

Bank Leumi le-Israel B.M.

(hereinafter - the “**Bank**”)

Shelf prospectus

By virtue of this shelf prospectus (hereinafter - the “**Prospectus**”), the Bank shall be entitled to issue ordinary registered Bank shares of NIS 1 par value each and/or other securities of the Bank, including subordinated bonds with a principal loss absorption mechanism, allowing the conversion of the Bank’s subordinated bonds into its ordinary shares without giving their holders the right of choice.

The offering of the securities in accordance with the prospectus shall be carried out in accordance with the provisions of Section 23a(i) to the Securities Law, 1968, through shelf offering reports, into which all the specific details of that offering will be entered in accordance with the provisions of any law and the Tel Aviv Stock Exchange’s regulations and directives, as they may be at that time (each of these reports shall be named hereinafter: the “**Shelf Offering Report**”).

The risk factors to which the Bank is exposed include the following risks, among other things: total credit risk, credit quality of borrowers and collaterals risk, concentration risk in respect of a large borrower and group of borrowers, sectoral and segmental concentration risk, overall market risk, basis risk, interest rate risk, margin and share-price risk, liquidity risk, operational risk, including the risk of loss due to inadequate or failed internal processes, large projects, people and systems, or external events, information security and cyber risk and technology risks, legal and regulation risk, compliance risk, reputational risk, conduct risk, environmental risks and risks caused by external global or local events that might trigger the simultaneous materialization of a number of risks.

For information about those risks, including risks arising as a result of the coronavirus crisis, see the Chapter on “Risk Review - Risk Exposure and Management Thereof” Chapter in the Bank’s 2020 periodic report published on March 9 2021 (Ref. No. 2021-01-029400), which is included in the Prospectus by way of reference.

The Company’s ability to distribute dividends is subject to the provisions applicable to dividend distribution, including the provisions of the Companies Law and directives of the Bank of Israel and the Bank’s compliance with its capital adequacy targets after the distribution of the dividend. For more information, see Note 25A(c), 25A(d) and 25A(i) to the Bank’s 2020 financial statements, included by way of reference in Chapter 8 of the prospectus.

The Bank is a “**Banking corporation**”, as defined in the Banking Law (Licensing), 1981. In this framework, the Bank is subject to various provisions by virtue of the laws applicable to Banking Corporations.

Table of Contents

As of the date of this Prospectus, the Bank's bonds in circulation are rated by Standard & Poor's Maalot Ltd., by Midroog Ltd., by S&P Global Ratings and by Fitch Ratings. For more information about the rating assigned to the Bank's bonds see Chapter 1 of the Prospectus.

The Prospectus can be viewed on the Israel Securities Authority's website, at www.magna.isa.gov.il and on the Stock Exchange's website at www.maya.tase.co.il.

Prospectus date: May 27, 2021

	<u>Prospectus chapters</u>	<u>Page</u>
1	Introduction	A-1
2	Offering of the securities in accordance with the Shelf Prospectus	B-1
3	Share capital and holders thereof	C-1
4	Proceeds of the offering and its objective	D-1
5	Description of the Bank's businesses	E-1
6	Management of the Bank	F-1
7	Interested parties in the Bank	G-1
8	Financial statements and events report	H-1
9	Legal opinion	I-1
10	Additional Information	J-1
11	Signatures	K-1

Chapter 1 - Introduction

1.1 General

Bank Leumi le-Israel B.M. (hereinafter - the “**Bank**”) was incorporated in 1950 as a public company in accordance with the Companies Ordinance. The Bank is a banking corporation with a “banking” license under the provisions of the Banking (Licensing) Law, 1981 (hereinafter - the “Banking Law”).

1.2 Permits and approvals

The Bank received all permits, approvals and licenses required by any law to publish this Prospectus. This Prospectus is a Shelf Prospectus as defined in Section 23a to the Securities Regulations, 1968 (hereinafter - the “**Securities Law**”) and the offering of securities thereunder shall be made in accordance with the Shelf Offering Report that will be filed in accordance with the Securities Law and Securities Regulations (Shelf Offering of Securities), 2005 into which the specific details of that offering will be entered (hereinafter - the “**Shelf Offering Report**”).

The permit to publish the Shelf Prospectus as granted by the Israel Securities Authority does not constitute a verification of the details included therein or confirmation of their reliability or completeness, nor does it constitute an opinion as to the nature of the securities to be offered thereunder.

The Tel Aviv Stock Exchange Ltd. (hereinafter - “the “**Stock Exchange**”) granted the Bank an approval in principle to list securities that will be offered pursuant to this Shelf Prospectus, if any are offered, in accordance with the Shelf Offering Report.

The approval in principle of the Stock Exchange should not be construed as confirming the details presented in the Shelf Prospectus, their reliability or completeness, nor should it be construed as expressing an opinion regarding the Bank or the nature of the securities being offered in accordance with this Shelf Prospectus or the price at which they will be offered in the Shelf Offering Report.

The approval in principle by the Stock Exchange does not constitute confirmation of the listing of the securities to be published pursuant to the Shelf Prospectus, and the listing of the said securities shall be subject to obtaining a listing approval in accordance with

the Shelf Offering Report that will be filed in accordance with the Securities Law and Shelf Offering Regulations. The Stock Exchange's approval in principle does not constitute an undertaking by the Stock Exchange to issue an approval for the listing of the securities to be offered in accordance with the Shelf Offering Report. An approval of an application to list securities in accordance with the Shelf Offering Report shall be subject to the provisions of the Stock Exchange's rules and directives in effect on the date of filing of the application to list the securities in accordance with the Shelf Offering Report.

1.3 **Share capital**

1.3.1 The Bank's authorized share capital amounts to NIS 3,215,000,000 par value, divided into 3,215,000,000 ordinary shares of NIS 1 par value each. The Bank's issued and paid up share capital as of the date of the Shelf Offering Report (in nominal values) is NIS 1,524,720,264, divided into 1,524,720,264 ordinary shares of NIS 1 par value each.¹ The Bank's issued and paid up share capital on a fully diluted basis is NIS 1,524,720,264, divided into 1,524,720,264 ordinary shares of NIS 1 par value each.

1.3.2 The Bank's equity as of Dec. 31 2020 (in NIS million):

Share capital	7,041
Premium	184
Share-based payment and other transactions	53
Accumulated other comprehensive loss (2,792)	
Retained earnings	33,178
Loans to employees for the purchase of Bank's shares -	
Non-controlling interests	431
	<hr/>
Total equity	38,095

¹ All issued Bank shares are registered shares. The shares that were issued and those that will be issued, were converted or will be converted into ordinary stock, which is transferable in NIS 1 par value units. In this Shelf Prospectus, the words "**Shares**" and "**Shareholder**" include "Stock" and "Stockholder", respectively, and one ordinary share of NIS 1 par value means 1 NIS par value ordinary stock.

