

Bank Leumi le-Israel Ltd. ("**the Bank**")

Shelf Prospectus

Pursuant to this shelf prospectus, the Bank may issue regular shares at par value of NIS1 each, of the Bank, and other securities of the Bank, subject to the provisions of any law.

Offering of the securities according to the shelf prospectus will be done according to the provisions of Section 23A of the Securities Law, 5728-1968 by way of shelf prospectus reports in which all details unique for such offering are completed, including details of the offered securities and their terms, according to the provisions of the regulations and guidelines of the Tel Aviv Stock Exchange Ltd., as in effect at such time (hereinafter: "**Shelf Prospectus Report**").

The risk factors to which the Bank is exposed include, *inter alia*, the following main risks: credit risk, quality of borrowers and securities risk, large borrower and borrowers group concentration risk, sector and field concentration risk, general market risk, interest, inflation and exchange rate risk, debenture margin and stock prices risk, liquidity risk, operative risk (including risk of loss as a result of flaws or defects of internal processes, persons or systems or as a result of external events, including cyber events), legal and compliance risk, goodwill risk and risks caused by global or local events that may entail realization of several risks simultaneously.

For details regarding these risks, see the "Exposure and Management of Risk chapter in the Board report of the Bank that is included in chapter 5 of this prospectus, by way of reference.

For limitations on the Bank's ability to distribute dividend, see Note 13A of the Bank's financial statements for 2014, included in chapter 8 of this prospectus, by way of reference.

The Bank is a "**banking corporation**" as defined in the Banking Law (Licensing), 5741-1981. Therefore, the Bank is subject to various provisions pursuant to the laws that apply to banking corporations.

In their unreserved opinion for the Bank's financial statements for 2014, the auditors refer the attention to Note 18(D) regarding claims against the Bank, including motions for their approval as class action suit, Note 18(I) regarding issues related to an affiliated company of the Bank

and its held companies, and Note 18(K) regarding investigations conducted against the Group in connection with its activity vis-à-vis US clients.

As of the date of this prospectus, the Bank's debentures in cycle are rated by Standard & Poor's Maalot Ltd. and by Midroog Ltd. For further details regarding the rating provided to the Bank's debentures, see chapter 1 of the prospectus.

The prospectus may be viewed on the internet site of the Securities Authority, at www.magna.isa.gov.il and the internet site of the Tel Aviv Stock Exchange Ltd., at www.maya.tase.co.il.

Prospectus date: May 28, 2015

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Chapter 1 - Introduction

1.1 General

Bank Leumi le-Israel Ltd. (hereinafter: "**the Bank**") was incorporated in Israel in 1950, as a public company according to the Companies Ordinance. The Bank is a banking corporation holding a "bank" license according to the provisions of the Banking Law (Licensing), 5741-1981 (hereinafter: "**the Banking Law**").

1.2 Permits and Approvals

The Bank received all permits, approvals and licenses required by law for publication of this prospectus. This prospectus is a shelf prospectus, as defined in Section 23A of the Securities Law, 5728-1968 (hereinafter: "**the Securities Law**") and offering of securities according thereto will be done according to a shelf offer report submitted according to the Securities Law and the Securities Regulations (Shelf Offer of Securities), 5766-2005 (hereinafter: "**Shelf Offer Regulations**"), in which the unique details of such offer are completed (hereinafter: "**Shelf Offer Report**").

The permission of the Securities Authority to publicize the shelf prospectus does not constitute confirmation as to the details presented therein or confirmation regarding their credibility or integrity, and does not constitute an opinion regarding the quality of the offered securities.

The Bank applied to the Tel Aviv Stock Exchange Ltd. (hereinafter: "**the Stock Exchange**") with a request to provide an approval in principle to list the securities included in this shelf prospectus and that are offered, if offered, according to a Shelf Offer Report.

The approval in principle of the Stock Exchange does not constitute confirmation as to the details presented in the shelf prospectus or confirmation regarding their credibility or integrity, and does not constitute an opinion regarding the quality of the securities offered in this shelf prospectus or the price at which they will be offered according to the Shelf Offer Report.

Provision of the Stock Exchange's approval in principle is not an approval for listing of such securities, and the listing of the offered securities will be subject to receipt of approval for listing securities according to a Shelf Offer Report that is submitted pursuant to the Securities Law and the Shelf Offer Regulations.

The provision of the Stock Exchange's approval in principle does not constitute a commitment to approve listing of the securities offered according to the Shelf Offer Report. Approval of an application for listing

of securities according to a Shelf Offer Report will be subject to the provisions of the Stock Exchange regulations and guidelines, as in effect at the time of submission of the application for listing of the securities offered according to the Shelf Offer Report.

1.3 Share Capital

1.3.1 The share capital of the Bank as of the shelf prospectus date in nominal values:¹

The registered share capital of the Bank is NIS 3,215,000,000 par value, divided into 3,215,000,000 regular shares at par value of NIS 0.1 each. The issued and paid-up capital of the Bank is NIS 1,473,770,511, divided into 1,473,770,551 regular shares at par value of NIS0.1 each.²

1.3.2 The equity of the Bank as of 31.12.2014 (NIS, millions):

Share capital	7059
Premium	1129
Transactions of payment based on shares and others	33
Other overall profit, accumulated	355
Accumulated surpluses	19559
Loans to employees for purchase of Bank shares	(42)
Rights that do not provide control	340
Total equity	28433

1.3.3 Ratios between equity and risk components in the Bank Group

For details regarding the capital means, capital ratios and capital adequacy of the Bank, see Note 13A of the Bank's financial

¹ All issued shares are specifically designated. The shares that have been issued and will be issued have been converted or will be converted into regular stock that can be transferred in units for NIS1.0 par value each. The words "**shares**" and "**shareholder**" in this prospectus include "stock" and "stock holder", respectively, and one regular share at par value of NIS1.0 means regular stock at par value of NIS1.0.

² NIS 400,000,000 par value deposits/deferred (non-negotiable) capital deeds, linked to the index, issued in June and July 2002, which are due in June and July 2010 and recognized by the Bank of Israel as supreme secondary capital of the Bank, convertible under certain circumstances defined by the Banks Supervisor according to a conversion formula as set forth in the deposit/deferred capital deed terms, as of 31.12.2014, to 152,952,469 regular shares of the Bank. Regarding non-negotiable securities convertible into shares that were allocated to officers, see chapter 3, section 3.2.2 below.

statements for 2014, which are included in chapter 8 of this prospectus by way of reference.

1.4 Debentures issued by the Bank and subsidiaries³ (under liability or guarantee of the Bank) and are still in cycle as of the date of the shelf prospectus:⁴

Series	Security number at the Stock Exchange	Issuance Date	Due Date	Par Value (NIS)			Interest amount accumulated by 31.12.2014 ⁵	Value in financial statements as of 31.12.2014 ⁶	Stock exchange value (of traded series only) as of 31.12.2014	Annual interest ⁷	Linkage (principal and interest) ⁸		Trustee	
				On issuance date	On 31.12.2014	Revalued as of 31.12.2014 according to linkage terms ⁹					Type	Base		
Bonds	176	6040208	01.08.01	31.07.16	975,000,000	487,500,000	638,989,149	13,445,397	652,434,546	683,523,750	5.05%	Index	06/2001	Poalim
Deferred capital deeds	200	6040141	03.02.10	04.02.2060	1,349,998,000	1,349,998,000	1,462,427,182	9,099,547	1,471,526,728	1,698,837,483	4%	Index	12/2009	Discount
	201	6040158	03.02.10	04.02.2060	950,000,000	950,000,000	950,000,000	2,334,889	952,334,889	981,540,000	1.4% above short-term loan yield per year	None	-	Discount
	-	Non negotiable	June-July 2002	June-July 2101	400,000,000	400,000,000	501,884,811	17,203,049	519,087,859	-	6.9%	Index	04/2002	-
	-	Non negotiable	April-May 2009	April-May 5820	1,000,000,000	1,000,000,000	1,128,893,011	48,168,300	1,177,061,311	-	6.2%	Index	02/2009	-
Series	Security number at the Exchange	Issuance Date	Due Date	Par Value (NIS)			Interest amount accumulated by 31.12.2014 ⁵	Value in financial statements as of 31.12.2014 ⁶	Stock exchange value (of traded series only) as of 31.12.2014	Annual interest ⁵	Linkage (principal and interest) ⁶		Trustee	

³ In addition, the Bank issued, by private placements, deferred debentures that, as of 31.12.2014, are at par value of NIS 1,419,725,680 (revalued par value as of 31.12.2014 according to linkage terms – NIS 1,749,222,261), which constitute part of the Bank's Tier2 capital.

⁴ On 4.1.15, the merger between Leumi Financing Company Ltd. (hereinafter: "**Leumi Financing**") and the Bank was completed. As part of the merger, Leumi Financing's obligations according to bonds, deferred debentures and deferred capital deeds issued to the public were transferred to the Bank, and they appear in this table under their new security number, even though on 31.12.2014 they were still registered under Leumi Financing. For further details regarding the merger, see section 1.4(B)(9) below.

⁵ In the debentures linked to the consumer price index, the interest amount includes the linkage of the accumulated interest (subject to the linkage terms of the series and according thereto).

⁶ The value in the financial statements, as presented in the table, includes the par value, revalued as of 31.12.2014 according to the linkage terms, along with the interest accumulated by 31.12.2014 (as both appear in the two columns to the right of the value in the financial statements column in the table), and including, or excluding, as the case may be, the premium balance or discount as of 31.12.2014.

⁷ The bonds (series 176) and deferred debentures (series C, G, H, K, L, M, N) bear fixed interest.

⁸ The word "index" denotes linkage to the consumer price index, with the base index being the index for the month that appears under the sub-caption "base". For a series with several issuances, the index as of the first allocation date is specified.

⁹ The debentures that, according to their linkage terms, are fully linked to the consumer price index, were linked according to the index for November 2014. The revaluation includes all principal payments due by 31.12.2014.

					On issuanc e date	On 31.12.2 014	Revalu ed as of 31.12.2 014 accordi ng to linkage terms ¹⁰					Typ e	Bas e	
	C	60401 82	04.07 01.	30.06. 16	514,099, 000	514,099, 000	675,855, 034	16,558,448	692,413,483	733,979,142	4.90 %	Index	05/2 001	Poalim
	G 10	60402 24	20.03 07.	20.03. 16	1,999,99 9,510	1,333,33 3,673	1,618,01 0,636	51,596,561	1,669,120,243	1,686,933,763	4.10 %	Index	02/2 007	Mishmere t
	H	60402 32	06.11 07.	06.11. 17	1,929,09 0,000	1,929,09 0,000	2,278,63 1,784	15,038,970	2,294,815,386	2,464,798,293	4.40 %	Index	09/2 007	Poalim
	K	60403 07	19.08 09.	30.12. 16	340,567, 000	340,567, 000	340,567, 000	1,920,419	342,487,419	-	7.00 %	None	-	Mishmere t
	L	60402 73	16.09 10.	10.09. 17	3,271,61 0,000	3,271,61 0,000	3,504,10 2,327	27,838,146	3,505,471,891	3,726,690,951	2.60 %	Index	07/2 010	Mishmere t
	M	60402 81	16.09 10.	10.09. 17	2,206,03 9,000	2,206,03 9,000	2,206,03 9,000	36,399,644	2,250,829,711	2,489,956,219	5.40 %	None	-	Mishmere t
	N	60402 99	10.11 11.	10.11. 20	1,870,74 5,000	1,870,74 5,000	1,932,06 9,883	9,123,663	1,943,856,351	2,209,349,845	3.40 %	Index	09/2 011	Mishmere t
Ca pita l deed s	3 0 0	60402 57	16.08 09.	10.08. 59	999,999, 000	999,999, 000	1,102,13 8,110	7,653,737	1,109,791,847	1,343,698,656	Grad ual	Index	06/2 009	Discount
	3 0 1	60402 65	16.08 09.	10.08. 59	999,999, 000	999,999, 000	3,058,33 0	1,003,057, 330	1,063,798,936		Varia ble	None	-	Discount

(A) General

- (1) In accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970, a series of debentures will be considered as material if the total obligations of the Bank according thereto, as of the reporting date, constitutes 5% or more of the total obligations of the Bank as of the reporting date. According to this definition, none of the debenture series specified in the table above is material.
- (2) The Bank meets all terms and obligations according to the trust deeds and no conditions that establish a cause for immediate repayment of the debentures specified in the table or realization of securities have been fulfilled.
- (3) If the Stock Exchange decides to cease trading of any of the debenture series specified above, as a result of the public holdings of such series becoming lower than the amount determined and/or that will be determined in the Stock Exchange

¹⁰ On March 20, 2015, the second out of three repayments of the principal of the deferred debentures (series G) occurred, as part of which NIS 666,666,837 par value deferred debentures (series G), constituting approximately 33.33% of the total par value of this series on the date of its issuance, were repaid and delisted.

guidelines regarding delisting, then the Bank will act as specified in this respect in the prospectus and/or the Shelf Offer Report pursuant to which the series was issued, including determination of a date for early repayment, as specified in such prospectus and/or the Shelf Offer Report.

