximately NIS 0.97 million;

1.6.4.3 The accumulative fair value of the PSU Units that will be issued in accordance with this report to the Chief Executive Officer is approximately NIS 1.16 million;

1.6.4.4 The accumulative fair value of the PSU Units that will be issued in accordance with this report to the remaining Offeree officers is approximately NIS 6.83 million;

The calculation of the fair value of the PSU Units, as specified above, does not take into consideration the fact that the PSU Units will not be listed for trade at the Stock Exchange, as well as does not take into consideration the vesting and restriction periods of the PSU Units as specified in this report, as well as the tax that may apply upon the sale of the converted shares.

1.7 The Bank's issued share capital, quantity and ratio of the holdings of the Offerees, of interested parties at the Bank and total holdings of the remaining shareholders in of the issued and outstanding capital and voting rights of the company prior and post issuance:

The registered share capital of the Bank, as of the date of this immediate report, consists of 3,215,000,000 Ordinary shares of NIS 1 par value each. The Bank's issued and outstanding capital, as of the date of this immediate report, consists of 1,473,551,221 shares, as specified. At this stage it cannot be known how many units of the PSU Units that will be issued in accordance with this report will vest into shares (if any), as the table herein below shows data regarding the effect of the issuance of the PSU Units under this report on the Bank's registered capital, in the event of vesting into shares of all PSU Units that will be issued in accordance with this report:

Registered capital (Ordinary Shares of NIS 1 par value each)	The Bank's issued and outstanding capital (quantity of shares)		
	On the date o the report	On a diluted basis resulting from the issuance of PSU Units under this report	On a fully-diluted basis ⁶
3,215,000,000	1,473,551,221	1,474,209,090	1,474,290,504

For details on the holdings of Bank shares by the Chairman of the Board of Directors and of the Chief Executive Officer, as of the date of the report, post issuance of the PSU Units in accordance with this report and on a fully-diluted basis, refer to **Annex B¹** to this report.

1.8 Specification of consideration and of the manner of determination thereof:

⁶#With the assumption that all PSU Units issued in accordance with this report will be exercised into shares and with the assumption that all RSU Units issued in accordance with this report will be exercised into shares. The calculation does not take into consideration NIS 400,000,000 deferred, (non-tradable), index-linked deposits/capital notes that were issued in June and July of 2002, repayable on June 30th 2101, which were acknowledged by the Bank of Israel as secondary top tier capital of the Bank, and which are convertible into 153,102,276 Ordinary Shares of the Bank as of the date of the Bank's periodic report for the year 2013. •

The issuance of the PSU Units and vesting thereof into shares will be executed without consideration.

1.9 Name of each material shareholder or officer of the Bank, who, to the Bank's best knowledge, has a personal interest in the consideration, and the essence of personal interest of each of the above:

To the Bank's best knowledge, the Bank's material shareholders do not have a personal interest in the offer of the PSU Units in accordance with this report. The Chairman of the Board of Directors, the Chief Executive Officer and the other Offeree officers participating in the bonus plan according to the Remuneration Policy have a personal interest in this private offer.

1.10 Approvals required or terms set forth for the execution of the issuance according to the offer, have those been obtained or fulfilled, and if not, at what time are they expected to be obtained or fulfilled:

The issuance of the PSU Units and the shares deriving there from is subject to the specified in the Remuneration Policy and to the specified in this report, including obtaining of all the approvals required in accordance with the law for the execution of the issuance, as specified herein below:

1.10.1 The Remuneration Policy and the application of the Remuneration Policy on the annual bonuses with respect to the Chairman of the Board of Directors and the Chief Executive Officer have been approved by the Bank's General Meeting on February 11th 2014, after obtaining the approval and the recommendation of the Remuneration Committee of the Bank's Board of Directors.

1.10.2 The Bank's Board of Directors and Remuneration Committee approve the issuance of the PSU Units, as well as the fact that all terms for issuance of the annual bonus for the year 2013 to the Offerees have been fulfilled.

1.10.3 The vesting of the shares deriving from the PSU Units issued in accordance with this report is conditional upon the fulfillment of all the conditions for vesting of PSU Units specified in the Remuneration Policy.

1.10.4 The approval of the Stock Exchange must be obtained, for the listing of the shares that will derive from the vesting of the PSU Units that will be issued as specified. Simultaneously with the filing of this report, the Bank intends to address the Stock Exchange with an application for the grant of such approval.

1.10.5 Prior to the filing of this report, the Bank addressed the Israeli Tax Authority, in order to obtain its approval on the application of the provisions of Article 102 of the Income Tax Ordinance on the issuance of the PSU Units, in a capital gain course with a trustee, as well as application of the regulations, rules, letters and directives deriving there from (hereinabove and hereinafter: the "**Tax Authority's Decision**").