1.3.3 Ratio of equity to risk components in the Bank's group.

For information about the Bank's capital resources, capital ratios and capital adequacy, see Note 25A and 25B to the Bank's 2020 financial statements, included by way of reference in Chapter 8 of this Prospectus.

1.4 Subordinated bonds issued by the Bank and subsidiaries (under the Bank’s responsibility or guarantee) and still in circulation as of the date of the Shelf Prosecutes

1.4.1 Marketable bonds:

Series	Stock Exchange security no.	Issuance date	Repayment date ⁽¹⁾	Par value - in NIS (unless stated otherwise)			Interest amount accumulated through Dec. 31 2020 ⁽²⁾	Value as per financial statements as of Dec. 31 2020 ⁽³⁾	Market value (of listed series) as of Dec. 31 2020	Annual interest (as of Prospectus date) ⁽⁴⁾	Linkage (principal & interest) ⁽⁵⁾		Trustee	
				As of issuance date	Dec. 31 2020	Revalued as of Dec. 31 2020 in accordance with linkage terms ⁽⁶⁾					Type	Base		
Marketable bonds	178	6040323	Jul. 21 2015	Mar. 31 2024	1,150,000,000	1,150,000,000	1,150,000,000	8,653,750	1,158,653,750	1,249,590,000	3.01%	None	-	Reznik Paz Nevo
	179	6040372	Jun. 21 2018	Jun. 30 2026	1,285,970,000	1,285,970,000	1,285,995,412	5,336,881	1,291,332,293	1,371,101,214	0.83%	CPI	May 18	Strauss Lazar
	180	6040422	Jan. 31 2019	Feb. 28 2025	1,689,677,000	1,689,677,000	1,689,677,000	28,632,515	1,718,309,515	1,797,816,328	2.02%	None	-	Strauss Lazar
	181	6040505	Jun. 4 2020	Sep. 5 2023	2,318,242,000	2,318,242,000	2,313,623,988	7,390,743	2,381,574,653	2,406,798,844	1%	CPI	Apr. 20	Strauss Lazar
	401 ⁽⁷⁾	6040380	Jul. 8 2018	Jul. 31 2028	613,800,000	613,800,000	613,812,129	1,677,753	615,489,882	618,710,400	1.64%	CPI	May 18	Strauss Lazar
	402 ⁽⁸⁾	6040398	Jul. 8 2018	Jul. 31 2033	209,100,000	209,100,000	209,104,132	968,849	210,072,981	223,306,254	2.78%	CPI	May 18	Strauss Lazar
	403 ⁽⁹⁾	6040430	Jan. 31 2019	Feb. 28 2030	1,441,150,000	1,441,150,000	1,441,178,478	29,257,524	1,484,456,770	1,532,865,074	2.42%	CPI	Dec. 18	Strauss Lazar
	404 ⁽¹⁰⁾	6040471	Jul. 15. 2019	Sep. 30 2029	1,240,950,000	1,240,950,000	1,222,646,903	5,960,404	1,228,607,306	1,257,460,840	1.95%	CPI	May 19	Mishmer et

- (1) Pursuant to the terms of the Series 401, 402, 403, 404 and Leumi Dollar 2031-I subordinated bonds, the Bank is entitled to execute early redemption of the subordinated bonds. For further details, please see Section 1.4.2(a)(6) below.
- (2) For CPI-linked bonds, the amount of interest presented includes the linkage component in respect of the accumulated interest (subject to and in accordance with the series’ linkage terms).
- (3) The value in the financial statements, as presented in the table, includes the par value revalued as of December 31 2020 in accordance with the linkage terms plus the interest amount accrued through December 31 2020 (as these data are stated in the two columns to the right of the value column in the financial statements in the table), plus, or net of, as applicable, the balance of the premium or discount as of December 31 2020.

- (4) The terms of the Series 401, 402, 403 and 404 subordinated bonds stipulate that if the Bank does not exercise its right to redeem the subordinated bonds by way of early redemption, then the annual interest rate of the subordinated bonds will be revised such that the annual interest rate will increase or decrease, as the case may be, by the amount of the difference between the benchmark interest rate (as defined in the deed of trust) on the interest change date and the benchmark interest rate on the issuance date of the said subordinated bonds. The terms of the Series 2031-I subordinated bonds stipulate, among other things, that if the Bank does not exercise its right to redeem the subordinated bonds in an early redemption, then the annual interest rate of the subordinated bonds will be revised in accordance with the yield on five-year treasuries as of that date plus 1.631% per year. For further details, please see Section 1.4.2(a)(6) below.
- (5) The word “Index” means linkage to the Consumer Price Index, with the base index being the Index in respect of the month under the “Base” subtitle. In a series that had a number of allocations, the issuance data and the correct Index as of the first allocation date are stated. For more information on the series that had more than one allocation, see Section 1.4.2(a)(5) above.
- (6) The revaluation includes all principal payments that should have been made through December 31 2020.
- (7) NIS 613,800,000 par value Series 401 subordinated bonds that were issued in July 2018, and which were recognized by the Banking Supervision Department as equity instruments classified as Tier 2 capital, include a mechanism whereby - under certain circumstances defined by the Banking Supervision Department - the Bank will execute forced conversion of the Series 401 subordinated bonds into 60,316,730 ordinary Bank shares as of December 31 2020. For more information see the deed of trust of the Series 401 subordinated bonds, attached to the Bank’s shelf offering report of July 5 2018 (Ref. No.: 2018-01-060390) (hereinafter - the “**Series 401 Deed of Trust**”).
- (8) NIS 209,100,000 par value Series 402 subordinated bonds that were issued in July 2018, and which were recognized by the Banking Supervision Department as equity instruments classified as Tier 2 capital, include a mechanism whereby - under certain circumstances defined by the Banking Supervision Department - the Bank will execute forced conversion of the Series 402 subordinated bonds into 20,547,781 ordinary Bank shares as of December 31 2020. For more information see the deed of trust of the Series 402 subordinated bonds, attached to the Bank’s shelf offering report of July 5 2018 (Ref. No.: 2018-01-060390) (hereinafter - the “**Series 402 Deed of Trust**”).
- (9) NIS 1,441,150,000 par value Series 403 subordinated bonds that were issued in January 2019 and March 2019, and which were recognized by the Banking Supervision Department as equity instruments classified as Tier 2 capital, include a mechanism whereby - under certain circumstances defined by the Banking Supervision Department - the Bank will execute forced conversion of the Series 403 subordinated bonds into 131,240,516 ordinary Bank shares as of December 31 2020. For more information see the deed of trust of the Series 403 subordinated bonds, attached to the Bank’s shelf offering report of January 30 2019 (Ref. No.: 2019-01-010896) (hereinafter - the “**Series 403 Deed of Trust**”).
- (10) NIS 1,240,950,000 par value Series 404 subordinated bonds that were issued in July 2019, and which were recognized by the Banking Supervision Department as equity instruments classified as Tier 2 capital, include a mechanism whereby - under certain circumstances defined by the Banking Supervision Department - the Bank will execute forced conversion of the Series 404 subordinated bonds into 103,454,891 ordinary Bank shares as of December 31 2020. For more information see the deed of trust of the Series 404 subordinated bonds, attached to the Bank’s shelf offering report of July 9 2019 (Ref. No.: 2019-01-070048) (hereinafter - the “**Series 404 Deed of Trust**”).