(B) Below are additional details regarding the series in the table:

(1) Below are additional details regarding the debenture series in which more than one allocation was performed:

Amounts of allocation (par value, NIS)	Dates of allocation	Quantity of allocations	Series
950,000,000	01.08.2001	2	176
25,000,000	05.08.2001		
325,900,000	6.6.2002	7	Non-negotiable 2002
5,000,000	30.6.2002		
5,000,000	1.7.2002		
5,300,000	3.7.2002		
7,000,000	14.7.2002		
40,000,000	15.7.2002		
11,800,000	31.7.2002		
300,000,000	7.4.2009	5	Non-negotiable 2009
500,000,000	27.4.2009		
134,200,000	10.5.2009		
35,000,000	11.5.2009		
30,800,000	12.5.2009		
229,030,000	04.07.2001	4	C
12,330,000	08.07.2001		
121,900,000	14.01.2002		
150,839,000	30.01.2002		
428,437,500	20.03.2007	3	G
514,508,010	13.05.2007		

Amounts of allocation (par value, NIS)	Dates of allocation	Quantity of allocations	Series
1,057,054,000	23.10.2007		
1,135,974,000	06.11.2007	2	H
793,116,000	12.02.2008		
1,050,000,000	16.09.2010	3	L
1,142,941,000	12.09.2011		
1,078,669,000	14.11.2011		
650,000,000	16.09.2010	3	M
276,039,000	12.09.2011		
1,280,000,000	30.01.2012		
860,745,000	14.11.2011	2	N
1,010,000,000	30.01.2012		

- (2) The table below shows the final repayment date of principal and interest in every series. The table below concentrates additional data regarding the repayment dates of the debenture series. It is clarified that the information below is subject to the full and binding provisions regarding the repayment dates of principal and interest, as specified in the issuance prospectus of the relevant series or the shelf prospectus and the Shelf Offer Report that relate to the relevant series, as the case may be:

Series	Final repayment (principal and interest)	Number of payments for repayment of principal	Details of principal payments (for series having more than one payment)			Details of interest payments	
			First payment	Payment frequency	Last payment	First payment	Payment frequency
176	31.7.2016	4	31.7.2013	Annual		31.7.2012	Annual
200	4.2.2060	1				4.5.10	Quarterly
201	4.2.2060	1				4.5.10	Quarterly
Non-	June-	1	-	-		June-	Annual

negotiable 2002	July 2101					July 2003	
Non- negotiable 2009	April- May 2058	1	-	-		April- May 2003	Annual
C	30.6.20 16	1	-	-		30.6.0 2	Annual
G	20.3.20 16	3	20.3.14	20.3.16		20.3.0 8	Annual
H	6.11.20 17	3	6.11.15	6.11.17		6.11.0 8	Annual
K	30.12.2 016	1	-	-		1.9.09	Monthly *
L	10.9.20 17	1	-	-		10.9.1 1	Annual
M	10.9.20 17	1	-	-		10.9.1 1	Annual
N	10.11.2 020	1	-	-		10.11. 12	Annual
300	10.8.20 59	1	-	-		10.11. 09	Quarter ly
301	10.8.20 59	1	-	-		10.11. 09	Quarter ly

* The last interest payment date for **series K**, which is concurrent with the final repayment of this series, is different from the other interest payment dates for such series, and therefore additional details follow: Interest payment for **series K** falls on the 1st day of every calendar month beginning on 1 September 2009 and until 1 Dec. 2016, and on 30 December 2016 there is another interest payment for this series, along with repayment of the principal, for the period beginning 1 Dec. 2016 until 30 Dec. 2016, as specified in section 3.5.4A of the shelf prospectus dated 5 August 2009.

(3) Below are additional details regarding the deferred capital deeds of the 200 and 201 series:

- A. The bank has an option for early repayment of the capital deeds of these series on 4.2.2021, and if the Bank does repay on this date, it will be entitled to repay all or any of the deeds on every February 4 of every year afterwards. The interest for these series will be paid 4 times per year, on February 4, May 4, August 4 and November 4 of each year.
- B. The deferred capital deeds (series 200) bear fixed annual interest of 4% until 3.2.2021. After this date and if not repaid early, they will bear gradual interest to be set by the trustee. The gradual interest and mechanism for determination thereof are specified in the Shelf Offer Report dated 2.2.2010.
- C. The deferred capital deeds (series 201) bear variable annual interest with a margin of 1.4% above the annual short-term loan yield until 3.2.2021. After this date and if not repaid early, they will bear gradual interest to be set by the trustee. The gradual interest and mechanism for determination thereof are specified in the Shelf Offer Report dated 2.2.2010.

(4) Below are additional details regarding the non-negotiable deferred capital deeds issued in 2002:

- A. The conditions of the deferred capital deeds include an option for the Bank to perform early repayment, under certain terms and with the approval of the Banks Supervisor, beginning 15 years after the issuance. In case the Bank does not perform early repayment on this date, the Bank will be entitled to perform early repayment of all or any of the deeds at the end of periods of 5-years each after such date, subject to fulfillment of the aforesaid conditions.
- B. The interest for the capital deeds is paid annually.
- C. Also, the deferred capital deeds will be converted for 152,952,469 regular shares of the Bank under the following circumstances:
 - (i) The ratio between the initial capital and the risk components of the Bank, as specified in the Bank's financial statements, falls below 6% and does not return, within 90 days following the date of publication of such financial statements, to such ratio or higher.
 - (ii) According to the Bank's financial statements, the surpluses balance of the Bank became negative.
 - (iii) The Bank's auditor, in an opinion or survey report enclosed to the Bank's financial statement or (interim) financial statement, raised significant doubts as to the continued existence of the Bank as a going concern.

- D. The deferred capital deeds bear fixed annual interest of 6.9% until 15 years following the issuance date. Afterwards, the interest is re-determined every 5 years based on the yield of linked government bonds plus 2.8%.
- E. If, at the time set for repayment of any interest payment, it becomes evident that change occurred in the financial integrity of the Bank, in such manner that at that time there are suspending circumstances (as defined in the terms of the deferred capital deeds), then such interest payment will be postponed, as specified in the terms of the deferred capital deeds.
- F. The deferred capital deeds include a dividends stopper mechanism that stops the distribution of dividends for regular shares of the Bank as long as all interest payment that repayment of which was suspended are not fully paid, as specified in the terms of the deferred capital deeds.

(5) Below are additional details regarding the non-negotiable deferred capital deeds issued in 2009:

- A. The deferred capital deeds bear fixed annual interest of 6.2% until 10 years following the issuance date. Afterwards, the interest is re-determined every 5 years based on the yield of linked government bonds with a margin of 1%, plus 3.7%.
- B. If, at the time set for repayment of any interest payment, it becomes evident that change occurred in the financial integrity of the Bank, in such manner that at that time there are suspending circumstances (as defined in the terms of the deferred capital deeds), then such interest payment will be postponed, as specified in the terms of the deferred capital deeds.
- C. The deferred capital deeds include a dividends stopper mechanism that stops the distribution of dividends for regular shares of the Bank as long as all interest payment that repayment of which was suspended are not fully paid, as specified in the terms of the deferred capital deeds.

(6) Below are additional details regarding the deferred capital deeds (series 300 and 301):

- A. The bank has an option for early repayment of the capital deeds of these series starting on 4.2.2021, pursuant to section 3.2.10 of the shelf prospectus dated 6.8.2009 and section 4.4 of the shelf offer report dated 12.8.09.
- B. The capital deeds (series 300) bear fixed annual interest of 5% until 10.8.2020. After this date and if not repaid early, they will bear gradual interest to be set by the trustee, as set forth in the shelf offer report of Leumi Financing dated 12.8.09.

C. The deferred capital deeds (series 301) bear variable annual interest according to the annual short-term loan yield, calculated every 3 months, with a 2% margin, as publicized by the Bank from time to time by immediate reports, until 10.8.2020. As of 31 December 2014, the periodic interest was calculated based on an interest rate of 2.202% per year (see immediate report publicized by Leumi Financing on 6.11.14, reference 2014-01-189777). As to the period beginning on 10.2.15 and ending 9.5.15, the interest is calculated based on an interest rate of 2.184% per year (see immediate report publicized by the Bank on 11.2.15, reference 2015-01-029296). After 10.8.20, if not repaid early, the deferred capital deeds (series 301) will bear annual interest according to the annual short-term loan yield, along with a rate to be determined by the trustee in advance, as set forth in the shelf offer report of Leumi Financing dated 12.8.09.

- (7) Below are details regarding the full name of the trust companies and their contact details:

	Poalim Trust Company Ltd. (for series 176, C, H)	Mishmeret - Trust Services Company Ltd. (for series G, K, L, M, N)	Discount Trust Ltd. (for series 300, 301)
Contact person	Yael Reich	Rami Sabati	Tsvika Schwartz
Addresses	23 Menachem Begin Road, POB 27, Tel Aviv 6100001	46-48 Menachem Begin Road (Amot Bituach Bldg.), 18 th floor, Tel Aviv 6618001	52 Menachem Begin Road (Sonol Tower), Tel Aviv 6713701
Telephone	03-5673723	03-6374352	03-7917422
Fax	03-5673624	03-6374344	03-5618948
Email	bhtrust@poalimtrust.co.il	trusts@bdo.co.il	trust@discountbank.co.il

- (8) Below are additional details regarding rating of the Bank's debentures:

Rating of the debentures as of their issuance and as of publication of the prospectus:

The debentures issued by the Bank are rated by Standard & Poor's Maalot Ltd. (hereinafter: "**Maalot**") and by Midroog Ltd. (hereinafter: "**Midroog**") at the time of their issuance and as part of the rating reports publicized from time to time regarding the Bank.

Below is the rating of the debentures issued by the Bank and by Leumi Financing as of their issuance and as of publication of the prospectus:

	As of the prospectus publication		As of issuance	
	Maalot	Midroog	Maalot	Midroog
Deferred capital deeds - series 200	ilAA	Aa2 - negative	ilA+/negative	Aa2
Deferred capital deeds - series 201	ilAA	Aa2 - negative	ilA+/negative	Aa2
Bonds (series 176)	ilAAA/stable	Aaa/stable	ilAAA	-
Deferred debentures (series C)	IIAA+/stable	Aa1/negative	ilAAA	-
Deferred debentures (series G, H)	IIAA+/stable	Aa1/negative	ilAAA	Aaa
Deferred debentures (series K-N)	IIAA+/stable	Aa1/negative	ilAA	Aa1
Deferred capital deeds (series 300, 301)	IIAA/stable	Aa2/negative	ilA+	Aa2

For additional details regarding the rating of securities issued by the Bank by Maalot during the three previous years, see immediate report dated 7.10.2014 (reference no. 2014-01-173367).

For additional details regarding the rating of the Bank by Moody's, the parent company of Midroog, during the three previous years, see immediate report dated 21.10.2014 (reference no. 2014-01-177909).

For additional details regarding rating of the debentures issued by Leumi Financing by Maalot during the three previous years, see immediate report dated 7.10.2014 (reference no. 2014-01-174117).

For additional details regarding rating of the debentures issued by Leumi Financing by Midroog during the three previous years,

see immediate report dated 4.3.2014 (reference no. 2014-01-005397).

- (9) On 24.12.2014, the assemblies of Leumi Financing Company Ltd. ("**Leumi Financing**")¹¹ debenture holders convened and discussed resolutions regarding provision of instructions to the trustee of each of the debenture series as to taking or refraining from taking actions or proceedings in connection with the merger. On 1.1.15, Leumi Financing publicized, on behalf of the trustees of the debentures, the results of voting as the assemblies of the debenture holders, as part of which it had been decided to instruct the trustees of each of the series not to take any action in connection with the merger. The information regarding the assemblies of the debenture holders of the Company and results of their voting is included by way of reference to the Company's immediate reports publicized on 2.12.2014 (references: 2014-01-212886, 2014-01-212892, 2014-01-212895 and 2014-01-212901), on 8.12.2014 (references: 2014-01-217347, 2014-01-27353, 2014-01-217359, 2014-01-217362, 2014-01-217365, 2014-01-217368 and 2014-01-27371), and on 1.1.15 (references: 2015-01-000217, 2015-01-000226, 2015-01-000238, 2015-01-000247, 2015-01-000256, 2015-01-000271, 2015-01-000274, 2015-01-000277, 2015-01-000289, 2015-01-001402 and 2015-01-001408).

¹¹ At the assemblies of deferred debenture holders (series G, H, K, L, M, N), the assembly of bondholders (series 176) and assemblies of deferred capital deeds holders (series 300 and 301), no legal quorum was present at the time of the original assembly, and thus adjourned assemblies were held on 29.12.14. The information regarding the adjourned assemblies is included by way of reference to Leumi Financing's immediate reports publicized on 24.12.14 (references: 2014-01-230391 and 2014-01-230394) and 28.12.14 (reference: 2014-01-232089).

Chapter 2 – Offering of Securities according to the Shelf Prospectus

According to this shelf prospectus, regular shares of the Bank and/or other securities of the Bank (hereinafter jointly: "**the Securities**") may be offered to the public through this shelf prospectus.