1.11 Specification of written and verbal contracts between the Offerees and Bank shareholders, or between all or some of the Offerees themselves, or the Offerees and others, related to the purchase or sale of the Bank's securities, or related to voting rights therein, to the Bank's best knowledge, after inquiry and with specification of the inquiries conducted thereby:

To the Bank's best knowledge, there are no existing written or verbal agreements between any of the Offerees and any shareholder of the Bank, or between all or some of the Offerees themselves, or between them and others related to the purchase or sale of the Bank's securities, or related to the voting rights in the Bank, with the exception of a explanatory instructions of the offer of Bank shares to employees dated April 6th 2011, according to which, during the shares' restriction period and so long as the State's holding of the Bank's shares exceeds 5% - an irrevocable power of attorney is granted to the State's representative to vote by the power of the above specified shares, and to utilize the right vested by the shares to appoint directors.

1.12 Specification of any hindrance or restriction applicable upon the Offerees in execution of actions with the offered securities, in accordance with the Israeli Stock Exchange Charter, in accordance with any law, or in accordance with undertakings undertaken by the Offerees themselves, to the Bank's best knowledge:

- 1.12.1 The issuance of the PSU Units to all Offerees will be executed immediately after the obtaining of all approvals for issuance thereof including obtaining of the Stock Exchange's approval for listing of the shares that will result from the vesting of the PSU Unit.
- 1.12.2 Immediately after the issuance date, a document will be delivered to each of the Offerees, such stating, inter alia: the quantity of PSU Units granted thereto, the dates and terms of vesting thereof, the manner of conversion and any other term related to the granting of such PSU Units, as shall be resolved by the Remuneration Committee and/or by the Board of Directors (hereinafter: the "**Granting Document**").
- 1.12.3 Granting of the PSU Units to each Offeree is conditional upon the signature of such executive on the Granting Document, including declaration that he is aware of the provisions of Article 102 of the Income Tax Ordinance, the provisions of the Tax Authority and the capital gain course with a trustee, and that he agrees to the specified in the trust letter executed between the Bank and the trustee, a copy of which will be delivered thereto.
- 1.12.4 Subject to the approval of the Tax Authority of the issuance in accordance with the Remuneration Policy according to Article 102 of the Income Tax Ordinance, at capital gain course with a trustee, and subject to the provisions of the resolution of the Tax Authority (as such shall be), as well as subject to the relevant tax laws applicable with respect to each of the Offerees, as such shall be updated from time to time, the following provisions will apply:
 - 1.12.4.1 The PSU Units that will be issued to the Offerees in accordance with this report and/or the shares that the PSU Units will convert into, respectively, will be vested in the hands of a trustee appointed by the Bank (hereinafter: the "**Trustee**"), for the benefit of the Offeree, for a period required under Article 102 of the Income Tax Ordinance and the regulations enacted there under (hereinafter: the "**Tax Restriction Period**").
 - 1.12.4.2 For this purpose, the Bank will transfer to the Trustee a list of all the people eligible to receive PSU Units in accordance with the Remuneration Policy, their personal information (including the details of their bank accounts), the number of PSU Units to which each one of

the said Offerees is entitled to, a copy of the Granting Document, and all the remaining details required in accordance with Article 102 of the Income Tax Ordinance.

- 1.12.4.3 After the approval of the Board of Directors' Remuneration Committee and of the Board of Directors of the fact that all terms for the vesting of the PSU Units into shares, as specified in the Remuneration Policy, have been fulfilled, on each of the vesting dates, the relevant PSU Units portion will be automatically converted into Bank shares (hereinafter: the "**Converted Shares**").
- 1.12.4.4 The restriction period will end upon the later of the following dates: (a) after the elapse of two years from the date of vesting the PSU Units into the hands of the Trustee; or (b) on the date of the approval of the Board of Directors of the fact that all the terms for the conversion of the PSU Units into shares have been fulfilled, as specified in the Remuneration Policy.
- 1.12.4.5 The PSU Units, as well as the Converted Shares (the shares prior to the expiry of the Tax Restriction Period or before the payment of the tax applicable with respect thereto, according to the later among the two) will not be subject to transfer, assignment, pledge, other voluntary encumbrance, lien or lawful foreclosure, and no power of attorney or transfer deed will be granted with respect thereto, whether of immediate or future effect (hereinafter jointly: "**Transfer**"), with the exception of transfer under a will or in accordance with the law.

Whereas the PSU Units and/or the Converted Shares will be transferred under a will or in accordance with the law, as specified above, the provisions of Article 102 of the Income Tax Ordinance, the rules and the provisions of the Remuneration Policy will apply on the legal successors and transferees of such Offeree. It is clarified that in any event (including in the event of transfer of rights under a will or in accordance with the law), the Converted Shares or the PSU Units, respectively, will not be released by the Trustee prior to the elapse of the Tax Restriction Period and the tax payment with respect thereto, and they will be subject to the specified and to the terms set forth in the Remuneration Policy and in the provisions of the law. It is clarified that the Tax Restriction Period will apply also with respect to Offerees who have ceased and/or will cease to work in the Bank prior to the elapse of the Tax Restriction Period. Notwithstanding the above specified, whereas any sale or Transfer of the Converted Shares or the PSU Units shall take place, the tax implications in accordance with Article 102 of the Income Tax Ordinance and the rules enacted there under will apply on the Offeree alone. Nothing in the above specified shall derogate from and/or hinder the prohibition on transfer of the Converted Shares, as specified in this section above.