1.4.2 Non-marketable bonds²:

Series	Issuance date	Repayment date	Par value - in NIS (unless stated otherwise)			Interest amount accumulated through Dec. 31 2020	Value as per the financial statements as of Dec. 31 2020	Market value (of listed series) as of Dec. 31 2020	Annual interest (as of Prospectus date)	Linkage (principal & interest)		Trustee	
			As of issuance date	Dec. 31 2020	Revalued as of Dec. 31 2020 in accordance with linkage terms					Type	Base		
Non-marketable	2031 -I ⁽¹¹⁾	Jan. 29 2020	Jan. 29 2031	USD 750000000	USD 750000000	USD 750000000	34,000,300	2,445,250,300	-	3.275%	None	-	Reznik Paz Nevo
		Jan. 15 2008	Jan. 15 2035	100,000,000	100,000,000	117,529,045	102,295,742	219,824,787	-	4.95%	CPI	Nov. 2007	-
		Jul. 22 2008	Jul. 23 2023	100,000,000	100,000,000	114,167,874	2,248,733	116,416,607	-	4.45%	CPI	Jun. 2008	-
		Dec. 23 2010	Dec. 23 2025	75,000,000	75,000,000	79,426,545	65,104	79,491,649	-	3.75%	CPI	Nov. 2010	-
		Apr. 16 2007	Apr. 16. 2022	50,000,000	50,000,000	60,547,067	1,756,692	62,303,759	-	4.10%	CPI	Mar. 2007	-
		Jan. 2003 to Dec. 2002	Jan. 2023 to Jan. 2027	162,150,000	54,766,360	67,015,019	4,127,553	71,142,572	-	6.60%	CPI	Nov. 2002	-

(11) USD 750,000,000 par value Leumi \$ 2031 I subordinated bonds include a principal loss absorption mechanism by way of forced conversion into ordinary Bank shares in accordance with the provisions of Proper Conduct of Banking Business Directive No. 202 into 208,055,925 ordinary Bank shares as of issuance date. These bonds are listed in the "TACT Institutionals" system of the Tel Aviv Stock Exchange. For more information, see the Bank's immediate reports dated January 13, 23 and 29 2020 (Ref. Nos.: 2020-01-005175, 2020-01-008041 and 2020-01-011058, respectively), included in this Prospectus by way of reference.

² The data included in the table do not include subordinated bonds whose total balance as per the Bank's books of accounts is negligible.

(a) General

- (1) In accordance with the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter - the “**Reports Regulations**”) a series of bonds shall be deemed material if the total amount of the Bank’s liabilities thereunder as of the reporting date constitutes five percent or more of the total amount of the Bank’s liabilities as of the reporting date. In accordance with this definition, none of the series of bonds listed in the above table is material.
- (2) The Bank complies with all conditions and undertakings as per the deeds of trusts, and no circumstances have arisen which establish grounds for immediate repayment of the bonds listed in the table or for the realization of collaterals.
- (3) Should the Stock Exchange decide to discontinue the trading of one of the series of marketable bonds listed in the table due to the value of the public’s holdings in that series being lower than the amount that is set and/or will be set in the Stock Exchange’s directives as to delisting, the Bank will take the steps set out in relation to this matter in the Prospectus and/or the Shelf Offering Report by virtue of which that series was issued, including setting early redemption date, all as described in the said Prospectus and/or Shelf Offering Report.
- (4) For more information about the Bank’s debentures, bonds and subordinated bonds, see Note 21 to the Bank’s annual financial statements as of December 31 2020, which are included in the Bank’s 2020 periodic report published on March 9 2021 (Ref. No. 2021-01-029400) and included in this Prospectus by way of reference (hereinafter - the “**2020 Periodic Report**”).

Set forth below are additional data as to the series presented in the table:

- (5) Set forth below are additional data as to series of bonds for which more than one allocation was executed:

Series	Number of allocations	Issuance dates	Par value on issuance date
403	2	Jan. 31 2019	664,150,000
		Mar. 14 2019	777,000,000
Non-marketable 2002	5	Dec. 26 2002	10,000,000
		Jan. 1 2003	10,000,000
		Dec. 25 2002	137,150,000
		Dec. 31 2002	10,000,000
		Dec. 31 2002	5,000,000

Series	Final repayment (principal and interest)	Number of principal repayments	Breakdown of payments on account of the principal (in series for which there is more than one payment)			Breakdown of payments on account of interest	
			First payment	Payment frequency	Last payment	First payment	Payment frequency
178	Mar. 31 2024	1	-	-	-	Sep. 30 2015	Semi-annual
179	Jun. 30 2026	2	Jun. 30 2024	Two equal payments	Jun. 30 2026	Jun. 30 2019	Annual
180	Feb. 28 2025	2	Feb. 28 2023	Two equal payments	Feb. 28 2025	Feb. 28 2020	Annual
181	Sep. 5 2023	1	-	-	-	Sep. 5 2020	Annual
401	Jul. 31 2028	1	-	-	-	Oct. 31 2018	Three months
402	Jul. 31 2033	1	-	-	-	Oct. 31 2018	Three months
403	Feb. 28 2030	1	-	-	-	Feb. 28 2020	Annual
404	Sep. 30 2029	1	-	-	-	Sep. 30 2020	Annual
2031-I	Jan. 29 2031	1	-	-	-	Jul. 29 2020	Semi-annual
Non-marketable - Jan. 15 2008	Jan. 15 2035	1	-	-	-	Jan. 15 2035	???
Non-marketable - Jul. 22 2008	Jul. 23 2023	1	-	-	-	Jul. 22 2009	Annual
Non-marketable - Dec. 23 2010	Dec. 23 2025	1	-	-	-	Dec. 23 2011	Annual
Non-marketable - Apr. 16 2007	Apr. 16. 2022	1	-	-	-	Apr. 16. 2008	Annual
Non-marketable - Dec. 2002 to Jan. 2003	Jan. 2023 to Jan. 2027	16-20	January 2008	Annual	Jan. 2023 to Jan. 2027	January 2004	Annual