Offering of the securities according to the shelf prospectus will be done, according to the provisions of Section 23A of the Securities Law, by way of shelf prospectus reports in which all details unique for such offering are completed, including details of the offered securities and their terms, according to the provisions of the regulations and guidelines of the Tel Aviv Stock Exchange Ltd., as in effect at such time, and the provisions of any law.

3.1. The Bank's Share Capital at the date of the Prospectus

For details regarding the Bank's registered, issued and paid up share capital at the date of the Prospectus, see the Bank's report dated 15.4.2015 (Reference no. 2015-01-078775).

For details regarding the Bank's registered, issued and paid up share capital at 31.12.2014, see Note 13A to the Bank's Financial Statement at 31.12.2014, the information which appears therein is provided by way of a reference.

3.2. The changes in the Bank's registered , issued and paid up share capital in the last three years

3.2.1. Registered Capital

At the Bank's General Meeting dated 1.8.2012, it was decided to approve the increase of the Bank's registered capital to NIS 3,215,000,000 by the creation of 1 billion ordinary shares of NIS 1 par value each one that will be converted to stock after they have been issued and fully paid up, and also to amend the decision that was taken at the Bank's General Meeting dated 7.10.2008 so that the 500,000,000 ordinary shares of NIS 1 par value each one that were created by the same decision shall not only be used for the purpose of issuing subordinated capital notes (hybrid capital).

3.2.2 Issued Capital

In 2014, 657,869 non-tradable securities of the type PSU (Performance Share Units) were allocated to the Chairman of the Board of Directors of the Bank, the Bank's CEO and other office holders, in the framework of a private offering without consideration, convertible to 657,869 shares of the Bank without consideration. The PSU shall mature into shares in three equal tranches, close to the time of the reporting of the annual financial results of the banking system for the years 2014-2016.

On 31.3.2015, after the approval of the financial results for 2014, the aggregate conditions as specified in the remuneration policy for the maturation of the initial third of the PSU units for the Bank's shares were fulfilled, and accordingly 219,290 PSU units reached

maturity and were exchanged into the Bank's shares. For information regarding the maturation of the PSU units and their exchange into the Bank's shares, see the Bank's Reports dated 31.3.2015 (Ref:2015-01-070135 and 2015-01-070114), where the information which appears therein is included here by way of a reference.

Furthermore, in the framework of a private offering, 81,414 non-tradable shares of the type RSU (Restricted Share Units), convertible to 81,414 shares of the Bank, without consideration, were allocated to two office holders in the Bank in three equal tranches on 13.4.2015 and until 14.5.2017. For information regarding the private offering and the terms of the aforementioned securities, see the report of the private offering published by the Bank on 31.3.2014 (Ref.no. 2014-01-030870), where the information which appears therein is included here by way of a reference.

On 14.4.2015, the maturity date of the first tranche of the RSU units into the Bank's shares, and accordingly 27,138 RSU units were exchanged for the Bank's shares. For information regarding the maturation of the RSU units and their exchange into the Bank's shares, see the Bank's Reports dated 15.4.2015 (Ref:2015-01-078775 and 2015-01-078763), where the information which appears therein is included here by way of a reference.

3.3. Holdings of Interested Parties in the Bank's securities

For information regarding the holdings of interested parties in the Bank's securities, to the best of the knowledge of the Bank and its directors, see the Bank's Immediate Report on the state of the holdings of the interested parties and the senior office holders dated 6.5.2015 (Ref:2015-01-013779) and the Immediate Report dated 17.5.2015 regarding a change in the holdings of the interested parties on the subject of a change in the rate of the voting rights of the State of Israel following the expiration of the validity of the power of attorney granted to the State of Israel to vote in respect of blocked shares that were sold to the employees in accordance with that described in the Bank's share offer to its employees dated 6.4.2011 (Ref:2015-01-020556), where the information which appears therein is included here by way of a reference¹².

¹² It is noteworthy that according to the agreements regarding the privatization of the Bank, the State of Israel granted the Bank's employees the right to purchase the Bank's shares from

3.4. The price of the Bank's shares on the stock exchange

The following are details regarding the lowest and highest closing prices (in agorot) of the Bank's shares (reconciled to the dividends and rights) in the years 2013 and 2014 and during the year 2015 (up to the time close to the publication of the Prospectus).

	2015		2014		2013	
	Price	Date	Price	Date	Price	Date
The highest price	1535	20.5.2015	1493	29.9.2014	1450	1.12.2013
The lowest price	1268	8.2.2015	1270	21.12.2014	1136	27.8.2013

3.5. Control of the Bank

As at the date of the Shelf Prospectus and with effect from 24.3.2012, after the Bank's Shares Committee (that operated by virtue of the Bank Shares Arrangement (Temporary Provisions) Law 1993) ended its tenure on 23.3.2012, the Bank is defined as a banking corporation without a controlling core, pursuant to Section 11b(c) of the Banking Ordinance 1941, and the provisions of the law in this matter now apply to it and there is no shareholder who is defined as having control of the Bank.

3.6. The rights attaching to the Bank's shares

3.6.1 The rights attaching to the Bank's shares are specified in the provisions of the Bank's Articles of Association, as published in the Immediate Report regarding the change in the Bank's Articles of Association, dated 6.8.2014 (Ref: 2014-01-128655)(hereinafter in this section: "**the Articles of Association**"). The information in the Immediate Report is shown by way of the reference¹³.

the State. As at the date of the Prospectus, the number of shares that the employees have the right to purchase from the State stands at 7,407,550 shares, comprising 0.5% of the issued capital of the Bank.

¹³ Wherever there is a contradiction between the provisions of the Memorandum of Association and the provisions that cannot be imposed upon them in the Companies Law, 1999 (hereinafter: "**the Companies Law**") and/or the Securities Law and/or the Banking

Furthermore, the Bank is convening a General Meeting in accordance with the directives of the Banking Ordinance, the Companies Law and its amendments, including the Companies Regulations (Notice and Announcement of a General Meeting and Class Meeting in a Public Company and the addition of a subject on the agenda) 2000, Companies Regulations (Voting in Writing and Position Notices), 2005, and pursuant to the provisions of the Companies Articles of Association, provided that there is no contradiction between it and the laws described above.

3.6.2 Detailed below are the provisions of the Bank's Articles of Association with regard to the legal quorum in the General Meeting, the appointment of a chairperson of the General Meeting and the majority in General Meetings:

Legal Quorum in a General Meeting

- (A) Pursuant to Article 59, three members present in person comprise a legal quorum in a General Meeting, and no business of any kind can be discussed in a General Meeting unless the necessary legal quorum is present at the time of the start of the discussions.
- (B) Pursuant to Article 61, if a legal quorum is not present within a half hour of the time set for the meeting, it shall be postponed until the same day in the following week, and at the same time and the same place, or at another day, time or

Law (Legislative Amendments) 2012 (hereinafter: "**the Banking Law (Legislative Amendments)**") and/or the Banking Ordinance 1941 (hereinafter: "**the Banking Ordinance**") and/or the Banking Law (Licensing) and/or the Bank Shares (Temporary Provisions) Law 1993 (hereinafter: "**the Bank Shares Law**") and/or a provision in the Proper Conduct of Banking Business Directive or by virtue of any regulation, the aforementioned provisions (i.e. the provisions that cannot be imposed upon them as referred to above) shall supersede the provisions of the Memorandum of Association. In particular, attention is drawn to the provisions of the Banking Law (Licensing) and the Banking Ordinance, which specifically state that these provisions have preference over the Bank's founding documents.

place that the Board of Directors shall determine in a notice to the shareholders, whether the meeting was convened according to the initiative of the Board or otherwise. Should a legal quorum not be present at the meeting that was postponed as previously mentioned, then two members present in person shall comprise a legal quorum and they shall be entitled to deal with the matters for the purpose of which the meeting was called.

Appointment of a chairperson of the General Meeting

- (C) Pursuant to Article 60, the chairperson of the Board of Directors, or in his absence the deputy chairperson (if there is one), shall be entitled to head any General Meeting. Where there is not a chairperson or a deputy chairperson, or if he is not present at the General Meeting within 15 minutes from the time set for the holding of such meeting or if he does not want to so act, the directors present are authorized to elect a chairperson, and should they not do so, the members shall elect one of the directors to be the chairperson, and should none of the directors present wish to serve as chairperson, then one of the members shall be elected to be chairperson.

Voting in the General Meeting:

- (D) Pursuant to Article 62, in the Articles of Association, any question that is submitted to the Meeting shall be decided by a counting of votes, primarily by a show of hands in such a way as the chairperson of the meeting shall instruct. In the case of a tied vote, the chairperson shall have a deciding vote, both on a show of hands and in a personal vote, in addition to the vote or votes that he is entitled to as a member.
- (E) Pursuant to Article 63 in the Articles of Association, except in a case where a personal vote is requested by the chairperson

or by at least three members, present and entitled to vote at the meeting, before or with the declaration of the results of the voting on a show of hands, then at every General Meeting the declaration of the chairperson of a decision, accepted by a certain majority of votes and recorded in the Company's minute book, shall serve as conclusive evidence thereof, and there will not be a need to provide evidence of the number of votes or the relative number of votes recorded for or against such a decision. It was also specified that the preparation of minutes of the General Meeting shall be done subject to the provisions of the Banking Ordinance.

(F) Pursuant to Article 64 in the Articles of Association, if a personal vote is required as stated above, the voting shall be arranged in the same manner and at the same time and place as the chairperson of the meeting shall so instruct, whether immediately or after an interval or postponement, and the results of the personal voting shall be seen as a decision of the meeting in which it was required. The person requesting the personal vote is entitled to retract his request. Where a dispute arises with regard to the validity of a vote or the disqualification of a vote, the chairperson shall decide on the matter, and his decision, made in good faith, shall be final and unequivocal.

(G) See Articles 54-75 of the Articles of Association for further information regarding other provisions that concern the right to receive notices of General Meetings of the Bank's shareholders, the right to participate and the legal quorum.

3.6.3. The following are details of the provisions of the Bank's Articles of Association that concern the distribution of a dividend:

Declaration of distribution of a dividend

Articles 112-113 specify that the General Meetings are authorized to declare the payment of dividends to the shareholders in accordance with their rights and benefits in the profits, but a Shareholders Meeting is not authorized to declare a dividend that is

higher than that proposed by the Board of Directors. Furthermore, every dividend shall only be paid from the profits of the company and the company shall not bear interest thereon.

See Article 5 and Articles 111-124 of the Articles of Association for further information regarding the conditions and the rates of participation in the dividend distribution and the issue of bonus shares.

3.6.4. See Article 5 and Articles 141-142 of the Articles of Association for information regarding the rights of shareholders on liquidation.

3.6.5. See Articles 44-50b of the Articles of Association for information regarding changes in the share capital.

3.6.6. See Articles 34-42 of the Articles of Association for information regarding the transfer and assignment of shares.

3.6.7. See Articles 6-7 of the Articles of Association for information regarding changes in the rights attaching to the shares.

3.6.8. See Chapter 6 below for information regarding the appointment of directors and duration of their tenure.

3.7 Special limits on the holding of the Bank's shares and obligations to report means of control

Pursuant to the Banking (Licensing) Law, special provisions apply to the holders of means of control in the Bank. The following are the main ones:

3.7.1 The Banking (Licensing) Law forbids the holding of more than 5% of the means of control in a banking corporation (i.e. voting rights in a general meeting and/or the right to appoint directors and/or the right to participate in the profits and/or the right to the remainder of assets on a liquidation), without the permission of the Governor of the Bank of Israel.

3.7.2 Furthermore, a shareholder holding more than 1% of a certain type of means of control in a banking corporation without a controlling core is obligated to report his holdings to the banking corporation.

3.7.3 The banking corporation is obligated to report to the public with regard to a shareholder who holds more than 2.5% of a certain type of means of control in a banking corporation. The obligation to report to the public shall also apply with regard to a shareholder

who holds from 1% to 2.5% of a certain type of means of control in a banking corporation, if the aforementioned shareholder has agreed to make such a public announcement. If he did not give such an agreement, he shall not be permitted to join up with a fellow holder for the purposes of proposing candidates to serve as directors in the bank (see Section 6.4.3 below for information regarding the right of a shareholder to propose candidates to serve as directors in the bank).¹⁴

3.7.4 Notwithstanding all that is stated above, the Supervisor of Banks is authorized to direct the Bank to publish details of the holders of more than 1% of the means of control in it, even if they were opposed to the disclosure of their holdings as described in Section 3.7.3 above, provided that the said directive shall become applicable at least six months from the date that the directive was given to the bank.

3.7.5 Furthermore, the Law to Promote Competition and Reduce Concentration, 2013 (hereinafter: "**The Concentration Law**") obligates the separation of major real corporations and major financial bodies and specifies limitations on the holding of a major financial body and a major real corporation (as defined in the Concentration Law), held by the same holder of control, limitations on the holding of a major real corporation in a major financial body, limitations on the holding of a banking corporation in a major real corporation and in an insurer that it is a major financial body. For

¹⁴ With regard to other limitations that apply to shareholders in a bank, it is to be noted that in the Directives of Proper Conduct of Banking Business 312, provisions were specified with regard to approving transactions with related parties, where a "related party" is defined, *inter alia*, as a person who holds 5% of a certain type of means of control in a banking corporation and parties who are connected to him, and also in a banking corporation where there is not a controlling core, a holder or fellow holder who has proposed a director, for as long as the director shall hold office on their behalf. The Directives of Proper Conduct of Banking Business 312 further specifies a limitation of the scope of the obligations of a "related party", where this applies, *inter alia*, to a "related party" in the meaning attributed to it above.

further information, see the Legislation and Regulation Chapter regarding the banking system in the Board of Directors' Report for the year 2013, which is included here by way of a reference.