- 1.12.4.6 After the elapse of the relevant restriction period, each Offeree will be entitled to demand that the Converted Shares be transferred to him, and only provided that they will not be transferred to the Offeree but after the tax applicable under Article 102 of the Income Tax Ordinance has been paid and such tax payment has been made.

- 1.12.4.7 Subject to the provisions of any law, the successors of a deceased Offeree and the legal representatives of the latter, if the said has become fully legally incapacitated, shall be deemed as the Offeree himself.
- 1.12.5 Without derogating from the provisions of section 1.4.4 above, an Offeree will not have rights of a shareholder so long as the PSU Units have not been converted into shares.
- 1.12.6 Without derogating from the specified above, the following provisions will apply with respect to the PSU Units and the shares that will be converted from PSU Units, upon which a restriction period applies (such not being the restriction period under Article 102): They will not be subject to transfer, with or without consideration, assignment, pledge, other encumbrance, lien, and no power of attorney or transfer deed of any kind will be granted with respect thereto, whether of immediate or future effect, with the exception of a transfer under a will or in accordance with the law. Whereas the PSU Units and/or the Converted Shares will be transferred under a will or in accordance with the law, as specified above, the provisions of the Remuneration Policy will apply on the successors or transferees of such Offeree. It is clarified that the above specified restriction period will apply also with respect to Offerees who have ceased and/or will cease to work in the Bank prior to the elapse of the restriction period.
- 1.12.7 PSU Units that have not been converted into shares, as specified, on any of the vesting dates, for reason of non-fulfillment of their vesting terms set forth in the Remuneration Policy, including any right related to the above specified PSU Units in accordance with the written resolution of the Board of Directors, will expire and be cancelled on the date of the Board of Directors' confirmation of the fact that the said terms have not been fulfilled.
- 1.12.8 The Converted Shares will vest equal rights with respect to the Bank as the existing shares in the Bank's capital, for all intents and purposes, and will be subject to the provisions of the Bank's Articles of Association, with the exception of a restriction on resale, as specified in Article 15C of the Securities Act and in regulation 5 of the Securities Regulations (Details regarding Articles 15A to 15C of the Act) 5760-2000. In addition, the Converted Shares will be entitled to any dividend or other bonus, all subject to the restrictions imposed by any law⁷.

Notwithstanding the specified above, it is clarified that whereas the Converted Shares will be held by the Trustee for the benefit of an Offeree, the voting rights for these shares will be held by the Trustee. The Trustee will not vote under the Converted Shares held thereby for the benefit of the Offeree, and the Offeree will be entitled to vote under the Converted Shares in General Assemblies of shareholders of the Bank only in accordance with a power of attorney from the Trustee, which will be provided at the Offeree's request, all subject to the restrictions that will be imposed under any law⁷.

⁷including the directives and guidelines of the Supervision on Banks.

1.12.9 The Bank will act for the registration of the Converted Shares at the listing company in the name of the Trustee until the date of the release of the Converted Shares by the Trustee.

1.12.10 Without derogating from the provisions of the Remuneration Policy and this report, the Offerees will be subjected to the provisions and restrictions set forth in the applicable law⁷, including the Securities Act and the regulations enacted there under, as well as the Income Tax Ordinance, and will also be subjected to the restrictions and provisions that will be set forth by the Board of Directors from time to time, including restrictions related to the use in internal information.

1.13 Date of issuance of the PSU Units:

The issuance of the PSU Units to the Chairman of the Board of Directors, to the Chief Executive Officer and to the remaining Offeree officers will be executed immediately after the publication of this report, subject to the obtaining of all approvals required under the law for the issuance thereof, including the approval of the Stock Exchange for the listing of the shares that will result from the vesting of the PSU Units.

2. Issuance of RSU Units:

2.1 General:

2.1.1 According to the provisions of the Remuneration Policy, as well as in accordance with the directives of the Supervisor of Banks regarding signing bonus of a new officer (Article 16(a) of Directive 301A of the Proper Banking Management Directives), on March 11th 2014 and on March 30th 2014, after receiving the approval and recommendation of the Board of Directors' Remuneration Committee, the Bank's Board of Directors approved the grant of a signing bonus to two officers of the Bank (hereinafter in this section 2: the "**Offerees**") for the first year of employment (hereinafter: the "**Signing Bonuses**").

For further details regarding the provisions of the Remuneration Policy on the matter of signing bonus to a new officer of the Bank, refer to Chapter D'3 of the Remuneration Policy.

