

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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12 July 2017
Reference: 2017-01-072741

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

Immediate Report

Nature of Event: Early Retirement Program

See attached Annex [12072017_isa.pdf](#)

החברה אינה חברה מעטפת כהגדרתה בתקנון הבורסה

The Company is not a shell company as defined in the Articles of the Stock Exchange

Date and time at which the corporation first became aware of the matter being the subject of the report: 11 July 2017 Time: 17:45.

Name of Electronic Reporter: David Raoul Sackstein, Position: Advocate, General Secretary
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12 July 2017

To:

Tel Aviv Securities Exchange
2 Ahuzat Bayit Street
Tel Aviv 652516

Israel Securities Authority
22 Kanfei Nesharim Street
Jerusalem 95464

Dear Sir or Madam:

re: **Voluntary Retirement Program as part of Efficiency Measures at Leumi**

Bank Leumi le-Israel B.M. (hereafter: "**the Bank**") is pleased to report on resolutions of the Bank's Board of Directors approving an additional voluntary retirement program, as follows:

1. Since 2012 the Bank has been undertaking significant efficiency measures, aimed at reducing expenses and improving the Bank's cost-income ratio. These measures were made possible mainly thanks to the merging of units, implementation of advanced digital tools and the execution of organizational and operational changes which led to the reduction of current operating expenses, a significant reduction in the workforce and a significant decrease in the amount of real estate used by the Bank, which made possible the sale of assets which served as branches which have been or will be merged ¹.
2. As part of savings and efficiency measures, in 2016 the Bank executed a voluntary retirement program (for details see Note 23 M to the Bank's Financial Statements as at 31 December 2016 which were published on 30 March 2017 (Ref: 2017-01-033063). This program was undertaken alongside additional actions which led to a decrease of some 1,050 people from the workforce in 2016.
3. The Bank continues to carry out efficiency measures by various means and is implementing organizational and operational processes. These make possible the execution of an additional significant measure of reduction of the workforce, while continuing to provide good service and appropriate risk management.
4. Pursuant thereto, on 11 July 2016 the Bank's Board of Directors approved a new voluntary retirement program.
5. The following are the main points of the voluntary retirement program approved by the Board of Directors (hereafter: the "**Program**").
 - 5.1 In accordance with the Program, some 500-600 employees will be allowed to retire early from the Bank.
 - 5.2 The benefits to be offered, depending on age and seniority, will be the following: (a) an early pension arrangement until the legal retirement age, for those entitled to a budgetary pension from the Bank and who fall within the parameters set out in the program; or (b) increased severance pay at the rate of some 245% to 265%, subject to the parameters as defined in the Program.
 - 5.3 The early retirement will take place, to the extent possible, by the end of 2017.

¹ See also Immediate Report from 7 June 2017 (Ref: 2017-01-058188) regarding the sale of the Tel Aviv Main Branch, which is expected to bring about a profit before tax in the amount of some NIS 260 million.

- 5.4 The Bank estimates that the total cost of the Program will be some NIS 500-600 million (hereinafter: the "**Efficiency Cost**").
6. The following are the main points of the accounting treatment of the program, as they are expected to be included in the financial statements for the second quarter of 2017.
- 6.1 The Efficiency Cost is an actuarial loss and will be recorded in other overall profits.
- 6.2 In the periods following, the costs of the Program will be reduced from profit and loss as part of "Actuarial Profit and Loss" balances, using the straight line method over the average employment period remaining to the employees.
7. The voluntary retirement program is being carried out in accordance with the letter of the Banking Supervision Department at the Bank of Israel, dated 12 January 2016, regarding "Operational Efficiency of the Israeli Banking System" (hereafter: "**Efficiency Directives**"). Pursuant to the letter, the Board of Directors of a banking corporation must outline a multi-year efficiency program. A banking corporation that complies with the conditions defined in the letter will receive lenient treatment regarding the ability to spread out – on a straight line basis, over a five-year period – the impact of the program's costs in terms of the calculation of its capital adequacy.
8. The Bank estimates that the impact of the Efficiency Program on its capital adequacy will be some 0.2%, which will be gradually spread out over five years.
9. It is clarified that the above information regarding the scope of the Efficiency Program is forward-looking information. The actual scope of the Efficiency Program will depend on, *inter alia*, the response of the employees to the offers regarding retirement in accordance with the terms of the program. The actual results of the Efficiency Program may therefore be significantly different from the data set out above.

Sincerely,

Bank Leumi le-Israel B.M.

by

Omer Ziv, CFO