Chapter 4 – Issuance Consideration and Its Designation

The Issuance Consideration

As of this shelf prospectus, the Bank does not offer any securities, and therefore there will be no immediate consideration following publication of the shelf prospectus.

Chapter 5 – Description of the Bank's Businesses

In accordance with Regulation 44(A1) and Regulation 6B of the Securities Regulations (Prospectus and Draft Prospectus Details – Structure and Form), 5729-1969, the Bank refers to the Board report that is included in the Bank's financial statement for 2014, publicized on 31.3.2015 (reference no.: 2015-01-070033) and the supplementary report thereof publicized on 27.5.2015 (reference no.: 2015-01-031191) (hereinafter jointly: "**the Board Report**"). The information included in the Board Report is presented here by way of reference.

Chapter 5A – The Bank Group – Subsidiaries and Affiliated Companies

5.1 Primary subsidiaries and affiliated companies of the Bank that are held by the Bank as of the shelf prospectus date

For details regarding the Bank's holdings in subsidiaries and affiliated companies held as of 31.12.2014 and summary of data for these companies, including as to their primary occupations, along with their profits, before and after provision for tax, the dividend, the interest and the management fees received by the Bank or that it is entitled to receive from every such company for the years 2013 and 2014, see Note 6 of the financial statements for 2014, in chapter 8 of this shelf prospectus, summary of the financial statements of main consolidated companies and the details presented according to Regulations 11 and 13 of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, in the "Periodic Report for 2014" chapter, enclosed to the annual financial statement of the Bank for 2014 (publicized on 31.3.2015, reference no. 2015-01-07003), which are included in this shelf prospectus by way of reference.

5.2 Holders of primary subsidiaries and affiliated companies

To the best knowledge of the Bank and its directors, there are no other holders, except the Bank, that hold over 25% of the issued share capital or the voting power or the authority to appoint directors at primary subsidiaries or affiliated companies of the Bank.

Chapter 6 – Management of the Bank

6.1 Board of Directors of the Bank

The Board of Directors of the Bank consists of 15 directors, of which 8 directors are classified as external directors pursuant to Proper Conduct of Banking Business Directive no 301 (hereinafter "**Directive 301**"), and 3 are external directors pursuant to the Companies Law. The legal quorum for its meetings is 8 directors, with at least one-third of them being external directors. The eight external directors are also classified as independent directors, pursuant to the Companies Law. For details regarding the directors of the Bank, see the summary according to Regulation 26 of the Bank's Periodic Report for 2014, the information in which is hereby presented by way of reference.¹⁵

6.2 Senior office holders

For details regarding the senior office holders in the Bank, who are not directors, who serve therein as of the date of the shelf prospectus, see summary according to regulation 26a of the Periodic Report of the Bank for 2014, the information in which is hereby presented by way of reference.

6.3 Provisions of the Bank's Articles of Association regarding the Board of Directors

The provisions of the Bank's Regulations which relate to the Board of Directors of the Bank are presented here by way of reference to the Immediate Report regarding a change in the Bank's articles of association published by the Bank on Aug 6, 2014 (Ref no. 2014-01-0128655), (hereinafter "**Articles of Association**").

- 6.3.1** For the provisions regarding maximum and minimum number of directors, see regulation 76 of the Articles of Association.

¹⁵ Pursuant to that stated in paragraph 6.4.3 below, on April 16, 2015, the Bank published a preliminary notice regarding an intention to convene an annual general meeting, with the agenda including the following subjects – the election of three external directors pursuant to the provisions of Directive 301 and the election of two external directors pursuant to the provisions of the Companies Law, who comply with the conditions of eligibility of an external director pursuant to Directive 301 (Ref. no. 2015-01-000624), such that, if the general meeting approves their election, four external directors will serve in the Board of Directors, pursuant to the Companies Law.

6.3.2 Detailed description of the provisions of the Articles of Association regarding the methods of appointment and election of directors, and their term of office¹⁶

Regulations 82 to 89 of the Articles of Association set forth provisions regarding the appointment and discontinuance of the term of office of directors in the Bank, the duration of their term of office, and the manner of decision-making at the general meeting, with regulation 83A of the Bank's Articles of Association providing that as long as the Bank is a bank without a controlling core, the proposal of candidates, appointments, term of office and discontinuance of term of office, including; the maximum number of directors that may be proposed and the maximum number of directors that may be replaced at a general meeting, will be made in accordance with the Banking Ordinance, and these provisions will supersede any contradictory provision in the Articles of Association. The regulations are detailed as follows:

a) Duration of term of office of the Bank's directors

Pursuant to regulations 82 and 83 in the Articles of Association, at the annual ordinary general meeting, one-third of the directors who have extended their positions, or the number approximating to one-third, but not exceeding one-third (if their number is not a multiple of three), will retire from their positions, and they will be able to be reelected (subject to the law). Where there are two or more directors who have served in their position for an equal time, the question of who will retire – where there is no agreement between them – will be decided by lots. The period of time that a director has served in his position will be considered from the time of his election or recent appointment, if he has vacated his position prior

¹⁶ In the event of any contradiction between the provisions of the Articles of Association and the provisions that cannot be stipulated upon in the Companies Law, and/or the Securities Law, and/or the Banking Law and/or the Companies Ordinance and/or the Banking Law (Licensing), and/or the Bank Shares Law, and/or a provision in the Proper Conduct of Banking Business Directives or in any other regulation by virtue thereof, the said provisions (i.e., the provisions that cannot be stipulated upon as mentioned above) will supersede the provisions of the Articles of Association. Attention is particularly drawn to the provisions of the Banking Law (Licensing) and the Banking Ordinance, which expressly state the priority for their provisions over the documents of incorporation of the Bank.

thereto. A director who retires will be able to be reelected and will act as a director during the meeting at which he retires.

b) Appointment of directors

- (1) Regulation 84 of the Articles of Association provides that subject to the provisions of the Articles of Association, at a general meeting, the Bank is entitled, from time to time, to appoint new directors, to increase or to decrease the number of the directors serving at the time and to change the conditions of their eligibility.
- (2) Regulation 84A of the Articles of Association provides that resolutions of the general meeting regarding the appointment of directors or the discontinuance of their term of office will be passed by a majority of the votes of those taking part in the vote. The votes of those abstaining will not be brought into account in the number of votes taking part in the vote. A vote in the general meeting on the appointment of directors and on the discontinuance of their term of office will be done for each candidate for office or for each director, as applicable, separately.
- (3) Regulation 84A further provides in the Articles of Association that no one will disagree with another regarding their vote for the appointment of a director in the Bank, including on the matter of their vote for the discontinuance of his term of office as director, except pursuant to the provisions of the Banking Law (Licensing) and the Companies Ordinance.
- (4) Regulation 85 of the Articles of Association provides that, at any general meeting in which directors are retiring from their position by rotation, the Bank is entitled to fill the vacant positions by the election of an equal number of people as directors.
- (5) Pursuant to Regulation 85A of the Articles of Association, the term of office of a director will begin on the date of the appointment, unless a later date for the beginning of the term of office is provided.
- (6) Regulation 85B of the Articles of Association provides that if the number of people who are standing for election as directors in the general meeting and who received an ordinary majority of

the total voting rights of the shareholders who are entitled to vote and have voted (by themselves, by proxies or via a voting instrument) at the general meeting exceeds the number of vacant directorial positions, the filling of which is on the agenda of the general meeting, then those candidates who received at the general meeting a higher number of supporting votes than the other candidates ("the elected directors") will be elected as directors for the number of vacant positions. In the event that a decision is required between the number of candidates who received an equal number of votes, the question as to who will be elected as director will be decided by lots.

- (7) Regulation 85C of the Articles of Association provides that if, prior to actually commencing the term of office of any of the elected directors, it is clarified that the elected director will not commence his term of office for any reason whatsoever, any of the other candidates with the same type of eligibility (external director pursuant to the Companies Law, external director pursuant to Proper Conduct of Banking Business Directives of the Supervisor of Banks or other director) who has received the majority required for election, will be considered as elected in his stead by the general meeting, and if there are a number of candidates who have received the required majority as aforesaid, then the one who received the highest number of supporting votes in the vote at the general meeting ("the next in line") will be elected. The aforesaid in this paragraph will also apply in relation to the next in line.
- (8) Regulation 86 of the Articles of Association provides that, subject to the provisions of the Banking Ordinance and of the Banking Law (Licensing), and subject to what is stated in Regulation 85C, if the position of a director who has retired by rotation at that general meeting at which directors were to be elected is not filled, the director who has retired will continue in office, if he so wishes, until the ordinary meeting in the following year, and until his position is filled, unless it is decided at such a meeting to reduce the number of directors.
- (9) Regulation 87 of the Articles of Association provides that, with the exception of a retiring director, no person will be able to be

elected as director at a general meeting, unless he or another member who is purporting to propose him has submitted to the office, at a date provided for the purpose by preliminary notice (published by the Bank regarding the intention to convene a general meeting with the election of directors included on the agenda) a written notice duly signed on his candidacy for the position.

- (10) Regulation 87A of the Articles provides that the Board of Directors will not be entitled to appoint directors to the Company, and will not be entitled to propose candidates for the office of director to the committee for the appointment of directors. Notwithstanding the aforesaid, Regulation 88 provides that the Board of Directors will be entitled to appoint directors to the Company if a position has become vacant on the Board of Directors after the previous annual general meeting, or with the approval of the Supervisor, providing that the term of office of a director appointed as aforesaid does not end later than the next annual meeting, and subject to the fact that the aggregate number of directors does not exceed the maximum number stipulated at any time.
 - (11) Regulation 89 of the Articles of Association provides that, subject to the provisions of Clause 84A above, the Company is entitled, by a decision with an ordinary majority of the general meeting, to move a director from his position before the end of his term of office and to appoint another person. The person so appointed will serve in his position only for the length of time remaining for the director who has been moved from his position.
- c) As stated above, when the Bank is a banking corporation without a controlling core, the provisions of Clause 83A of the Articles of Association apply, superseding any contradictory provision in the Articles of Association, as follows: :
- (1) The proposal of candidates, the appointment and discontinuance of their term of office, including the maximum number of directors that may be proposed and the maximum number of directors that may be replaced at the general meeting will be made in accordance with the provisions of the Banking Ordinance.

- (2) Without derogating from the generality of the aforesaid, an office holder in a company, except for a director who is a member of the committee for the appointment of directors, must not take steps for the appointment of a certain director or for the prevention of his appointment. However, a director will be entitled to propose his candidacy for the office of director to the committee for the appointment of directors.
 - (3) The length of the term of office of a director who is not an ED or an external director will be in accordance with the provisions of the Banking Ordinance, and the number of terms of office shall not exceed the number stipulated in the Banking Ordinance.
 - (4) A person who does not fulfill the conditions set forth in the Banking Ordinance must not be appointed and cannot serve as a director, while, as regards directors serving in the company prior to its becoming a banking corporation without a controlling core, the special provisions provided in the Banking Ordinance with regard thereto will apply.
- d) In addition to the aforesaid, the following provisions of the Banking Ordinance relating to the appointment of directors apply:
- (1) Decisions of the general meeting on the appointment of a director or the discontinuance of his term of office will be approved by a majority of the votes of those taking part in the vote; the votes of those abstaining will not be taken into account in the number of votes of those taking part in the vote. Voting at the general meeting on the appointment of directors and on the discontinuance of their term of office will be for each candidate for a term of office or for each director, as applicable, separately.
 - (2) The Board of Directors is not entitled to appoint directors to the Bank and is not entitled to propose candidates for the office of director to the committee for the appointment of directors. However, if the Bank is a bank with a controlling core, the Board of Directors is entitled to appoint directors to the Bank, if a place has become vacant following the previous general meeting, or with the approval of the Supervisor, providing that the term of office of a director appointed as aforesaid will end no later than the next annual meeting.

(3) If the number of candidates for office as directors who have won a majority of the votes of those taking part in the vote at the general meeting exceeds the number of vacant positions for office as aforesaid, the candidates who won a higher number of votes than the other candidates will be elected.

6.3.3 For the provisions regarding the substitution of directors, see Regulation 102 of the Articles of Association.

6.3.4 For the provisions regarding the termination of the term of office of the directors, see Regulations 80, 80A, 82, 83, 83A and 84A of the Articles of Association.

6.3.5 As regards voting in meetings of the Board of Directors, Regulation 97 of the Articles of Association provides that questions arising at a meeting of the Board of Directors should be decided by a majority of votes, and in the event of a tied vote, the chairman will have a second or casting vote.