2.1.2 In addition, in accordance with the provisions of Article 15(a) of Directive 301A of the Proper Banking Management Directives, and in accordance with the said resolutions of the Remuneration Committee and the Board of Directors, half (50%) of the Signing Bonuses amount will be granted to the Offerees by way of issuance of Restricted Share Units constituting a deferred and conditional right to receive Ordinary Shares of NIS 1 par value each of the Bank (RSU Units). The vesting of the RSU Units into shares will be executed over several years, in accordance with and subject to the specified in this report herein below.

2.2 Terms of the securities proposed for issuance, quantity thereof and percentage which they will constitute of the Bank's voting rights and issued and outstanding capital after conversion thereof into shares, as well as on a full dilution basis:

2.2.1 Subject to obtaining of all the approvals required under the law and as specified in this report, immediately after the publication of this report the

Bank will issue to the Offerees, free of charge, 81,414 RSU Units, such constituting a conditional right to receive 81,414 Ordinary Shares of the Bank of NIS 1 par value each.

- 2.2.2 Issuance of the RSU Units will be executed by way of a capital gain course (with a trustee), in accordance with article 102 of the Income Tax Ordinance.
- 2.2.3 The quantity of RSU Units that will be issued to each of the Offerees was determined by dividing an amount constituting fifty percent (50%) of the total Signing Bonus to which each of the Offerees is entitled to, by NIS 13.508, such being the average price (according to the daily closing rates) of one Bank share during the period commencing on January 1st 2014 and ending on the day of publishing of the Bank's annual financial statements for the year 2013 (namely March 30th 2014).
- 2.2.4 The vesting of the RSU Units is conditional upon the continuous employment of each of the Offerees in the Bank, or in the Banking Group, on the date of vesting of each of the portions, in accordance with and subject to the specified herein below, whereas in the event in which the said condition is fulfilled, each RSU Unit will be automatically converted into one share of NIS 1 par value of the Bank upon each vesting date.
- 2.2.5 The vesting of the RSU Units will be executed, subject to fulfillment of the said terms of vesting thereof, in three equal portions, as follows:
- 2.2.5.1 One third (approximately 33.3%) of the quantity of RSU Units that will be issued as specified, will vest into Ordinary Shares of the Bank of NIS 1 par value each, after the elapse of one year as of the date of issuance, and these shares will be restricted for a period of one additional year.
- 2.2.5.2 One third (approximately 33.3%) of the quantity of RSU Units that will be issued as specified, will vest into Ordinary Shares of the Bank of NIS 1 par value each, after the elapse of two years as of the date of issuance; and
- 2.2.5.3 One third (approximately 33.3%) of the quantity of RSU Units that will be issued as specified, will vest into Ordinary Shares of the Bank of NIS 1 par value each, after the elapse of three years as of the date of issuance.
- 2.2.6 Subject to the fulfillment of the terms of vesting of the RSU Units, the shares resulting from the vesting of the RSU Units into shares, after their issuance and on the basis of the Bank's share capital data as of the date of this report, will constitute:

Quantity of offered RSU Units	Percentage of the Bank's issued and outstanding capital after and subject to the vesting of all RSU Units	
	In capital	In votes
81,414	0.01%	0.01%

And on a full dilution basis:

Quantity of offered RSU Units	Percentage of the Bank's issued and outstanding capital after and subject to the vesting of all RSU Units on a full dilution basis ⁸	
	In capital	In votes
81,414	0.01%	0.01%

2.2.7 The RSU Units that will be issued in accordance with this report will not be listed and will not be registered for trade on the Stock Exchange, however, subject to the Stock Exchange's approval, the shares that will derive from the vesting thereof will be registered for trade at the Stock Exchange in the name of the Bank Leumi Le Israel Ltd listing company, and as of the date of issuance thereof will vest equal rights for all intents and purposes as the ordinary shares of NIS 1 par value each that exist in the Bank's capital, with the exception of the restrictions on resale, as specified in Article 15C of the Securities Act and in Regulation 5 of the Securities Regulations (Details regarding Articles 15A to 15C of the Act), TASHAS-2000, or any other restrictions imposed in accordance with the law⁹.

2.3 Adjustment of rights and provisions for protection of the Offerees:

2.3.1 Whereas the Bank distributes bonus shares and the date set forth for the distribution thereof (hereinafter: the "**Bonus Date**") shall be after the date of grant of the RSU Units, but before the date of conversion thereof into shares, the number of RSU Units of each Offeree shall be increased by the number reflecting the number of shares which the Offeree would have been entitled to as bonus shares if the RSU Units were converted on the date preceding the Bonus Date, and the provisions of this report shall apply also on the additional units that will be issued. Similar adjustments will be made in the event of split (or unification) of Bank shares. The additional units that will be issued as specified will be deposited in the hands of a trustee and the capital gain course with a trustee under Article 102 of the Ordinance will apply with respect thereto.