(6) Details of the subordinated bonds

Set forth below are additional information regarding the repayment dates of the series of subordinated bonds. It is hereby clarified that the information provided below is subject to the full and binding provisions regarding the repayment dates of the principal and interest, as stated in the Prospectus for the issuance of the relevant series or in the Shelf Prospectus and Shelf Offering Report relating to the relevant series, as the case may be:

a. Subordinated Bonds (Series 401):

The Bank may execute early redemption of the Series 401 subordinated bonds from July 31 2023 through August 31 2023, as described in Section 8.1 to the Shelf Offering Report that was reported on July 5 2018 (Ref. No. 2018-01-060390), which was included in this Prospectus by way of reference (hereinafter - the “**Series 401 Shelf Offering Report**”).

The Series 401 subordinated bonds bear fixed annual interest of 1.64%. If the Bank does not exercise its right to execute early redemption as aforesaid, then on July 31 2023 the interest rate shall be revised such that the annual interest rate of the Series 401 subordinated bonds will increase or decrease, as the case may be, by the amount of the difference between the benchmark interest rate³ on the interest change date and the benchmark interest rate on the issuance date of the said subordinated bonds for the first time. For more information see the Series 401 deed of trust.

b. Subordinated Bonds (Series 402):

The Bank may execute early redemption of the Series 402 subordinated bonds from July 31 2024 through August 31 2028, as described in Section 8.2 to the Shelf Offering Report that was reported on July 5 2018 (Ref. No. 2018-01-060390), which was included in this Prospectus by way of reference (hereinafter - the “**Series 402 Shelf Offering Report**”).

The Subordinated Bonds (Series 402) bear fixed annual interest of 2.78%. If the Bank does not exercise its right to execute early

³ As defined in Section 1.1.6 to the Series 401 Shelf Offering Report.

redemption as aforesaid, then on July 31 2028 the interest rate shall be revised such that the annual interest rate of the Series 402 subordinated bonds will increase or decrease, as the case may be, by the amount of the difference between the benchmark interest rate⁴ on the interest change date and the benchmark interest rate on the issuance date of the said subordinated bonds for the first time. For more information see the Series 402 deed of trust.

c. Subordinated Bonds (Series 403):

The Bank may execute early redemption of the Series 403 subordinated bonds from January 31 2025 through February 28 2025, as described in Section 8.1 to the Shelf Offering Report that was reported on January 30 2019 (Ref. No. 2019-01-010896), which was included in this Prospectus by way of reference (hereinafter - the “**Series 403 Shelf Offering Report**”).

The Subordinated Bonds (Series 403) bear fixed annual interest of 2.42%. If the Bank does not exercise its right to execute early redemption as aforesaid, then on February 28 2025 the interest rate shall be revised such that the annual interest rate of the Series 403 subordinated bonds will increase or decrease, as the case may be, by the amount of the difference between the benchmark interest rate⁵ on the interest change date and the benchmark interest rate on the issuance date of the said subordinated bonds for the first time. For more information see the Series 403 deed of trust.

d. Subordinated Bonds (Series 404):

The Bank may execute early redemption of the Series 404 subordinated bonds from September 19 2024 through September 30 2024, as described in Section 18.1 to the Shelf Offering Report (that also constitutes a tender offer specification) that was reported on July 9 2019 (Ref. No. 2019-01-070048), which was included in this Prospectus by way of reference (hereinafter - the “**Series 404 Shelf Offering Report**”).

The Subordinated Bonds (Series 404) bear fixed annual interest of 1.95%. If the Bank does not exercise its right to execute early

⁴ As defined in Section 1.1.6 to the Series 402 Shelf Offering Report.

⁵ As defined in Section 1.1.6 to the Series 403 Shelf Offering Report.

redemption as aforesaid, then on September 30 2024 the interest rate shall be revised such that the annual interest rate of the Series 404 subordinated bonds will increase or decrease, as the case may be, by the amount of the difference between the benchmark interest rate⁶ on the interest change date and the benchmark interest rate on the issuance date of the said subordinated bonds for the first time. For more information see the Series 404 Deed of Trust.

e. Set forth below are additional details regarding the subordinated bonds traded on the TACT Institutionals system - 2031-I:

Under the terms of the deed of trust for the 2031 -I subordinated bonds as published by the Bank of January 29 2020 (Ref. No. 2020-01-011190), the Bank may execute early redemption of the 2031-I subordinated bonds on January 29 2026, subject to certain conditions.

Furthermore, the Bank may execute early repayment of the subordinated bonds at any time upon the occurrence of a regulatory event or a taxable event as defined in the deed of trust, subject to the terms set out therein.

The Series 2031-I subordinated bonds bear fixed annual interest of 3.275%, which will be revised - if early redemption was not executed - in accordance with the yield on 5-year treasuries as of that date plus 1.631% per year.

⁶ As defined in Section 2.3.6 to the Series 404 Shelf Offering Report.

(7) Details of the trustees

Set forth below are further details regarding the trustees for the series of subordinated bonds and the details of the engagement therewith:

Trustee	Reznik Paz Nevo Trust Ltd. (for Series 178, and 2031-I)	Mishmeret - Trust Company Ltd. (for Series 404)	Strauss, Lazer Trust Company (1992) Ltd. (for Series 179, 180, 181, 401, 402, 403)
Contact person	Yossi Reznik	Rami Sebti	Uri Lazar
Address	14 Yad Harutzim St. Tel Aviv 6770007	46-48 Menachem Begin Road Tel Aviv 6618001	94 Yigal Alon St. 6789139
Tel.	03-6389200	03-6374354	03-6237777
Fax	03-6389222	03-6374344	03-5613824
Email	trust@rpn.co.il	trusts@bdo.co.il	slcpa@slcpa.co.il

(8) Rating of the Bank's bonds

The bonds issued by the Bank are rated by Standard & Poor's Maalot Ltd. (hereinafter - "**Maalot**"), by Midroog Ltd. (hereinafter - "**Midroog**"), by S&P Global Ratings (hereinafter - "**S&P**") and by Fitch Ratings (hereinafter - "**Fitch**") on issuance date and as part of rating reports published from time to time.