6.3.6 As regards the transfer of powers between entities in the Bank, Regulation 92 provides that the directors are, from time to time, entitled to furnish and grant a business manager holding office at that time the same powers as they have according to the Articles of Association, as they see fit, and they are entitled to confer these powers for that period and for those purposes and aims and under those conditions and with the restrictions that they consider to be efficient, and they are entitled to confer these powers either without a waiver of the powers of the directors on this matter or in lieu or under thereof, in whole or in part, and they are, from time to time, entitled to cancel, negate or alter these powers, in whole or in part¹⁷.

6.3.7 For the provisions regarding the committees of the Board of Directors and the powers that may be conferred to them, see Regulations 99-99A of the Articles of Association and the detailed description below in this chapter.

6.3.8 For the provisions regarding the salary of the directors and provisions regarding an exemption, insurance and indemnification, see Regulations 143-178 of the Articles of Association and Chapter 7 below.

6.4 Legislative provisions regarding the Board of Directors

6.4.1 The Banking Ordinance stipulates provisions regarding the appointment of directors of a bank. On March 19, 2012, the Banking Law (Legislative Amendments) (hereinafter in this paragraph, "**the Law**") was published in

¹⁷ As far as there is no contradiction with the provisions of the Companies Law

Reshumot (the Government Gazette), the main aim of which was an further adaptation of the Banking Law and Banking Ordinance to the regulatory framework required in the event that all of the holders of the means of control in the Bank were not bound by a permit pursuant to Section 34(B) of the Banking Law, when the shareholding percentage of any of them does not exceed 5% (hereinafter: "**a banking corporation without a controlling core**"). The law is mainly focused on the method of proposing the directors in a bank, as mentioned above, their appointment and their term of office, while balancing between the right of the holders of the means of control to present candidates for office as directors and to take steps for their election, and the desire to prevent actual control in the banking corporation without obtaining a permit from the Governor of the Bank of Israel. Provisions relating to the matter of the appointment and the term of office of directors are presented below. It should be emphasized that the said detailed description does not constitute a comprehensive description of all of the complete provisions relating to the entire said legislation.

6.4.2 According to Section 36A(A) of the Law, a committee for the appointment of directors was set up in banking corporations (hereinafter: "**the Committee**"), the function of which is to appoint directors in banking corporations if the circumstances set forth in Section 35A of the Banking Law (Licensing) are fulfilled, and to propose to the general meeting of a banking corporation without a controlling core candidates for office as directors.

6.4.3 Proposal of directors¹⁸

In a banking corporation without a controlling core, only the following will be entitled to propose to the general meeting candidates for election as directors: (1) the Committee, the number of candidates which it will propose will be as the number of vacant positions required for the purpose of completing the maximum number of directors pursuant to Proper Conduct of Banking Business Directives, and one more candidate for each of the types of eligibility which must be appointed – an external director pursuant to the Companies Law, an external director pursuant to the Proper Conduct of

¹⁸ Pursuant to the provisions of paragraph 6.4.3, on April 16, 2015, the Bank published a preliminary notice regarding an intention to convene an annual general meeting with items on the agenda including the appointment of directors (Ref. no. 2015-01-000624).

Banking Management Regulations and another director, as set forth in Section 11D of the Banking Ordinance; (2) any person holding more than 2.5% of a particular class of the means of control in the corporation (hereinafter: "**holder**"); (3) a body of holders which will appoint two or three holders, each one of which holding more than 1% and not more than 2.5%, and together, not more than 5%, of a particular class of means of control as mentioned above (hereinafter "**body of holders**"), providing that each member of the body of holders has furnished a report to the banking corporation on his holdings in accordance with the provisions of the Banking Law and the Banking Ordinance, and for at least three months prior to the convening of the general meeting, no objection for disclosure as mentioned above of that member of the body of members was in effect pursuant to the provisions of the Law and the Banking Ordinance.¹⁹

A holder or a body of holders, including any member of a body of holders, will be entitled to propose one candidate only for office as director, and as long as a director appointed according to their proposal serves, they will not be entitled to propose an additional candidate, except in the following cases:

- (1) the proposal of a candidate who will replace an incumbent director who was appointed according to a proposal of the holder or a body of holders, as applicable;
- (2) if they have obtained a permit from the Bank of Israel after consulting with the Licenses Committee.

6.4.4 Rules regarding the absence of affiliation

Pursuant to the provisions of the Banking Ordinance, in a banking corporation without a controlling core, a candidate for the office of director is subject to restrictions concerning the prohibition on affiliation, which are in addition to the provisions applicable to a director pursuant to the Companies Law, mutatis mutandis. Among other things, it is provided that the following parties may not be appointed and may not serve as a director in a banking corporation without a controlling core:

¹⁹ For this purpose, it should be noted that as part the amendment to the Proper Conduct of Banking Business Directive no. 313, regarding the Bank's business with related parties, the definition of a "related party" was expanded, inter alia, such that it would also apply to any party who proposes a candidate for the office of director in a banking corporation without a controlling core and his relatives (as long as the director proposed by him serves in his position).

- a) any person or his relative holding the means of control in a bank, in a corporation controlled by the bank or in a significant holder as defined in the Ordinance, except for a holding in marketable shares at a rate which does not exceed a quarter of a percent of the issued and paid up capital of any one of them;
- b) any person whose candidacy has been proposed by the Committee, and he is affiliated with the body of holders at the date of appointment;
- c) any person whose candidacy has been proposed by the Committee, and is a minister, deputy minister or member of Knesset, or is affiliated in a personal, business or political relations with a minister, deputy minister or member of Knesset, or he is a State employee or an employee of a corporation established by law.

The Supervisor of Banks has the right to permit office also in certain cases in which there is an affiliation.

Provisions are also set forth in transitional directives regarding a director who served in the banking corporation prior to its becoming a banking corporation without a controlling core.

6.4.5 Restrictions on the appointment of directors by virtue of the Concentration Law

The Concentration Law has added further restrictions and has provided that a person who controls or is related to a person who controls a significant non-bank corporation or an office holder in a significant non-bank corporation, as defined in the Concentration Law, may not be appointed or may not serve as director in a banking corporation. The Concentration Law states a transitional directive according to which an incumbent director can continue to serve, notwithstanding that he is a person who controls or is related to a person who controls a significant non-bank corporation or is an office holder in a significant non-bank corporation, this, through December 10, 2015, (two years after the date of publication of the Concentration Law), or through the end of his term of office, whichever is earlier. According to the position of the Supervisor of Banks, the transitional directive will also apply in the case of the termination of office of a director prior to the publication of the lists of significant corporations pursuant to this law, and its appointments for an additional term of office.

6.4.6 Additional provisions regarding the appointment and termination of office of directors by virtue of the Banking Ordinance

The Banking Ordinance stipulated additional special provisions regarding the appointment of directors, their term of office and the discontinuance of their office which will apply to a banking corporation without a controlling core, notwithstanding any other provision in the law. Among other things, a regulation is provided which stipulates that the vote on the appointment of directors may only take place at the general meeting or at a meeting convened with approval of the Supervisor, a regulation prohibiting office holders in the banking corporation (except for an external director serving on the Committee) from taking steps to appoint or to prevent the appointment of a particular director, but permits a director to propose his candidacy for office, a provision restricting the term of office of a director who is not an external director to three years, and the aggregate term of office to nine years (unless the bank has become a bank without a controlling core, and then, an incumbent director is entitled to continue in office until the next annual meeting) and a provision stipulating that the number of directors that will be replaced each year must not exceed one-half of the incumbent directors. It is further provided that, in certain circumstances, the Supervisor is entitled to approve for a director whose term of office has terminated the continuation of his position for a period of six months or until the occurrence of certain events, whichever is earlier.

The Banking Ordinance requires the provision of prior notice to the Supervisor before the appointment of certain office holders, including directors, and the appointment is contingent on the Supervisor's consent. The Supervisor is also entitled to order the discontinuance of the term of office of a director in certain cases which are set forth in the Ordinance.

6.5 Directives of the Supervisor of Banks regarding the modes of operation of the board of directors

The Supervisor of Banks has provided modes of operation for the board of directors of a banking corporation. These regulations are in addition to the provisions of the Companies Law and the Bank's Articles of Association, relevant legislation, directives of any other regulatory authority to which the Bank and the decisions of the Board of Directors are subject.

In Proper Conduct of Banking Business Directive no. 301 on the "Board of Directors", the Supervisor has provided regulations regarding the board of directors, including the functions and powers of the board of directors, the composition of the board of directors, the conditions of eligibility for serving as a director and the chairman of the

board, committees of the board of directors, meetings of the board of directors, practices for the efficient functioning of the board of directors and reporting to the Supervisor of Banks.

A summary of the Directive's essentials is as follows:

6.5.1 Functions of the board of directors:

- a) The Board of Directors bears the responsibility for the banking corporation's business and financial soundness. The board of directors should take all reasonable means required to fulfill its duties in accordance with the law and in accordance to the provisions of the Directive.
- b) The board of directors should outline the banking corporation's strategy, including the risk strategy and risk appetite, and should approve the banking corporation's policy which guides its routine activity.
- c) The board of directors should supervise the activity of the management and its consistency with the policy of the board of directors.
- d) The board of directors should ensure the existence of clear areas of responsibility and accountability in the bank.
- e) The board of directors should outline an organizational culture in the Bank, which requires the application of high standards of professionalism and integrity.
- f) The board of directors should ensure that Bank will act, while complying with the law and regulations.

6.5.2 Issues which the board of directors should discuss and resolve:

- a) Overall strategy and policy
 - (1) The overall strategy targets of the banking corporation and of controlled corporations, including overseas offices, including principles of action, the overall strategy regarding risk and the appetite for risk, as set forth in the Directive.
 - (2) A risk management framework, including the approval of policy and the way in which the risk is managed for each of the banking corporation's various risks, including all of the corporations its controls and its offices.
 - (3) Approval of a new product policy and examination and advance approval of significant new products prior to their activation.
 - (4) The banking corporation's credit policy and targets.
 - (5) The banking corporation's IT policy.

- (6) The process of assessing the capital adequacy against the level of exposure to risks which is determined, capital policy, capital structure and changes therein.
 - (7) Targets for performance in the coming year and the scope of their adaptation to the banking corporation's policy and the approval of work programs in accordance with these targets.
 - (8) The overall budget of the banking corporation (income, expenses and investments) and monitoring its actual execution.
- b) Supervision and control
- (1) Reports on the banking corporation's financial position.
 - (2) Material departure from the limits set within the framework of the policy established by the board of directors.
 - (3) The types of unusual events which must be discussed in the board of directors and discussion of material unusual events.
 - (4) Mechanism for the supervision and control of controlled corporations.
 - (5) The work of the audit and control functions.
 - (6) Audit reports as set forth in the Directive and any audit report required by the Supervisor of Banks to be discussed in the board of directors, including taking the steps required by the reports, and discussion of responses of the banking corporation until the completion of treatment in the audit report.
 - (7) The approval of the banking corporation's annual and quarterly reports to the public.
 - (8) Notices of the external auditor: (1) a notice regarding the failure to amend deficiencies pursuant to paragraph 3(b) of Proper Conduct of Banking Business Directive no. 304; (2) a notice on the existence of doubts regarding the continuation of the existence of the banking corporation as a going concern, pursuant to paragraph 6(c) of Proper Conduct of Banking Business Directive no. 302.
- c) Personnel and remuneration policy
- (1) The appointment of a chief executive officer, his dismissal and evaluation of his performance.
 - (2) Policy for the appointment and performance evaluation of the senior echelon.

- (3) Policy regarding the mobility of certain office holders in the banking corporation.
 - (4) Remuneration policy following consideration of the recommendations of the remuneration committee.
 - (5) The contractual engagement of the banking corporation with senior office holders as regards their remuneration, following approval of the remuneration committee and before the approval of the general meeting. With regard to the banking corporation's engagement with the internal auditor, the approval of the board of directors will also be contingent upon the recommendation of the audit committee.
 - (6) The principles of the remuneration agreements of employees of the banking corporation who are not senior office holder, following consideration of the recommendations of the remuneration committee.
- d) At least once a year, the board of directors should hold a discussion without the presence of members from the management, in the framework of which it should discuss the following issues:
- (1) Evaluation of the performance of the chief executive officer and the functioning of the management.
 - (2) Evaluation of the quality of the information received from the management at meetings of the board of directors.
 - (3) Salary and remuneration of the senior echelon.
 - (4) Evaluation of the effectiveness of the controls in the banking corporation.
 - (5) Additional issues connected to the relationships between the management and the board of directors.
- e) Miscellaneous:
- (1) An issuance of shares (including options and convertible securities) by a controlled corporation, both in Israel and abroad, and any other issuance by a controlled corporation under the guarantee of the banking corporation, except for an issuance of a corporation the means of control in which are held by the parent company and the issue is to the banking corporation itself or to the corporation controlled by the banking corporation.

- (2) Making changes in the control structure of the banking corporation in a controlled corporation the activity of which is material to the activity of the banking corporation.
 - (3) Executing and selling fixed investments, including investment in a controlled corporation, whether in its country of residence or abroad, according to criteria as stated by the board of directors, with the investment amount being one of the criteria; the criteria will be determined in a way that will avoid the involvement of the board of directors in the day-to-day management of the banking corporation.
 - (4) Ethical code for the banking corporation.
 - (5) A policy for avoiding conflicts of interests and the related controls.
 - (6) A policy of "non-transparent activity"
 - (7) Any other issue of significant importance to the banking corporation's activity or to the supervision and control of its management.
- f) The Directive includes various other issues which are set forth in the Directive.
- g) In addition, the Directive sets out details regarding the frequency of discussions of the board of directors.