2.3.2 In the event of a rights offering by the Bank to its shareholders after the date of grant of the RSU Units, but before the date of conversion thereof into shares, the number of RSU Units of each Offeree will be increased in a manner that will reflect the bonus component inherent in the rights. The provisions of the Remuneration Policy and of this report on the subject of RSU Units will apply also on the additional units that will be issued. The additional units that will be issued as specified will be deposited in the hands of a trustee and the capital gain course with a trustee under Article 102 of the Ordinance will apply with respect thereto.

2.3.3 Notwithstanding the specified in section 2.3.1 and 2.3.2 above, it is clarified that the RSU Units may not be converted into share fraction and

⁸#The calculation assumes that in addition to the issuance of the RSU Units and the vesting thereof into shares, all PSU Units issued in accordance with this immediate report will vest as well. The calculation does not refer to NIS 400,000,000 deferred (non-tradable), index linked deposits / capital notes that were issued in June and July of 2002, which are repayable on June 30th 2101, and which were acknowledged by Bank Israel as the Bank's secondary top tier capital and which, as of the date of the Bank's periodic report for the year 2013, are convertible into 153,102,276 ordinary shares of the Bank in certain circumstances defined by the Supervisor on Banks, in accordance with a conversion formula as specified in the terms of the deferred deposit / capital note.

⁹#Including directives and guidelines of the Supervision on Banks.

that in the event of a non-whole number, the number of converted shares will be rounded up to the closest whole number.

2.3.4 Dividend distribution by the Bank (in cash and/or equivalent) will not affect in any manner whatsoever the number of share that will result from the conversion of the RSU Units and will not obligate the Bank to execute any adjustment whatsoever regarding the RSU Units and/or the converted shares, except as specified herein below:

2.3.4.1 Whereas the Bank shall distribute dividend before the date of vesting of any of the RSU Units, the Offeree will be entitled to a conditional bonus, in cash, in a (gross) amount equivalent to the amount of the dividend that would have been paid to the said Offeree if the same held such number of Bank shares that is equivalent to the number of RSU Units on the effective date of the dividend distribution, subject to the vesting of the RSU Units into shares, as well as to the adjustments specified in this section 2.3.4 (hereinafter: the "**Dividend-like Bonus Amount**"). Tax at source will be deducted from the Dividend-like Bonus Amount, as required in accordance with the law, or in accordance with the decision of the Tax Authorities.

2.3.4.2 **The Offerees will not be entitled to the Dividend-like Bonus Amount, but subject to the vesting of the RSU Units into shares.** The Dividend-like Bonus Amount and all accumulations thereto will be paid within the framework of the salary due to be paid to the Offeree immediately after each one of the RSU Units' vesting dates into shares, whereas such will be vested, all immediately after the date on which it is known whether the RSU Units have vested.

2.3.4.3 Any revenue or profit attributed to an Offeree as a result of the RSU Units, including due to payment of the Dividend-like Bonus Amount, will not be deemed part of the Offeree's wage for any intents and purposes and will not be taken into consideration for the purpose of any social benefits whatsoever (including severance pay, social contributions, pension, etc.), or for any other rights or benefits deriving from an employer-employee relations. Notwithstanding the specified, taxes and other mandatory deductions will be made due to income or profit attributable to an Offeree as a result of the RSU Units, as specified, in accordance with the required under law.

2.3.5 Notwithstanding all of the above specified, no conversion of RSU Units into shares will take place on the effective date for distribution of bonus shares, for rights offer, for distribution of dividend, for capital consolidation, for capital spilt or for capital decrease (each of the above specified shall hereinafter be referred to as: "**Company Event**").

If the X day of a Company Event occurs prior to the effective date of a Company Event, no conversion will take place on the said X day.

2.4 Price of RSU Units and price thereof on the Stock Exchange on the date preceding the date of publication of the immediate report and the percentage ratio between them:

The Bank has not issued RSU Units in the past. The shares that will result from the RSU Units will be listed for trade at the Stock Exchange, subject to approval of the

Stock Exchange. The closing rate of the Bank's share at the Stock Exchange as of March 30th 2014 is NIS 13.63.

2.5 The fair value of the offered RSU Units:

2.5.1 The fair value of each RSU Unit has been calculated in accordance with the terms of the Remuneration Policy and in accordance with IFRS 2 Directives "Share-based Payment" on the subject of registration of expenses for share-based payment transactions in the financial statements, in accordance with their economic value on the date of the grant thereof, and with the assumption that all RSU Units issued in accordance with this report will vest into shares.

2.5.2 The fair value of each RSU Unit is estimated at approximately NIS 13.63, based on the price of one Bank share on the date prior to the date of publication of this report, as specified above. The value was determined in accordance with the terms of the RSU Units, including the conversion thereof into shares without consideration, as well as the compensation mechanism for distribution of dividend, as specified in section 2.3.4 above.

2.5.3 For the manner of calculation of the quantity of RSU Units that will be issued in accordance with this report, refer to section 2.2.3 above.