Set forth below are details regarding the rating of the bonds issued by the Bank on issuance date and as of the Prospectus date:

	As of Prospectus publication date		As of issuance date	
	Ma'alot	Midroog	Ma'alot	Midroog
Bonds (Series 178, 179)	ilAAA stable	Aaa.il stable	ilAAA	Aaa.il stable
Bonds Series 180	ilAAA stable			
Bonds Series 181		Aaa.il stable		
Subordinated bonds (Series 401, 402, 403 and 404)	ilAA	-	ilAA	-
	S&P	FITCH	S&P	FITCH
Leumi Dollar 2031-I subordinated bonds	BBB	BBB	BBB	BBB

For more information about the rating assigned by Maalot to securities issued by the Bank in the last three years, see immediate report of December 29 2020 (Ref. No. 2020-01-141627).

For more information about the rating assigned by Midroog to the Bank and the Bank's bonds in the last three years, see immediate report of September 30 2020 (Ref. No. 2020-01-097720).

For more information about the rating assigned by S&P to securities issued by the Bank, see immediate report of December 23 2020 (Ref. No. 2020-01-131386).

For more information about the rating assigned by FITCH to securities issued by the Bank, see immediate report of January 23 2020 (Ref. No. 2020-01-009459).

Chapter 2 - Offering of Securities in accordance with the Shelf Prospectus

In accordance with this Shelf Prospectus, the public may be offered, through Shelf Offering Reports, ordinary Bank shares and/or other securities of the Bank, including subordinated bonds, which include a principal loss absorption mechanism, allowing the conversion of the Bank's subordinated bonds into its ordinary shares without giving their holders the right of choice (hereinafter, collectively: the "**Securities**").

The offering of the securities in accordance with this Shelf Prospectus shall be carried out in accordance with the provisions of Section 23a(i) to the Securities Law, through Shelf Offering Reports, into which all the specific details of that offering will be entered, including the details of the offered securities and their terms, in accordance with the provisions of any law and the Tel Aviv Stock Exchange's regulations and directives, as they may be at that time.

Chapter 3 - Share Capital and Holders Thereof

3.1 The Bank's share capital as of Prospectus date

For details regarding the Bank's authorized, issued and paid share capital as of Prospectus date, see the Bank's report of February 7 2021 (Ref. No.: 2021-01-014839). For details regarding the Bank's authorized, issued and paid share capital as of December 31 2020, see Note 25A to the Bank's financial statements included in the Bank's 2020 periodic report (hereinafer in this chapter - the "Financial Statements").

3.2 Changes in the Bank's authorized, issued and paid share capital during the last three years

3.2.1 Changes in authorized capital

No changes have taken place in the Bank's authorized share capital during the three years prior to this Propsectus' publication date.

Change date	Nature of change	Quantity	New balance
Mar. 5 2018	Vesting and conversion into shares of 2016 PSUs and 2017 PSUs	497,781	1,524,021,394
Mar. 6 2019	Vesting and conversion into shares of 2016 PSUs and 2017 PSUs	505,873	1,524,527,267
Feb. 26 2020	Vesting and conversion into shares of 2017 PSUs	192,997	1,524,720,264

3.2.2 Changes in the Bank's issued and paid capital

No changes have taken place in the Bank's issued and paid share capital during the three years prior to this Propsectus' publication date, except as described in the following table:

- a. In 2018, the Bank executed a share buyback plan totaling approx. NIS 700 million, under which 30,412,578 shares were purchased. For more information, see Note 25A to the Bank's annual financial statements as of December 31 2018, which were included in the Bank's 2018 periodic report as published on March 7 2019 (Ref. No.: 2019-01-019849), which is included in this prospectus by way of reference.

- b. In 2019, the Bank executed a share buyback plan totaling approx. NIS 700 million, under which 27,923,659 shares were purchased. For more information, see Note 25A to the Bank's annual financial statements as of December 31 2019, which were included in the Bank's 2019 periodic report as published on March 16 2020 (Ref. No.: 2020-01-025467) (hereinafter - the "**2019 Periodic Report**"), which is included in this prospectus by way of reference.
- c. On February 26 2020, the Bank's Board of Directors approved a buyback plan to purchase Bank's shares for a total of up to NIS 700 million, from March 1 2020 to February 26 2021. The buyback plan was due to be executed in three stages. The execution of stage A was completed on April 2 2020; in this stage, 13,488,021 shares were purchased for a total of NIS 250 million. In view of the publication by the Bank of Israel - on March 31 2020 - of the circular regarding Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Crisis (Temporary Order), on April 16 2020, the Bank's Board of Directors decided to discontinue the share buyback plan. For more information, please see Note 25A to financial statements included in the 2019 periodic report. For further details, see the Bank's immediate reports dated February 26 and April 16 2020 (Ref. Nos.: 2020-01-019590 and 2020-01-034294, respectively).
- d. As of the Prospectus date, the Bank holds 71,824,258 treasury shares purchased as part of the buyback plans as described above.

3.3 Interested parties' holdings of Bank's securities

For information about interested parties' holdings of the Bank's securities, please see the Bank's report as to the status of holdings of interested parties and senior officers of April 7 2021 (Ref. No.: 2021-01-058476).

3.4 Bank's share price on the Stock Exchange

Set forth below are details regarding the highest and lowest closing price of the Bank's share (in agorot) (adjusted to reflect dividends and benefits) in 2019 and 2020 and during 2021 (up to immediately prior to Prospectus publication date):

	2019		2020		2021	
	Price	Date	Price	Date	Price	Date
The highest price	2553.4	Nov. 7 2019	2523.56	Jan. 2 2020	2500	May 19 2021
The lowest price	2140.14	Jan. 3 2019	1493	Sep. 24 2020	1895	Jan. 4 2021

3.5 Control of the Bank

As from March 24 2012, the Bank is defined by law as a banking corporation without a controlling core, and no shareholder meets the definition of a controlling shareholder of the Bank.

3.6 Rights attached to Bank's shares⁷

3.6.1 The rights attached to Bank's shares are set in the Bank's Articles of Association (hereinafter - the "**Articles of Association**"). The full and revised text of the Articles of Association was attached to the report regarding changes in the Articles of Association of November 3 2016 (Ref. No.: 2016-01-072234), which is included in this Prospectus by way of reference.