6.5.3 Composition of the Board of Directors

- a) The board of directors should be comprised of the number of members which will encourage efficiency and significant strategic discussion, provided that the number of directors is not less than seven and not more than 15.
- b) Employees of the banking corporation should not be appointed as directors.
- c) At least one-third of the directors should be external directors, in accordance with the principles in the Directive. The Supervisor is entitled, in exceptional cases, to approve a candidate for the position of external director, even if all of the required conditions pursuant to Regulation 301 are not fulfilled, or to approve the discontinuance of an external director (who is not an external director appointed pursuant to the Companies Law).
- d) At least two-thirds of the directors should be those whose permanent residence is in Israel.

- e) In addition to the eligibility conditions applying to each of the directors, the board of directors should have a proper collective knowledge with regard to each of the significant activities that the banking corporation intends to perform, provided that the following conditions are fulfilled:
 - (1) At least one fifth of the total number of directors should have a proven "banking experience". For this purpose, "banking experience" means someone who has served in a senior position in a banking corporation, or any person who has been approved by the Supervisor as one who has corresponding experience.
 - (2) At least one-fifth of the total number of directors should have accounting and financial expertise, as defined in Section 240 of the Companies Law.
- f) **Chairman of the board of directors:**
 - (1) The role of the chairman of the board of directors is to ensure the proper and efficient functioning of the board of directors and the fulfillment of the duties imposed on it. The chairman of the board of directors is subject to all of the duties imposed on a director.
 - (2) In the absence of the chairman of the board of directors, one of the directors will substitute for him.
 - (3) A controlling owner or his relative may not serve as the chairman of the board of directors.
 - (4) An external director may not serve as chairman of the Board of Directors in a banking corporation with a controlling core.
 - (5) A foreign resident may not serve as chairman of the Board of Directors, unless he regularly participates in meetings of the board of directors.

6.5.4 Eligibility to serve as director

- a) A director in a banking corporation must be an individual.
- b) Each of the directors should have skills appropriate to his position, in particular, education, know-how, experience or expertise in one or more of the following field: banking, finance, economic or business activity, law, financing, accountancy, risk management, regulatory compliance, information technology or any other field approved by the Supervisor.

- c) A person may not serve as a director, if his other businesses do not allow sufficient time for him to fulfill such duties.

6.5.5 Permanent conflict of interests

Rules are provided in the regulation for the avoidance of a permanent conflict of interests of directors, including a prohibition on a concurrent term of office as director / member of the investment committee / member of the credit committee / employee in another banking corporation which is not in the same banking group or the controllers therein, and in a financial entity or in a corporation which controls a financial entity, in accordance with the conditions set forth in Regulation 301. For this purpose, it should be noted that Proper Conduct of Banking Business Directive no. 312 further provides instructions regarding the business of a banking corporation with "related persons", restricts the scope of liabilities of the "related persons", to the banking corporation and requires that transactions between the banking corporation and "related persons" will be made according to business considerations and under conditions which do not deviate from market conditions.

In addition, the Board of Directors has set guidelines for cases in which a director has the potential for a permanent conflict of interests, and guidelines for cases in which there is potential for a personal conflict of interests of an office holder, and has set criteria for transactions that are not exceptional and actions that are not material for the purpose of the approval of exceptional transactions and material actions pursuant to the Companies Law.

6.5.6 Meetings of the board of directors

- a) The regulation provides rules regarding the frequency of meetings of the board of directors, attendance at meetings at the board of directors, notices and background material for the meetings, a legal quorum and voting, the agenda, minutes, the participation of the internal auditor at the meetings, the determination of work procedures for the board of directors, holding meetings via means of communications and making decisions without convening.
- b) The Directive stipulates a prohibition of appointing a substitute director or an observer in the board of directors of a banking corporation, except in exceptional cases in which the Supervisor approves this appointment. However, a director is entitled to take part in the meeting of a committee of the board of directors in which he is not a member, provided that his participation will not be permanent.

6.5.7 Practices for the efficient functioning of the board of directors

The regulation provides rules regarding practices for the efficient functioning of the board of directors, including requirements from a director, the right of a director to receive information, professional assistance for the board of directors, the right to sign, a sectoral conflict of interests, a permanent conflict of interests, the relationship with employees of the banking corporation outside the meetings, training and professional expertise and the evaluation of the effectiveness of the work of the board of directors. In addition, the Directive provides rules regarding reporting to the Supervisor of Banks.

For the modes of operation of the directors pursuant to the Articles, see clauses 90-101 of the Articles.

6.6 Committees of the board of directors

The Board of Directors operates, inter alia, through sub-committees. In general, the committees include permanent committees, some of them established in accordance with the requirements of the relevant legislative provisions, some established pursuant to the Proper Conduct of Banking Business Directives and some established according to a resolution of the Board of Directors, in view of the requirements of the Bank and its activity. From time to time, ad hoc committees are set up for certain topics. The composition, function and methods of the committees are determined in accordance with the relevant legislation, the Proper Conduct of Banking Business Directive and according to the Bank's internal procedure relating to the work of the Board of Directors and its committees. Pursuant to the procedure of the Board of Directors, subject to the Companies Law and directives of the Banking Supervision Department, the Chairman of the Board of Directors is entitled to bring any matter for discussion and for the resolution of the plenum of the Board of Directors only, this, notwithstanding that the procedure of the Board of Directors provides that this matter should be brought for discussion in a particular committee, and to decide, according to the circumstances of the case, that subjects, which, according to that stated in the procedure of the Board of Directors, should be brought for discussion and/or the decision of a particular committee, should be brought for discussion and/or the decision of another of the committees of the Board of Directors.

The Board of Directors is not entitled to delegate its powers to a committee of the Board of Directors on certain topics as stipulated in the Companies Law and the Directive. The aforesaid does not apply with regard to topics in which the making of a

decision within the context of a committee is required according to law or topics in respect of which the prior written approval of the Supervisor of Banks is given to the Board of Directors.

The following is a detailed list of the committees operating in the Bank, their duties and their powers:

6.6.1 Audit Committee

A summary of the main duties and powers of the committee is as follows:

- a) To locate deficiencies in the business management of the Bank and the Group, and to propose ways of correcting them. In this context, among other things, the committee will discuss and decide the findings of internal and external audit reports which are presented to it, and will transfer material audit reports for discussion in the plenum of the Board of Directors. The committee will also ensure that the management has taken appropriate steps with the required timing for remedying the deficiencies noted in the audit reports. and will discuss periodic reports
- b) Supervising the Chief Internal Auditor of the Bank, including recommending to the Board of Directors regarding his appointment and his removal from office; recommending to the Remuneration Committee the salary and remuneration and promotion of the Chief Internal Auditor; recommending to the plenum of the Board of Directors the approval of the internal audit work program and monitoring its performance, imposing on the internal audit function the execution of special reviews, beyond those provided in the internal audit work program, including a routine examination of certain disciplinary events and the way in which the subject is handled by the management and reporting accordingly to the Audit Committee; examining the activity of the Internal Audit Division and resources allocated to it.
- c) Discussing the Internal Audit Department's independent audit regarding the ICAAP process.
- d) Supervising the work of the Bank's external auditors, including recommending to the general meeting regarding appointments; discussing the possibility of their replacement every three years and

recommending to the general meeting and/or to the Board of Directors regarding their remuneration.

- e) Examining the Bank's annual and quarterly reports, discussing and recommending their approval to the Board of Directors, including discussing and recommending to the Board of Directors on various subjects, including subjects relating to the internal control over financial reporting, and subjects relating to a provision for doubtful debts and legal claims, the appropriateness of provisions and the classification of debts, the appropriateness of the disclosure in the financial statements, the accounting policies and valuations. The committee is also authorized to use the work of the audit functions in order to examine the effectiveness of the central internal controls in the Bank.
- f) Discussing transactions with "related persons" as required under Regulation 312, and actions and transactions requiring the approval of the Audit Committee pursuant to the Companies Law.
- g) Discussing and recommending to the Board of Directors regarding the policies of compliance, enforcement, the prohibition on money laundering and the prevention of the financing of terrorism and regarding the Bank's enforcement plan, discussing and approving the annual work program of the Compliance and Enforcement Officer, and maintaining a six-monthly review of his performance.
- h) Discussing the annual report of the Bank's Ombudsman (Commissioner for Complaints of the Public)
- i) Holding an annual discussion with each of the audit and control functions separately, in the presence of the committee members and the relevant office holder.

The work procedure of the Bank's Board of Directors provides various additional functions of the Audit Committee.

Composition of the Audit Committee:

Each external director, within the meaning of the Companies Law, shall be a member of the Audit Committee. The chairman of the Audit Committee shall be an external director within the meaning of the Companies Law. Most of the members of the committee shall be independent directors (who also have the eligibility of directors within the meaning of Directive 301), and at least two directors should have accounting and financial expertise. The

Chairman of the Board of Directors may not be a member of the Audit Committee. However, in accordance with the approval of the Banking Supervision Department, Mr. David Brodet, the Chairman of the Board of Directors, and Professor Efraim Sadka, an independent director, are entitled to participate in the meetings of the Audit Committee when it is discussing subjects related to the financial statements, as observers. The legal quorum for holding a meeting and making decisions of the committee is a majority of its members, providing that the majority of its members are external directors pursuant to the Companies Law and/or Directive 301, and at least one of them is a director pursuant to the Companies Law.

As of the date of this shelf prospectus, the members of the committee are – Zipporah Samet - chairman of the committee, Rami Avraham Guzman, Arieh Gans, Yoav Nardi, Haim Samet, Yedidia Stern and Gabriela Shalev.

6.6.2 Salary and Remuneration Committee ("Remuneration Committee")

The Remuneration Committee is accorded the functions and authorities as required under Amendment no. 20 to the Companies Law and the Proper Conduct of Banking Business Directives of the Banking Supervision Department (Directives 301 and 301A). A summary of the main subjects which the committee is authorized to discuss and recommend to the Board of Directors is as follows:

- a) The remuneration policy regarding the employees and senior office holders of the Bank and the requirement to update it. In this regard, the committee is authorized to ensure that the remuneration policy corresponds with the requirements of the law, and is consistent with the corporate culture within the Bank, with the objectives and long-term strategy and with its control environment. The committee is authorized, inter alia, to ensure that the remuneration incentives do not encourage the taking of risks beyond the risk appetite of the Bank, to examine and supervise the implementation of the remuneration policy and the remuneration mechanism and its operation, and to evaluate their effectiveness, inter alia, in order to ensure compliance with the requirements of the Banking Supervision Department, and to ensure that they reflect all of the types of risk and the levels of capital and liquidity.

- b) The principles of the remuneration policy in the subsidiaries of the Leumi Group.
- c) The terms of office and employment of senior office holders of the Bank and the application of personal contracts on senior office holders in the Bank.
- d) The principles of the remuneration agreements of the Bank's employees (who are not senior office holders).
- e) Application of the remuneration policy on all types of remuneration (including the matter of bonuses).

For additional details regarding the functions of the Board of Directors and the Remuneration Committee in all matters related to the remuneration policy in a banking corporation, see the paragraph Proper Conduct of Banking Business Directive 301A on Remuneration Policy in the financial statements for 2013 which is presented by way of reference.

Composition of the Remuneration Committee:

The number of members should not be less than three, all being external directors, within the meaning of the Companies Law, members in the Remuneration Committee and they are a majority of its members, and the additional director who is a member therein is an external director pursuant to Directive 301, who is also an independent director. The legal quorum for holding a meeting and making decisions of the committee is a majority of its members, providing that the majority are external directors pursuant to the Companies Law / Directive 301. The chairman of the committee is an external director, within the meaning of the Companies Law.

As of the date of this shelf prospectus, the composition of the committee is as follows: Haim Samet - chairman of the committee, Zipporah Samet, Efraim Sadka, Gabriela Shalev and Haim Levy.

6.6.3 Risk Management Committee

A summary of the main subjects which the committee is authorized to discuss and recommend to the Board of Directors is as follows:

- a) Policy for exposure to the various risks of the Bank and the Group and their management, including quantitative restrictions, workframeworks for the management of each risk, ceilings and exposure restrictions for

risks that are permitted in the various operating segments, and supervision of the implementation of the policy.

- b) Overall risk appetite of the Bank and the Group.
- c) Document of exposures to the various types of risk inherent in the activity of the Bank and the Group.
- d) A policy for the approval of new products, which regulates the processes of review and approval required prior to their activation, discussion of each new material product (as defined in the policy, including a new instrument, activity, process or system and any material change therein), including quantitative restrictions required from the risks inherent in the activity.
- e) A policy for the risks of business continuity and the receipt of routine reporting of the risks of business continuity.
- f) Internal evaluation of capital adequacy (ICAAP),
- g) The organizational preparedness of the Bank and the Group for the management and control of the overall exposure to the various risks and the examination of qualitative tools to manage them.