2.5.4 Based on the terms of the RSU Units (including, inter alia, conversion into shares without consideration and inclusion of a compensation mechanism for distribution of dividend), the accumulated fair value of the RSU Units as of the date of publication of this report is approximately MNIS 1.1
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The calculation of the fair value of the RSU Units, as specified above, does not take into consideration the fact that the RSU Units will not be listed for trade at the Stock Exchange, as well as does not take into consideration the vesting and restriction periods of the RSU Units as specified in this report, as well as the tax that may apply upon the sale of the converted shares.

2.6 Specification of consideration and of the manner of determination thereof:

The issuance of the RSU Units and vesting thereof into shares will be executed without consideration.

2.7 Approvals required or terms set forth for the execution of the issuance according to the offer, have those been obtained or fulfilled, and if not, at what time are they expected to be obtained or fulfilled:

The issuance of the RSU Units and the shares deriving there from are subject to the specified in the Remuneration Policy and to the specified in this report, including obtaining of all the approvals required in accordance with the law for the execution of the issuance, as specified herein below:

2.7.1 The Remuneration Policy was approved by the Bank's General Meeting on February 11th 2014, after obtaining the approval and the recommendation of the Remuneration Committee and the Bank's Board of Directors.

2.7.2 The issuance of the RSU Units will be executed in accordance with the approval of the Remuneration Committee and the Board of Directors.

2.7.3 The vesting of the shares deriving from the RSU Units issued in accordance with this report is conditional upon the fulfillment of all the conditions for vesting of RSU Units as specified in this report.

2.7.4 The approval of the Stock Exchange must be obtained, for the listing of the shares that will derive from the vesting of the RSU Units that will be issued as specified. Simultaneously with the submission of this report, the Bank intends to address the Stock Exchange with an application for the grant of such approval.

2.7.5 Prior to the filing of this report, the Bank addressed the Israeli Tax Authority, in order to obtain its approval on the application of the provisions of Article 102 of the Income Tax Ordinance on the issuance of the RSU Units, in a capital gain course with a trustee, as well as application of the regulations, rules, letters and directives deriving there from (hereinabove and hereinafter: the "**Tax Authority's Decision**").

2.8 Specification of written and verbal contracts between the Offeree and Bank shareholders, or between the Offeree and others, related to the purchase or sale of Bank securities, or related to voting rights therein, to the Bank's best knowledge, after inquiry and with specification of the inquiries conducted thereby:

To the Bank's best knowledge, there are no existing written or oral agreements between any of the Offerees and any other shareholder of the Bank, or between any of the Offerees and others related to the purchase or sale of Bank securities, or related to the voting rights in the Bank.

2.9 Specification of any hindrance or restriction applicable upon the Offeree executives in execution of actions with the offered securities, in accordance with the Israeli Stock Exchange Charter, in accordance with any law, or in accordance with undertakings undertaken by the Offeree executives upon themselves, to the Bank's best knowledge:

2.9.1 The issuance of the RSU Units to all Offerees will be executed immediately after the obtaining of all approvals for issuance thereof, in accordance with any law, including obtaining of the Stock Exchange's approval for listing of the shares that will result from the vesting of the RSU Unit.

2.9.2 Immediately after the issuance date, a granting document will be delivered to each of the Offerees, such stating, inter alia: the quantity of RSU Units granted thereto, the dates and terms of vesting thereof, the manner of conversion and any other term related to the granting of such RSU Units, as shall be resolved by the Remuneration Committee and/or by the Board of Directors (hereinafter: the "**Granting Document**").

2.9.3 Granting of the RSU Units to each Offeree is conditional upon the signature by the Offeree on the Granting Document, including declaration that he is aware of the provisions of Article 102 of the Income Tax Ordinance, the provisions of the Tax Authority (if applicable) and the capital gain course with a trustee, and that he agrees to the specified in the trust letter executed between the Bank and the trustee, a copy of which will be delivered thereto.

2.9.4 Subject to the approval of the Tax Authority of the issuance in accordance with Article 102 of the Income Tax Ordinance, in the capital gain course with a trustee, subject to the provisions of the resolution of the Tax Authority and subject to the relevant tax laws applicable with respect to each of the Offerees, as such shall be updated from time to time, the following provisions will apply:

2.9.4.1 The RSU Units that will be issued to the Offerees in accordance with this report and/or the shares that the RSU Units will convert into, respectively, will be vested in the hands of a trustee appointed by the Bank (hereinafter: the "**Trustee**"), for the benefit of the Offeree, for a period required under Article 102 of the Income Tax Ordinance and the regulations enacted there under (hereinafter: the "**Tax Restriction Period**").

2.9.4.2 For this purpose, the Bank will transfer to the Trustee the personal information of the Offerees (including the details of their bank accounts), the number of RSU Units which each one of the said Offerees is entitled to, a copy of the Granting Document, and all the remaining details required in accordance with Article 102 of the Income Tax Ordinance.

2.9.4.3 Upon fulfillment of all the terms for the vesting of the RSU Units into shares, as specified in this report, on each of the vesting dates, the relevant RSU Units portion will be automatically converted into Bank shares (hereinafter: the "**Converted Shares**").

