

Translation of Immediate Report

Bank Leumi le-Israel B.M.

Registration No. 520018078
Securities of the Corporation are listed on The Tel Aviv Stock Exchange
Abbreviated Name: Leumi
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21 January 2015
Reference: 2015-01-016267

To: Israel Securities Authority (www.isa.gov.il)
The Tel Aviv Stock Exchange (www.tase.co.il)

**Immediate Report regarding an Event or Matter falling outside the Ordinary Course of
Business of the Corporation**

Regulation 36(a) of the Securities (Periodic and Immediate Reports) Regulations, 1970
Nature of the Event: Collective Agreement

1. See attached Annex.
2. Date and time at which the corporation first became aware of the matter being the subject of the report: 21 January 2015 Time: 12:15 pm.

Name of Electronic Reporter: Yael Rudnicki, Position: Advocate, Group Secretary
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Note: English translations of Immediate Reports of Bank Leumi are for convenience purposes only. In the case of any discrepancy between the English translation and the Hebrew original, the Hebrew will prevail. The original Hebrew version is available on the distribution website of the Israel Securities Authority: <http://www.magna.isa.gov.il/>



21 January 2015

To

Tel Aviv Stock Exchange
Ahuzat Bayit Street 2
Tel Aviv 6525216

To

Israel Securities Authority
Kanfei Nesharim Street 22
Jerusalem 95464

Dear Madam or Sir:

Subject: **Collective Agreement for Bank Leumi Employees**

Bank Leumi le-Israel B.M. (hereinafter: “the **Bank**”) respectfully reports as follows:

1. The Bank and the Bank’s employees’ union have reached agreements regarding a special collective agreement (hereinafter: “**the Collective Agreement**”) which have been approved by the Bank’s Board of Directors and by the employees’ representatives.
2. The agreements regarding the Collective Agreement were reached after the previous collective agreement expired in December 2014.
3. The Collective Agreement is for a period of four years – i.e., until 31 December 2018.
4. The main changes established in the Collective Agreement, as compared to the previous collective agreement, are:
 - 4.1 The method for annual salary updates, at an average rate of 5% for all employees, has been amended as follows:
 - 4.1.1 In 2015 – 4%
 - 4.1.2 In 2016 – 4%
 - 4.1.3 In 2017 – 3.5%
 - 4.1.4 In 2018 – 3.5%

- 4.2 The Bank will pay its employees a one-time grant in the amount of one salary.
 - 4.3 The Bank will carry out early implementation of the update of the minimum wage amount established in the Government resolution, such that the update of the minimum wage to NIS 5,000 will be carried out in one single step, and immediately (and not gradually, as established in the Government resolution), for all employees who are paid at the rate of the minimum wage.
 - 4.4 Various additional provisions were established – relating to the reduction of the jubilee amounts (grants and vacation payments); updating of the rates of the employer provisions for pension, for employees entitled to “cumulative pensions”; the incentives for employees who do not utilize their sick days; the transition of external contract employees to Bank employee status; and the updating of the maximum period for receiving seniority increases.
5. According to a preliminary assessment, the signing of the Agreement is expected to lead to a reduction of the liabilities recorded in the Bank’s accounts with respect to employees’ rights, primarily because of the impact of the reduction in the mechanism for automatic salary increase. After taking into account the impact of the one-time grant, the net reduction to be recorded for liabilities to employees is expected to amount to approximately NIS 600 to 700 million. This amount, after the effect of taxes, will lead to an increase in capital.
 6. The Bank is examining the impact of this amount on the profit for the fourth quarter of 2014 and/or for the following reporting period. Out of the above amount, the preliminary assessment of the contribution to pre-tax profit for the fourth quarter of 2014 is NIS 400 to 500 million.
 7. It is clarified that this is a preliminary estimation only, and that – because of the complexity of the calculations, in terms of both the relevant accounting and actuarial aspects – it is, by its nature, likely to undergo substantial changes. It is further clarified that at this stage, the Bank does not have estimates regarding the financial results for the fourth quarter of 2014, or for the overall impact of the

changes detailed above on the financial results and for the other balance sheet items, and the actual results may be substantially different from the above preliminary assessments.

8. The signature of the Agreement is expected to have an ongoing impact on the outline of the reduction in the Bank's future salary expenses.
9. It is clarified that the Collective Agreement relates only to Bank employees who are employed through the Collective Agreement, and is therefore not relevant for employees to whom the Bank's remuneration policy applies.
10. Upon its signature, the Collective Agreement is expected to also be adopted by the Bank's subsidiary – the Arab-Israel Bank Ltd.

Yours sincerely,

Bank Leumi le-Israel B.M.

By:

Dani Cohen, Head of Human Resources Division

Shlomo Goldfarb, Head of Accounting Division