The Risk Management Committee is authorized to approve areas of non-transparent activity and/or activity lacking material transparency in the Bank and in the Group. In addition, the Risk Management Committee discusses each year the process and quality of risk management, including compliance with the Group's risk management policy, risk management in the Bank's subsidiaries, and receives an annual review regarding credit control activity.

As of the date of this shelf prospectus, the composition of the committee is as follows: David Brodet - chairman of the committee, Moshe Dovrat, Nurit Segal, Zipporah Samet, Efraim Sadka, Haim Levy and Samer Haj Yehia.

6.6.4 Resources Committee

The Resources Committee is authorized to discuss and recommend to the Remuneration Committee and/or to the Board of Directors various subjects relating to the area of human resources in the Bank, including the framework of bonuses to the Bank's employees, the number of personnel, significant changes in the Bank's organizational structure, the appointment of candidates for office in senior positions in the Bank and in the Bank's significant subsidiaries, and the application of personal contracts on a certain segment or certain ranks among the Bank's employees who are not

office holders. In addition, the committee recommends to the boards of subsidiaries in Israel a remuneration system to the chairman of the boards and their directors.

A summary of the additional main duties and powers of the committee is as follows:

- a) To discuss and recommend to the Board of Directors regarding the Bank's investment budget.
- b) To discuss and approve investments or their selling in areas of land, equipment and automated systems for the use of the Bank, in excess of the minimum amount determined from time to time by the Board of Directors.
- c) To approve donations in the amounts determined by the Board of Directors.
- d) To sit as a committee for the purpose of corporate social responsibility of the Bank and of the Group.

As of the date of this shelf prospectus, the composition of the committee is as follows: David Brodet - chairman of the committee, David Avner, Shay Shachnai Hermesh, Haim Samet, Zipporah Samet, Efraim Sadka and Gabriela Shalev.

6.6.5 Credit Committee

The Credit Committee is entitled, inter alia, to approve or not to approve the granting of credit under its authority. In addition, the committee is authorized to maintain supervision and control over the granting of credit in the Bank, the credit position and over credit portfolios of the large groups of borrowers.

As of the date of this shelf prospectus, the composition of the committee is as follows: David Brodet - chairman of the committee, David Avner, Rami Avraham Guzman, Arie Gans, Yoav Nardi, Zipporah Samet and Nurit Segal.

6.6.6 Strategy Committee

A summary of the main subjects which the committee is authorized to discuss and recommend to the Board of Directors is as follows:

- a) The strategic targets of the Group and the Bank, and their update and monitoring their performance.
- b) Entry into significant new areas of activity.
- c) Policy for the Bank's real investments and nostro investments.

As of the date of this shelf prospectus, the composition of the committee is as follows: David Brodet - chairman of the committee, David Avner, Rami Avraham Guzman, Shay Shachnai Hermesh, Gabriela Shalev, Samer Haj Yehia, and Haim Levy.

6.6.7 Investments Committee

A summary of the main subjects which the committee is authorized to discuss and decide is as follows:

- a) Executing or selling non-bank investments, nostro investments and the assumption of an underwriting agreement, all these under conditions and beyond the minimum determined by the Board of Directors.
- b) The purchase, establishment, sale or merger of subsidiaries under certain conditions.

As of the date of this shelf prospectus, the composition of the committee is as follows: David Brodet - chairman of the committee, Moshe Dovrat, Shay Shachnai Hermesh, Haim Levy, Efraim Sadka and Yedidia Stern.

6.6.8 Other committees and ad hoc committees

There are permanent committees for specific purposes, such the Procedure Committee, the Committee for the Review of Conflicts of Interests, the Prospectuses Committee, which convene when necessary. In addition, the Board of Directors, from time to time, holds ad hoc committees for specific purposes²⁰.

²⁰ On February 15, 2015, the Board of Directors of the Bank decided to establish an Independent Claims Committee in order to submit to the Board of Directors of the Bank recommendations on the correct legal procedure in light of all of the circumstances and proceedings relating to the events that have resulted in the Bank's engagement in arrangements with U.S. authorities. For further details, see Note 18(K) to the Bank's financial

6.7 Authorized signatories of the corporation

In the corporation there is no independent authorized signatory, as this term is defined in Section 37(D) of the Securities Law.

6.8 Additional details

6.8.1 Auditors of the Bank:

Somech Haikin, KPMG, Millennium Tower, 17 Ha'arba'a Street, Tel Aviv

Kost Forer Gabbay & Kasierer, 3 Aminadav Street, Tel Aviv

6.8.2 Registered office of the Bank:

34 Yehuda Halevi Street, Leumi House, Tel Aviv

Chapter 7 – Interested Parties of the Bank

7.1 As aforesaid in Section 3.5, as of 24 March 2012 the Bank is defined, according to law, as a banking corporation without core control and there is no shareholder defined as controlling shareholder of the Bank.

7.2 Remuneration for senior officers

For details regarding remuneration provided for 2013 and 2014 to the five highest paid senior office holders at the Bank or corporation controlled thereby, including description of their primary employment terms, see chapter E of the Board report for December 31, 2013 and for December 31, 2014, in the "senior office holders remuneration" clause, as note 15 of the financial statements for December 31, 2013 and for December 31, 2014, the information in which is included by way of reference.

7.3 Indemnity, Exemption and Insurance

For details regarding indemnity and exemption from liability for directors and office holders of the Bank, see Note 18(G) of the financial statements for December 31, 2014, the information in which is included by way of reference.

Regarding exemption for office holders, it is noted that according to Article 143 of the Articles of Association, the Bank is entitled to exempt, in advance, an office holder thereof, from all or any of the liability thereof due to breach of the duty of care towards the Bank. Nevertheless, the Bank is not entitled to exempt, in advance, a director from liability towards the Bank due to breach of the duty of care in "distribution" (as this term is defined in the Companies Law).

For details on insurance of liability of directors and office holders at the Bank for 2013 and 2014, see chapter E of the Board report for December 31, 2013 and for December 31, 2014, in the "senior office holders remuneration" clause, as well as information according to Regulation 29A(4) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 ("**the Periodic and Immediate Reports Regulations**") in the periodic reports of the Bank for 2013 and 2014, the information in which is included by way of reference.

According to the framework decision approved by the general assembly on August 6, 2014, and that authorizes the Bank in advance to purchase an insurance policy for liability of directors and office holders at the Bank and the Group ("**the D&O Policy**") (for additional information, see information according to Regulation 29A(4) in the periodic report of the Bank for 2014, as aforesaid), on May 1, 2015, and after approval by the remuneration committee and the Board, the Bank purchased an insurance policy for office holders for a period of 18 months that included

coverage in the amount of 260 million dollars per event and period, with reinstatement according to the same amount.

7.4 Directors' remuneration

For details regarding the total amount of remuneration for Board members (except for the Chairman of the Board, details regarding the remuneration of whom appear in Section 7.2 above) and expenses paid thereto or which they were entitled to receive from the Bank, which do not deviate from those that were acceptable in 2013 and 2014, see information according to Regulation 21 of the Periodic and Immediate Reports Regulations in the periodic report for 2013 and 2014, the information in which is included by way of reference.

For additional details regarding the directors' remuneration, see Articles 77-78 of the Bank's articles of association, the information in which is included by way of reference.

The remuneration paid to all Bank directors, except the Chairman of the Board, in annual remuneration and remuneration for participation at meetings, according to the maximal amount for external director or expert external director, as the case may be, according to the provisions of the Companies Regulations (Rules on Remuneration and Expenses for External Director), 5760-2000, as in effect from time to time.

7.5 Holdings of interested parties and senior office holders

For details regarding holdings of interested parties and senior office holders of Bank securities or securities of subsidiaries or affiliated companies thereof, if their activity is material to the Bank's activity, as of 30.4.15 and May 2014, see immediate reports of the Bank dated 6.5.2015 (reference number 2015-01-013779) and dated 9.6.2014 (reference number 2014-01-086700), respectively. For details regarding change in the percentage of voting rights held by the State of Israel due to expiration of the power of attorney provided to the State to vote due to blocked shares sold to employees according to the plan for offer of Bank shares to employees dated 6.4.2011, see immediate report dated 17.5.2015 regarding change in holdings of interested parties (reference number: 2015-01-020556).

Chapter 8 – Financial Statements

8.1 Pursuant to the provisions of Section 60B of the Securities Regulations (Prospectus and Draft Prospectus Details – Structure and Form), 5729-1969 (hereinafter: "**the Prospectus Details Regulations**"), the financial statements of the Bank as of December 31, 2014, as well as the declarations of general manager and the most senior office holder in the finance field at the Bank that are required according to Regulation 9B(G) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (hereinafter: "**the Reporting Regulations**") for such date, are included in this prospectus by way of reference, as follows:

8.1.1 The annual financial statements of the Bank for 2014 are included in this prospectus by way of reference to such reports as publicized on March 31, 2015 as part of the financial statement of the Bank for 2014 (reference no. 2015-01-070033) (hereinafter: "**the Bank's 2014 Financial Statement**").

8.1.2 The declarations of the CEO, Head of the Financial Division, Head Accountant, the Board and Management report regarding internal control of financial reporting according to Regulation 9B(G) of the Reporting Regulations, for 2014, are included in this prospectus by way of reference to such declarations as publicized as part of the Bank's 2014 Financial Statement.

8.2 **Consent letters of the Bank's auditors**

Consent letter of the Bank's auditors, including their consent to include in the shelf prospectus the report of the auditors regarding the Bank's 2014 Financial Statement and the auditor's report regarding internal control that are enclosed to this prospectus by way of reference, are enclosed to this prospectus.

8.3 **Consent letters of the actuary for inclusion of actuary opinion regarding pension rights, grants and special leaves for Bank employees**

Consent letter of the actuary, including his consent to include, in the shelf prospectus and/or the shelf prospectus reports publicized according thereto, his opinion regarding pension rights, grants and special leaves for Bank employees as of 31.12.2014, which was enclosed to the Bank's financial statements as of 31.12.2014 and that is enclosed to this prospectus by way of reference.

8.4 Below is the "Report of Events" as defined in Regulations 60B(B) and 56A of the Prospectus Details Regulations, for the period between the date of execution of the Company's financial statements as of 31.12.2014 (31.3.2015) until the prospectus date.

Bank Leumi Le-Israel B.M.

Event Report

Pursuant to Regulation 56a of the Securities (Details, Structure and Form of Prospectus – draft prospectus) Regulations, 5729-1969 with regard to significant events that occurred in the period after the signing of the Financial Reports as at 31.12.2014 (which were signed on March 31 2015) and up to the date of the Prospectus.

- A. Further to the aforementioned in the Chapter 'The Financial Management Sector' in the Annual Report for the year 2014 on the subject of the Israel Corporation:

As a result of the cancellation of the Shareholders' Agreement in the Israel Corporation and the decline in the rate of the Bank's holdings in Israel Corporation, the Bank's investment in Israel Corporation is to be presented in the Financial Report at March 31 2015 in the Securities for Trading Portfolio in accordance with the market value of the holding at the same date (NIS 1,179 million).

Furthermore, in April 2015, the Bank sold 2,146,000 shares in Kenon Holdings for a total consideration of NIS 174 million. The shares that were sold comprise 4% of the issued and paid up share capital of Kenon Holdings. The transactions are expected to yield the Bank a pre-tax profit of NIS 8.6 million, which is to be included in the Report for the second quarter of 2015.

- B. Further to the details contained in Note 18 of the Bank's Financial Report for the year 2014:

The Bank reported on the subject of several requests to approve class actions that were served against the Bank at the Tel Aviv Regional Court. See Immediate Reports of the dates April 22, 2015: 2015-01-004953), April 29, 2015 (Ref: 2015-01-008682) and April 30, 2015 (Ref: 2015-01-009684).

Further to the aforementioned in Note 18 (d)(1)(a) and (b) to the Bank's Financial Report for the year 2014, in the hearings that were held on March 25, 2015, the Court cancelled the decision regarding the publication of the Compromise Agreement. The Court noted that a clear response had not been received to the question whether the Compromise Agreement blocked the proceedings described in Section 18 (d)(1)(b) of the Bank's Financial Report for the year 2014, however should it not be possible to reach such a compromise agreement, then the suggestion of the Court is that the petition to approve the Compromise Agreement be cancelled, and the hearings on these proceedings and the proceedings as described in Section 18 (d)(1)(b) of Bank's Financial Report for the year 2014 be combined. In so far as the proceedings are combined, the Court requested that the representatives of the applicants in the two

proceedings try to reach an agreement on the representation of the customers who are the private customers (householders). The parties were asked to consider the Court's proposal as to how to proceed with the management of the two proceedings, and a further hearing was set to continue the proceedings in the file. The parties in this file are acting to formulate an amended compromise agreement, whilst taking into consideration the comments of the Court.

Further to the aforementioned in Note18 (d)(1)(d) and (e) to the Bank's Financial Report for the year 2014, steps are being taken to obtain the approval of the Court to the Compromise Agreements, in the framework of which the Attorney General's position was presented, according to which he is opposed to the approval of the Compromise Agreement. The parties are acting to submit an amended compromise agreement after taking into consideration the comments of the Court.