2.9.4.4 The restriction period will end upon the later of the following dates: (a) after the elapse of two years from the date of vesting the RSU Units into the hands of the Trustee; or (b) on the date of fulfillment of all the terms for the conversion of the RSU Units into shares, as specified in this report.

2.9.4.5 The RSU Units, as well as the Converted Shares (the shares prior to the expiry of the Tax Restriction Period or before the payment of the tax applicable with respect thereto, according to the later among the two) will not be subject to transfer, assignment, pledge, other voluntary encumbrance, lien or lawful foreclosure, and no power of attorney or transfer deed will be granted with respect thereto, whether of immediate or future effect (hereinafter jointly: "**Transfer**"), with the exception of transfer under a will or in accordance with the law.

Whereas the RSU Units and/or the Converted Shares will be transferred under a will or in accordance with the law, as specified above, the provisions of Article 102 of the Income Tax Ordinance and the provisions of this report will apply on the legal successors and transferees of such Offeree. It is clarified that in any event (including in the event of transfer of rights under a will or in accordance with the law), the Converted Shares or the RSU Units, respectively, will not be released by the Trustee prior to the elapse of the Tax Restriction Period and the tax payment with respect thereto, and they will be subject to the specified in this report and in the provisions of the law. It is clarified that the Tax Restriction Period will apply also with respect to an Offeree who has ceased and/or will cease to work in the Bank prior to the elapse of the Tax Restriction Period. Notwithstanding the above specified, whereas any sale or Transfer of the Converted Shares or the RSU Units shall take place, the tax implications in accordance with Article 102 of the Income Tax Ordinance

and the rules enacted there under will apply on the Offeree alone. Nothing in the above specified shall derogate from and/or hinder the prohibition on transfer of the Converted Shares, as specified in this section above.

2.9.4.6 Without derogating from the specified above, in the event in which an Offeree shall, God forbid, pass away or become legally incapacitated, all the while the employer-employee relations between him and the Bank continue to exist and before the vesting date of the RSU Units issued thereto, his legal successors will be entitled to a portion of the quantity of the RSU Units issued thereto, respective to the period of his actual tenure throughout the vesting period. The above specified RSU Units will be converted into shares immediately after the demise of the Offeree, and the executive's successors shall come in lieu of the Offeree for all intents and purposes related to the remaining provisions of this report (including the provisions regarding the restriction period), all subject to the provisions of the law.

2.9.4.7 After the elapse of the relevant restriction period, each Offeree will be entitled to demand that the Converted Shares be transferred to him, and only provided that they will not be transferred to the Offeree but after the tax applicable under Article 102 of the Income Tax Ordinance has been paid and such tax payment has been made.

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2.9.5 Without derogating from the provisions of section 2.3.4 above, an Offeree will not have rights of a shareholder so long as the RSU Units have not been converted into shares.

2.9.6 Without derogating from the specified above, the following provisions will apply with respect to the RSU Units and the shares that will be converted from RSU Units, upon which a restriction period applies (such not being the restriction period under Article 102): They will not be subject to transfer, with or without consideration, assignment, pledge, other encumbrance, lien, and no power of attorney or transfer deed of any kind will be granted with respect thereto, whether of immediate or future effect, with the exception of a transfer under a will or in accordance with the law. Whereas the RSU Units and/or the restricted Converted Shares will be transferred under a will or in accordance with the law, as specified above, the provisions of this report will apply on the successors or transferees of such Offeree.

2.9.7 RSU Units that have not been converted into shares, as specified, on any of the vesting dates, for reason of non-fulfillment of their vesting terms, including any right related to the above specified RSU Units, will expire and be cancelled.

2.9.8 The Converted Shares will vest equal rights with respect to the Bank as the existing shares in the Bank's capital, for all intents and purposes, and will be subject to the provisions of the Bank's Articles of Association, with the exception of a restriction on resale, as specified in Article 15C of the Securities Act and in regulation 5 of the Securities Regulations (Details regarding Articles 15A to 15C of the Act) 5760-2000. In addition, the Converted Shares will be entitled to any dividend or other bonus, all subject to the restrictions imposed by any law.

Notwithstanding the specified above, it is clarified that whereas the Converted Shares will be held by the Trustee for the benefit of an Offeree, the voting rights for these shares will be held by the Trustee. The Trustee will not vote under the Converted Shares held thereby for the benefit of the Offeree, and the Offeree will be entitled to vote under the Converted Shares in General Assemblies of shareholders of the Bank only in accordance with a power of attorney from the Trustee, which will be provided at the Offeree's request, all subject to the restrictions that will be imposed under any law⁷.

2.9.9 The Bank will act for the registration of the Converted Shares at the listing company in the name of the Trustee until the date of the release of the Converted Shares by the Trustee.