Furthermore, the Bank convenes general meetings in accordance with the provisions of the Banking Ordinance, Companies Law and the regulations promulgated thereunder, including the Companies Regulations (Notice and Announcement of General Meeting and Class Meeting in a Public Company and Adding and Item to the Agenda), 2000, the Companies Regulations (Voting in

⁷ In any case of discrepancies between the provisions of the Articles of Association and cogent provisions in the Companies Law, 1999 (hereinafter - the "**Companies Law**") and/or the Securities Law and/or the Banking Law (Legislative Amendments), 2012 (hereinafter - the "**Banking Law (Legislative Amendments)**") and/or the Banking Ordinance, 1941 (hereinafter - the "**Banking Ordinance**") and/or the Banking (Licensing) Law and/or the Bank Shares Law (Temporary Order), 1993 (hereinafter - the "**Bank Shares Law**") and/or a provision included in the Proper Conduct of Banking Business Directives or in any regulation promulgated thereunder, the aforesaid provisions (i.e. the cogent provisions as described above) shall prevail. Special attention is drawn to the provisions of the Banking Law (Licensing) and the Banking Ordinance, which expressly give precedence for their provisions over the Bank's constitutional documents.

Writing and Position Notice), 2005 and in accordance with the provisions of the Articles of Association, to the extent that they do not contradict the provisions of the laws described above.

3.6.2 **Set forth below is a breakdown of the provisions of the Bank's Articles of Association regarding the legal quorum in general meetings, appointment of a chairperson of a general meeting and majority in general meetings:**

Legal quorum in the general meeting:

- (a) Pursuant to Regulation 59, three members present in person in the meeting shall constitute a legal quorum in a general meeting, and no matter shall be discussed in a general meeting unless the legal quorum is present when such discussion starts.
- (b) In accordance with Regulation 61, if, within half an hour from the time appointed for the opening of the meeting, a legal quorum is not present, the meeting shall stand adjourned to the same day in the following week, at the same time and at the same place, or to another date, time or place, as determined by the directors in a notice to the shareholders, regardless of whether the meeting was convened by the Board of Directors or otherwise. If a legal quorum is not present in the adjourned meeting as described above, the two members who are present in person shall constitute a legal quorum and they will be allowed to engage in the matters in respect of which the meeting was convened.

Appointment of a chairperson to a general meeting:

- (c) In accordance with Regulation 60, the Chairperson of the Board of Directors, or in his/her absence - the Deputy Chairperson (if any) - shall be entitled to chair every general meeting. If there is no chairperson or deputy chairperson, or if at any meeting he/she shall not be present within 15 minutes after the time appointed for holding such meeting or is unwilling to act, the directors present may elect a chairperson and in default of their so doing the directors present may elect one of the directors a chairperson, and if no director present be willing to take the chair, they shall elect one of their number to be chairperson.

Voting in the general meeting

- (d) In accordance with Article 62 of the Articles of Association, Every question submitted to a meeting shall be decided by a poll conducted in the first instance by a show of hands or in such manner as the Chairperson of the meeting directs. In case of an equality of votes, whether in a vote by show of hands or by ballot, the Chairperson shall have a casting vote in addition to the vote or votes to which he/she may be entitled as a member.
- (e) In accordance with Article 63 of the Articles of Association, unless a poll is demanded before or on the declaration of the result of a show of hands by the Chairperson or by at least three members present and entitled to vote at the meeting a declaration by the Chairperson that a resolution has been carried by a particular majority and an entry to that effect in the book of proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favor of or against such resolution. It was also stipulated that drafting of the minutes of the general meeting shall be made subject to the provisions of the Banking Ordinance
- (f) In accordance with Article 64 of the Articles of Association, if a poll is demanded as aforesaid, it shall be taken in such manner and at such time and place as the Chairperson of the meeting directs and either at once or after an interval or adjournment, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand of a poll may be withdrawn. In case of any dispute as to the admission or rejection of a vote the Chairperson shall determine the same and such determination made in good faith shall be final and conclusive.
- (g) For information about other directives regarding the right to receive notice about the convening of general meetings of the Bank's shareholders, the right to participate and the legal quorum, see Articles 54-75 of the Articles of Association.

3.6.3 Dividend Distribution:

- (a) Articles 112-113 of the Articles of Association stipulate that the Board of Directors may declare a dividend, which is to be paid to the members according to their rights and interests in the profits and may fix the time

for payment. No dividend shall be payable except out of the profits of the Company, and no dividend shall carry interest as against the Bank.

- (b) For more information about the conditions and rates for participation in dividend distribution and the issuance of bonus shares, see Article 5 and Articles 111-124 of the Articles of Association.

3.6.4 Additional directives

- (a) For information about shareholders' right upon liquidation, see Article 5 and Articles 141-142 of the Articles of Association.
- (b) For information about the Bank's shares, increase of capital and changes in share capital, see Articles 44-50B of the Articles of Association.
- (c) For information about the transfer and transmission of shares, see Articles 34-42 of the Articles of Association.
- (d) For information about the change of the rights attached to the shares, see Articles 6-7 of the Articles of Association.
- (e) For information about the appointment of directors and their term in office, see Chapter 6 below.

3.7 **Special restrictions on holding the Bank's shares and the duty to report means of controls**

In accordance with the Banking Law (Licensing), holders of means of control in the Bank are subject to special provisions: Following are the main points of those provisions:

- 3.7.1 They are prohibited from holding more than 5% of any particular type of means of control in one corporation (i.e., voting rights in general meeting and/or the right to appoint directors and/or the right to participate in profits and/or the right to receive a share in the remaining assets upon liquidation), unless they first obtain a permit to do so from the Governor of the Bank of Israel.
- 3.7.2 Furthermore, a shareholder holding more than 1% of a particular type of means of control in a banking corporation without a controlling core must report his holdings to the banking corporation.
- 3.7.3 The banking corporation must issue a report to the public regarding a shareholder holding more than 2.5% of a particular type of means of control in the banking corporation. The banking corporation should also issue a report to the public regarding a shareholder holding 1%-2.5% of a particular type of means of control

in the banking corporation, if the aforesaid shareholder has given its consent to the publication of such a report. Where such consent is withheld, the aforesaid shareholder may not join a group of holders in order to put forward candidates for service as directors in the Bank (for information about a shareholder's right to put forward candidates for service of directors in the Bank, see Section 6.4.3 below).⁸

- 3.7.4 Notwithstanding the above, the Banking Supervision Department may instruct a banking corporation to publish information regarding the holders of means of control therein in excess of the certain rate as shall be determined, provided that this rate is not lower than 1%, even if such holders withheld their consent as to the disclosure of their holdings as set out in Section 3.7.3 above, provided that such an instruction will come into effect at least six months from the date on which the instruction has been given to the banking corporation.
- 3.7.5 Furthermore, the Law for the Promotion of Competition and Reduction of Concentration, 2013 (hereinafter - the "**Concentration Law**") requires segregation between substantial non-financial corporations and substantial financial entities and places restrictions as to the holdings by the same controlling shareholder in a substantial financial entity and a substantial non-financial corporation (as defined in the Concentration Law), restrictions on a substantial non-financial corporation's holdings in a substantial financial entity, and a restriction on a banking corporation's holdings in a substantial non-financial corporation and in an insurer which is a substantial financial entity.