Further to the aforementioned in Note18 (d)(1)(i) to the Bank's Financial Report for the year 2014, in the framework of the proceedings that are being conducted in the file described in the context of this Note, the Attorney General's position was presented, according to which he disagrees with several of the Bank's arguments. In the discussion that was held after the presentation of this position, a proposal was made to consider appointing a Certified Public Accountant, who would check whether the customers did suffer any damage.

Further to the aforementioned in Note18 (d)(1)(j) to the Bank's Financial Report for the year 2014, the Petitioners submitted a "shortened" request on April 23, 2015, in the framework of which the amount of the damage attributed to the Bank, called "the initial damage" (as claimed by the Petitioners), is NIS 2.6 billion (the Petitioners are claiming additional damages that have not been quantified). On April 27, 2015, one of the Petitioners (a customer of the Bank) submitted to the Court a request to be removed from the lawsuit.

Further to the aforementioned in Note18 (d)(2)(b) to the Bank's Financial Report for the year 2014, in April 2015, the Petitioner submitted a request for a "shortened" approval, in the framework of which the Applicant, at this stage, put the amount of the overall legal action (against all the Respondents) at NIS 10 million (as minimal damage).

Further to the aforementioned in Note18 (d)(2)(c) to the Bank's Financial Report for the year 2014, the Bank submitted a request to dismiss the claim outright.

Further to the aforementioned in Note18 (d)(3)(d) to the Bank's Financial Report for the year 2014, Leumi Card submitted a request to dismiss the claim outright and also its response to the request.

Further to the details described in Note 18 (j) to the Bank's Financial Statement for the year 2014, on December 31, 2014 a petition was submitted to the Economic Division of the Tel Aviv Regional Court to approve the submission of a derivative legal action against the present and former office holders of the Bank, as well as against the Bank's Auditors. The Petitioners claim that the Bank conducted its business in the USA, both through BLUSA and through the Bank and its other companies and branches, in such a way as to enable certain of the Bank's customers to hide monies which they had not declared to the Tax Authorities in the USA. The Petitioners claim that damages amounting to NIS 2.37 billion was caused to the Bank as a result of the investigations carried out by the Tax Authorities in the USA with regard to this activity, comprised of a fine and financial sanctions that were imposed on the Bank in the framework of the settlements with the said Authorities, disallowance of the expenses for tax purposes and the cost of the investigations themselves. The Petitioners claim that the office holders are responsible for the stated damages because they did not act nor do anything to cease the improper actions and because they gave their permission and consent to their execution. It is also claimed that the Bank's Auditors could and should have disclosed these actions, or at the very least, should have asked the appropriate questions. The Petitioners estimate the amount of the claimed damages at NIS 1.56 billion, taking into consideration the fee and the scope of the office holders' insurance, except in the case of five former office holders, who are the Respondents in a petition for the approval of a different derivative legal action with regard to the same case. In this regard, a petition to submit a derivative legal action amounting to NIS 1,120 billion has been made, which according to the Petitioners, is dependant on that late request being approved. On April 14, 2015, the decision of the Court was handed down, according to which the legal action was rejected out of hand, and on May 7, 2015, one of the Petitioners submitted a request for permission to appeal against this decision.

Furthermore, on March 3, 2015, a petition for a derivative legal action was submitted to the Court in the State of New York, USA, by a shareholder of the Bank, who is an Israeli resident, in the name of the Bank and in the name of BLUSA against the Bank's subsidiary companies and against 61 directors and office holders, who had previously held senior positions and some of whom are still holding senior positions in the Bank and its subsidiaries. The subject matter of the action is the claimed responsibility of the Respondents for the amounts that the Bank and its subsidiaries suffered as a result of the settlements that were signed with the Authorities in the USA. The action has been frozen until the end of the work of the independent Legal Claims Committee that was set up by the Bank's Board of Directors.

Further to the information contained in Note 18 (j)(4) to the Bank's Financial Report for the year 2014 regarding the investigation of the US Securities and Exchange Commission ("SEC"), which is currently being carried out against the Bank Leumi Group ("the Group"), in so far as it is not possible to estimate the amount of the overall expense that the Group might suffer with regard to this investigation, the Group, based on the opinion of its American legal council who are accompanying the Group in the SEC investigation, considers that it is not necessary to make any kind of provision in this regard in the Financial Statement. However, pursuant to the instructions of the Bank of Israel dated May 25 2015, according to which the Bank in the meantime has to include "a provision amounting to the expected loss which it

estimates it will suffer as a result of the investigation, and adopting a conservative approach, this provision should not be less than the amount of 5 million dollars." The Bank made a provision amounting to 5 million US dollars in its Financial Statement for the first quarter of 2015.

- C. On April 29, 2015, the Bank reported (Ref: 2015-01-008670) that further to the Immediate Report of 29.12.2014, in which the Bank reported (Ref: 14-01-233202) about the work dispute that had been declared in the subsidiary company – Leumi Card Ltd. ("Leumi Card") and the negotiations that are being held with the employees' representatives with the aim of signing a collective agreement, then on April 29, 2015 the subsidiary company Leumi Card Ltd. ("Leumi Card") and the employees' representatives in Leumi Card reached an agreement regarding a special collective agreement for the period of 39 months with effect from 1.1.2015 ("the Collective Agreement"). The agreement is expected to increase the expenses in Leumi Card by NIS 110 million in respect of the entire period of the Collective Agreement. Part of the information included in this Report is forward looking information with the meaning attributed to it in the Securities Law, based on the estimations of Leumi Card with regard to the manner of implementing the agreement.
- D. On May 4, 2015, the Bank's Board of Directors and the Board of Directors of the Arab Israel Bank Ltd. (the almost wholly owned subsidiary of the Bank ("Arab Israel Bank")) approved the merger of Arab Israel Bank with and within the Bank. The Bank is taking steps to ensure that the merger will be carried out on December 31, 2015.

The merger is dependant on the aggregate observance of all the conditions precedent as described in the merger agreement, including, but not only, the approval of the General Meeting of the shareholders of the Arab Israel Bank, receipt of the approval of the Tax Authority for the merger to be exempt in accordance with the provisions of Section E 2 of the Income Tax Regulations or on terms that would be acceptable to the Bank, as well as any other approval required by law. For further details, see Immediate Report dated May 4, 2015 (Ref: 2015-01-011190 and 2015-01-011226) and the Immediate Report dated May 7, 2015 (Ref: 2015-01-015192).

- E. On April 28, 2015, the Supervisor of Banks published the directive "Proper Conduct of Banking Business 327" – Management of geared loans" (the "new Directive"). In the framework of the new Directive, there were defined the minimum expectations of the Supervisor of Banks from the banking corporations with regard to the appropriate and cautious risk management of activities of geared loans. *Inter alia*, the new Directive requires the banking corporations to define what the geared loan is, making use of clear and objective criteria, with sufficient detail to ensure consistent implementation in all the business lines, and in a way that reflects the risk to the banking corporation, both from direct exposure and from indirect exposure to the geared loans. Furthermore, the new Directive specifies different standards in relation to these loans, including everything relating to the credit policy, periodic discussions in the Board of Directors, underwriting and valuation procedures, reporting and quantitative analysis, classification of geared loans, credit analysis, credit control and stress tests. The above mentioned in the new Directive shall apply to the credit granted from January 1, 2016.
- F. In the framework of the Directive on Reporting to the Public no. 662 of the Supervision of Banks, instructions were prescribed for the implementation of International Accounting Standard 38 "Intangible Assets" with regard to costs of

software for self use. On March 31, 2015, the Supervisor of Banks sent a draft letter to the Bank in which was written that in the Audits that were carried out in several banking corporations, there arose shortcomings in the internal control of the financial reporting of the process of capitalizing the software costs. Accordingly, the Bank has been asked, *inter alia*, that in its Financial Report to 30.6.2015 and onwards: (1) to set a significant limit for every project for software development in respect of which the software costs are capitalized, in the range between NIS 750 thousand to NIS 1 million (where the total costs of each project for software development that can be capitalized, being less than the significant limit that shall have been set, shall be charged as an expense in the Profit and Loss Account); (2) an updated estimate is to be made of the life-span of the costs of the software that shall be capitalized, not being in excess of 5 years; (3) various directives were prescribed for projects for software development, where the total costs that can be capitalized are not less than the above mentioned ceiling. According to the draft letter, the Bank has the right to treat the above requirements as a change in the accounting policy, including application retroactively of the accounting policy on the comparative periods. The Bank sent its response to the draft letter to the Supervisor of Banks and has not yet received his reply. The Bank is examining the ramifications of the draft letter and does not know how to estimate at this stage the quantitative effect on the Bank of the aforementioned in the draft letter of the Supervisor.

- G. On 26.5.2015, the Board of Directors of the Bank decided to approve the recommendation of the Board of Directors of the Nominee Company of Bank Leumi Le-Israel BM. ("the Nominee Company") to act to cease its activities, as far as is possible, within 60 days of the date of the decision. This decision to cease the activities of the Nominee Company is not expected to have a material effect on the financial results of the Bank. For further details, see the Immediate Report dated May 27, 2015 (Ref: 2015-01-029871).

David Brodet

Chairman of the Board of Directors

Rakefet Russak-Aminoach

Chief Executive Officer

Date of approval of the Event Report: 26.5.2015

Kost Forer Gabbay &

3 Aminadav St.

Tel Aviv 67067

Somekh Chaikin
Kasierer

Millennium KPMG Tower

17 Haarbaa St., POB 609

Tel Aviv 61006

To

Board of Directors of

Bank Leumi le-Israel Ltd. ("**the Bank**")

34 Yehuda Halevi

Tel Aviv

Dear Sir or Madame,

**Re: Shelf Prospectus of Bank Leumi le-Israel Ltd. ("the Bank") that is
due to be publicized in May 2015**

You are hereby advised that we agree to inclusion (including by way of reference) of our reports as specified below in the aforesaid shelf prospectus.

- (1) The auditors' report dated 31.3.2015 regarding the consolidated financial statements of the Company for December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014.
- (2) The auditors' report dated 31.3.2015 regarding audit of the components of internal control of the Company's financial reporting as of December 31, 2014.

We agree that this statement of ours be included in the Bank's shelf prospectus.

Kost Forer Gabbay &

Kasierer, CPAs

The Joint Auditors

Somekh Chaikin, CPAs

May 26, 2015

For
Bank Leumi le-Israel Ltd.

Dear Sir or Madame,

Re: **Consent for inclusion of actuary assessment of pension rights, grants and special leaves to employees as of 31.12.2014 (hereinafter: "the Actuary Opinion") in the shelf prospectus due to be publicized by Bank Leumi le-Israel Ltd. (hereinafter: "the Bank") in May 2015 and the shelf prospectus reports to be publicized according thereto**

I, the undersigned, agree that the Actuary Opinion signed by me on 30.3.2015 and enclosed to the Bank's financial statements as of 31.12.2014 will be included by way of reference in the Bank's shelf prospectus that is due to be publicized in May 2015 and/or the shelf prospectus reports to be publicized according thereto.

Without derogating from the aforesaid, I hereby agree that the Actuary Opinion and my consent will be reported to the public by the Bank, by electronic means, including the Magna System.

Sincerely,
Dov Raphael
Consultant Actuary

May 27, 2015

May 27, 2015

For
Bank Leumi le-Israel Ltd.
Leumi House, 34 Yehuda Halevi St.
Tel Aviv

Dear Sir or Madame,

Re: **Shelf Prospectus of Bank Leumi le-Israel Ltd. (hereinafter: "the Bank")**

Per your request, we hereby provide our opinion according to which the Bank's directors were duly appointed and that their names are included in the shelf prospectus.

We agree that this opinion be included in the shelf prospectus.

Sincerely,

Shirel Gutman-
Amira, Adv.

Iris Tsivolsky-
Havilio, Adv.

Ran Shalom,
Adv.

Michal Perry,
Adv.

Chapter 10 – Additional Details

10.1 **Fee for Application for Permission to Publicize Prospectus**

In accordance with Regulation 4A of the Securities Regulations (Fee for Application for Permission to Publicize Prospectus), 5766-2005, the Bank paid the Securities Authority a fee for application for permission to publicize prospectus, though the fee surcharge will be paid for the securities offered at the time of publication of the shelf offer report according to amounts and dates set forth in such Regulations.

10.2 **Review of Documents**

A copy of the prospectus, the permission to publicize the same, and a copy of every confirmation, report or opinion included or mentioned in the shelf prospectus, are available for review at the Bank's offices during regular working hours. In addition, a copy of the prospectus is publicized on the internet site of the Securities Authority, at www.magna.isa.gov.il and the internet site of the Tel Aviv Stock Exchange Ltd., at www.maya.tase.co.il.

Signatures

The Bank:

Bank Leumi le-Israel Ltd.

The Directors:

David Brodet

David Avner

Rami Avraham Guzman

Prof. Arye Ganes

Moshe Dovrat

Dr. Samer Haj Yihye

Prof. Haim Levi

Shai Saknai Hermesh

Yoav Nardi

Haim Samet

Nurit Segal

Zippora Samet

Prof. Efraim Sadka

Prof. Yedidia Stern

Prof. Gabriela Shalev