2.9.10 Without derogating from the provisions of the Remuneration Policy and this report, the Offeree will be subjected to the provisions and restrictions set forth in the applicable law⁷, including the Securities Law and the regulations enacted there under, as well as the Income Tax Ordinance, and will also be subjected to the restrictions and provisions that will be set forth by the Board of Directors from time to time, including restrictions related to the use of internal information.

2.10 Date of issuance of the RSU Units:

The issuance of the RSU Units will be executed immediately after the publication of this report, subject to the obtaining of all approvals required under the law for the issuance thereof, including the approval of the Stock Exchange for the listing of the shares that will result from the vesting of the RSU Units.

3. Additional Information

For additional information regarding the terms of office and employment of the Chairman of the Board of Directors and the Chief Executive Officer, refer to the Assembly Summoning Report, including Annexes B'1 and B'2 to the Assembly Summoning Report, as well as to explanation 15 of the Bank's annual financial statements for the year 2013.

By the order of the Board of Directors,

Yael (Ben Moshe) Rodniki, Adv.
Bank Secretary

Tel Aviv, March 31st 2014

Annex A' – Remuneration Policy

Annex B'

	Holder	Quantity of PSU Units issued under this report	Quantity and holding percentage <u>before</u> the issuance of PSU Units			Quantity and holding percentage <u>after</u> the issuance of PSU Units and subject to the vesting of all PSU Units into shares			Quantity and holding percentage after the issuance and vesting <u>on a fully diluted basis</u> ¹⁰		
			Number of Shares	% of capital	% of voting	Number of Shares	% of capital	% of voting	Number of Shares	% of capital	% of voting
Offerees	Chairman of the Board of Directors	71,232	10,103	0.00%	0.00%	81,335	0.01%	0.01%	81,335	0.01%	0.01%
	Chief Executive Officer	85,367	47,123	0.00%	0.00%	132,490	0.01%	0.01%	132,490	0.01%	0.01%
	Remaining Offeree officers	501,270	227,535	0.02%	0.02%	728,805	0.05%	0.05%	810,219 ¹¹	0.05%	0.05%
Interested Parties⁽¹⁾	Shlomo Eliyahu Holdings Ltd. ⁽²⁾	0	40,927,185	2.78%	0.00%	40,927,185	2.78%	0.00%	40,927,185	2.78%	0.00%
	Companies of the Migdal Holdings, Insurance and Finances Group Ltd. ⁽²⁾	0	72,201,651	4.90%	4.90%	72,201,651	4.90%	4.90%	72,201,651	4.90%	4.90%
	The Israeli Government on behalf of the State of Israel ⁽²⁾	0	88,830,769	6.03%	6.46%	88,830,769	6.03%	6.46%	88,830,769	6.03%	6.46%
	Companies of the Psagot Investment House Group Ltd. ⁽²⁾	0	94,876,958	6.44%	6.44%	94,876,958	6.44%	6.44%	94,876,958	6.44%	6.44%
	Companies of the Harel Insurance Investments and Financial Services Group Ltd.	0	74,168,886	5.03%	5.03%	74,168,886	5.03%	5.03%	74,168,886	5.03%	5.03%
	Gozman Rami Avraham ⁽³⁾	0	67,850	0.00%	0.00%	67,850	0.00%	0.00%	67,850	0.00%	0.00%
	Public ⁽⁴⁾	0	1,102,193,161	74.8%	74.37%	1,102,193,161	74.8%	74.37%	1,102,193,161	74.8%	74.37%
	Total		657,869	1,473,551,221	100%	⁽⁵⁾	1,474,209,090	100%	⁽⁵⁾	1,474,290,504	100%

(1) Except the Chairman of the Board of Directors and the Chief Executive Officer, who are specified in the Offeree list and are deemed Interested Parties in the Bank by the power of their duty.

(2) For further details refer to the Bank's immediate report on the status of holdings of Interested Parties and executive officers dated 6.3.2014 (reference no: 2014-01-007785) included by reference in this report.

(3) Mr. Rami Avraham Guzman acts as a director of the Bank and is deemed as an Interested Party in the Bank by the power of his duty.

(4) With the exception of the Offerees and with the exception of Interested Parties.

(5) For information regarding the voting rights in the Bank, refer to the Bank's immediate report on the status of holdings of Interested Parties and executive officers dated 6.3.2014 (reference no: 2014-01-007785) included by reference in this report.

¹⁰With the assumption that all PSU Units issued in accordance with this report will be exercised into shares and with the assumption that all RSU Units issued in accordance with this report will be exercised into shares. The calculation does not take into consideration NIS 400,000,000 deferred, (non-tradable), index-linked deposits/capital notes that were issued in June and July of 2002, repayable on June 30th 2101, which were acknowledged by the Bank of Israel as secondary top tier capital of the Bank, and which are convertible into 153,102,276 Ordinary Shares of the Bank as of the date of the Bank's periodic report for the year 2013. •

¹¹Also with the assumption that all RSU Units issued to some of the officers in accordance with this report have all been converted into shares. •