⁸ As to other restrictions applicable to the Bank's shareholders, it should be noted that Proper Conduct of Banking Business Directive No. 312 sets out provisions as to the approval of transactions with related parties, with a "Related Party" being defined, among other things, as the holder of 5% of any type of means of control in a banking corporation that controls the said banking corporation and his/her relative, excluding anyone who was granted a holding permit subject to the conditions set out in the Banking Supervision Department's letter of June 16 2016 regarding "Holding Permits in Banks to Entities Managing Customers' Funds - Revised Policy", and - in a banking corporation without a controlling core - anyone who put forward (wherever on its own or as a member of a group of holders) a candidate for service as director, so long as the director he/she puts forward serves in his/her office. Proper Conduct of Banking Business Directive No. 312 also sets out a restriction as to the amount of liabilities of related parties, and this restriction applies, among other things, to a "related party" as defined above.

Chapter 4 - Proceeds of the Offering and its Objective

4.1 Proceeds of the offering

As of the date of this Shelf Prospectus, the Bank does not offer any securities, and therefore there will not be any immediate proceeds following the publication of the Shelf Prospectus.

Chapter 5 - Description of the Bank's Businesses

5.1 **General**

Pursuant to Regulation 44(A1) and Regulation 6B to the Securities Regulations (Details of a Prospectus and a Draft Prospectus - Structure and Format) 1969, the 2020 periodic report is included in this prospectus by way of reference.

5.2 For details as to material changes and developments taking place in the Bank's business, see the events report attached to Chapter 8 of the Prospectus.

5.3 **Explanations of the Board of Directors and management**

For Board of Directors' explanations regarding the state of the Bank's affairs for the year ended December 31 2020, see the Report of the Board of Directors and management included in the 2020 periodic report.

5.4 **Details regarding subsidiaries and related companies**

For information about the Bank's holdings in principal subsidiaries and related companies held by the Bank as of December 31 2020, and for condensed data of those companies, including with regard to their principal area of activity, their profits before and after provision for taxes, the dividend, interest and management fees amounts that the Bank has received or is entitled to receive from each such company in each of the years 2019 and 2020, see Note 15 to the Bank's Financial Statements as of December 31 2020 and December 31 2019, and the data included under Regulations 11 and 13 to the Reports Regulations, as included in the Bank's 2020 periodic report and in the Bank's 2019 periodic report published on March 16 2020 (Ref. No. 2020-01-025467), which is included in this prospectus by way of reference.

5.5 **Holders in principal subsidiaries and related companies**

To the best of the Bank and its directors' knowledge, other than the Bank there are no other holders that hold more than 25% of the issued share capital or voting rights or the power to appoint directors in principal subsidiaries or related companies of the Bank.

Chapter 6 - Management of the Bank

6.1 The Bank's Board of Directors

The Bank's Board of Directors includes 10 directors, of whom 6 directors are classified as external directors in accordance with Proper Conduct of Banking Business Directive No. 301 (hereinafter - "**External Director**" and "**Directive 301**", respectively); of the said directors, three directors are also classified as external directors pursuant to the provisions of the Companies Law (hereinafter - "**ED**") and 4 ordinary directors, i.e., with the status of "**Other Director**" - a director who is not an External Director or ED as described above, and in Section 11D(2) to the Banking Ordinance. The legal quorum required at the Board of Directors' meetings and for passing resolutions therein is a majority of the Board members, provided that at least one third of Board members shall be External Directors. All External Directors are also classified as independent directors in accordance with the provisions of the Companies Law. For details about the Bank's directors, see information pursuant to Regulation 26 to the Reports Regulations in the Bank's 2020 periodic report, which is included in this Prospectus by way of reference.

6.2 Senior officers

For details about the Bank's senior officers who are not directors and who serve in the Bank as of the Shelf Prospectus date, see information pursuant to Regulation 26 to the Reports Regulations in the Bank's 2020 periodic report, which is included in this Prospectus by way of reference.

Further to the Bank's immediate report of April 1 2021 (Ref. No. 2021-01-053682) regarding, among other things, the appointment of Ms. Avivit Klein as Head of the Human Resources Division, set forth below are details regarding the officer in accordance with Regulation 26A:

Name of officer:	Avivit Klein
ID No.:	24565467
Date of birth:	Nov. 8 1969
Date of commencement of term of office	Apr. 1 2021
Role in the corporation, its subsidiary, related company or interested party thereof:	Head of the Human Resources Division

Is she an interested party in the corporation or a relative of another senior officer or of an interested party:	No	
Education during the last five years	BA in Economics, The Hebrew University, Jerusalem MA in Financial System Management-Public Administration, Clark University, Massachusetts, USA	
Her business experience in the last five years:	Head of the Human Resources Department in the Banking Division and Deputy Head of the Human Resources Division.	Jun. 1 2020 to Mar. 30 2021
	Head of the Human Resources Department in the Banking Division and Data Division and Deputy Head of the Human Resources Division	Jan. 23 2020 to May 31 2020
	Head of the Premium Department	Jan. 1 2017 to Jan 22 2020
	Head of the Customer Experience Department	Nov. 17 2013 to Dec. 31 2016

6.3 **Provision of the Bank's Articles of Association regarding the Board of Directors**⁹

The Bank's Articles of Association include provisions relating to the Board of Directors (hereinafter - the "**Articles of Association**"). The full and revised text of the Articles of Association was attached to the report regarding changes in the Articles of Association of November 3 2016 (Ref. No.: 2016-01-072234), which is included in this Prospectus by way of reference.

⁹ In any case of discrepancies between the provisions of the Articles of Association and cogent provisions in the Companies Law and/or the Securities Law and/or the Banking Law and/or the Banking Ordinance and/or the Banking (Licensing) Law and/or the Bank Shares Law and/or a provision included in the Proper Conduct of Banking Business Directives or in any regulation promulgated thereunder, the aforesaid provisions (i.e. the cogent provisions as described above) shall prevail. Special attention is drawn to the provisions of the Banking Law (Licensing) and the Banking Ordinance, which expressly give precedence for their provisions over the Bank's constitutional documents.

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

6.3.2 Details of Articles of Association provisions regarding the manner of appointment of directors, their election and term in service:

Articles 82 to 89 of the Articles of Association provide details regarding the appointment or termination of service of directors in the Bank, their term in office, and the manner of passing resolutions in the general meeting; Article 83A of the Bank's Articles of Association stipulates that so long as the Bank is deemed a bank without a controlling core, proposing and appointing candidates and terminating their service, including the maximal number of directors that can be proposed and the maximal number of directors that can be replaced in a general meeting shall be executed in accordance with the provisions of the Banking Ordinance, and in the event of contradiction between these provisions and any other provision of the Articles of Association, these provisions shall prevail. Set forth below are the details of the articles:

(a) Bank directors' term in office

In accordance with Articles 82 and 83 of the Articles of Association, at the ordinary general meeting in each year one-third of the directors whose term in office was extended, or if their number is not a multiple of three then the number nearest to but not exceeding one-third, shall retire from office and be eligible for re-election. As between two directors who have been in office an equal length of time the director to retire shall in default of agreement between them be determined by lottery. The length of time a director has been in office shall be computed from his/her last election or appointment where he/she has previously vacated office. A retiring director shall be eligible for re-election and shall act as a director throughout the meeting at which he retires.

(b) Appointment of directors

(1) Article 84 of the Articles of Association stipulates that subject to the provisions of the Articles of Association, the Bank may, subject to the provisions of the Articles of Association, appoint new directors from time to time in a general meeting, and may increase or reduce the number of directors in office and may alter their qualifications.

- (2) Article 84A of the Articles of Association stipulates that the resolutions of the general meeting regarding the appointment or termination of directors shall be adopted by a majority vote of the participants in the vote. The count of the participants' votes shall not take into account abstaining votes. Voting on the appointment and termination of directors shall be executed separately for each candidate or director.
- (3) Article 84A of the Articles of Association further stipulates that a person shall not agree with another regarding their votes for appointment of a director in the Bank, including regarding their votes for termination of a director, unless this is done in accordance with the Banking Law (Licensing) and the Banking Ordinance
- (4) Article 85 of the Articles of Association stipulates that at any general meeting at which any directors retire by rotation the Bank may fill up the vacated office by electing a like number of persons to be directors.
- (5) In accordance with article 85A of the Articles of Association, the term in office of a director will begin at the time of his/her appointment, unless a later date is set for the beginning of his/her term in office.
- (6) Article 85B of the Articles of Association stipulates that if the number of people being put forward for election as directors at a general meeting, and receiving an ordinary majority of the total voting rights of shareholders entitled to vote and who voted (by themselves, by their proxies or by voting papers) at a general meeting, exceed the number of available positions for directors due to be filled pursuant to the agenda of the general meeting, the candidates receiving a higher number of supporting votes at the general meeting than the other candidates (hereinafter - the "Elected Directors") shall be elected for the available positions. Should a determination need to be made between a number of candidates who received the same number of votes, the determination as to who shall be elected as director shall be made by lottery.

- (7) Article 85C of the Articles of Association stipulates that if prior to actual commencement of office of any of the elected directors it became clear that he/she will not commence office for any reason whatsoever, the next candidate in line to be deemed elected as director by the general meeting among the remaining candidates in lieu thereof, who possesses the same type of competence (ED, External Director or other director) will be the one who has received the majority vote required for election; and where there are a number of candidates who have received the required majority as specified, then the candidate among them, who has received the highest number of supporting votes in the general meeting, will be the one deemed elected ("Next in Line"). The provisions stated in this article shall also apply the Next in Line.
- (8) Article 86 of the Articles of Association stipulates that subject to what is stipulated in the Banking Ordinance and in the Banking Law (Licensing), and subject to what is stated in Section 85C above, if at any general meeting at which an election of directors ought to take place the place of any director retiring by rotation is not filled up that director shall, if willing to do so, continue in office until the ordinary general meeting in the next year and so on from year to year until his place is filled up unless it shall be determined at such meeting to reduce the number of directors in office.
- (9) Article 87 of the Bank's Articles of Association stipulates that a person will only be allowed to be elected as a director in a general meeting if he or another member who intends to put him forward for election has filed to the office, on the date set for that purpose in the notice (that was previously published by the Bank as to the intention to convene a general meeting that will have the election of directors on its agenda), a duly signed written notice announcing his candidacy to the vacancy.
- (10) Article 87A of the Bank's Articles of Association stipulates that the Board of Directors shall not be allowed to appoint directors in the Bank and to put forward before the Directors' Appointments

Committee candidates to serve as directors. Notwithstanding the above, Article 88 stipulates that the Board of Directors may appoint directors to the Bank if a vacancy has become available in the Board of Directors after the last general meeting, or at the approval of the Supervisor of Banks, so long as the tenure in office of a director who was appointed as aforesaid will end no later than the next annual meeting, and provided that the total number of directors at any given time shall not exceed the maximal set number.

- (11) Article 89 of the Bank's Articles of Association stipulates that subject to the provisions of Article 84A above, the Bank may by a resolution of the general meeting approved by an ordinary majority remove any director from office before the expiration of his period in office, and may appoint another qualified person in his/her stead. A person that was so appointed will remain in office only for the remaining tenure of the director who was removed from office.
- (c) As aforesaid, so long as the Bank does not have a controlling core, the provisions of Article 83A of the Articles of Association will apply, and in the event of contradiction between these provisions and any other provision of the Articles of Association, these provisions shall prevail, as follows:
 - (1) Proposing and appointing candidates and terminating their service, including the maximum number of candidates that may be put forward and the maximum number of directors that may be replaced in the general meeting shall be executed in accordance with the provisions of the Banking Ordinance.
 - (2) Without derogating from the generality of the aforesaid, an officer of the Bank, other than a director who is a member in the Directors' Appointments Committee, shall not act to appoint a certain director or to prevent his appointment; however, a director may put forward before the Directors' Appointments Committee his appointment as a director.
 - (3) The tenure in office of a director who is not an ED or an External Director shall be in accordance with the provisions of the Banking

Ordinance, and the number of tenures in office shall not exceed the number of tenures in office set in the Banking Ordinance.

- (4) Any person who does not meet the conditions set out in the Banking Ordinance shall not be appointed and shall not serve as a director, and the special provisions set out in the Banking Ordinance in that respect shall apply to those who serve as directors in the Bank shortly before it becomes a banking corporation without a controlling core.
- (d) Furthermore, the provisions of the Banking Ordinance apply to the appointment of directors as follows:
- (1) The resolutions of the general meeting regarding the appointment of a director or the termination of his tenure in office shall be passed by a majority vote of the participants in the vote. Abstaining votes shall not be counted towards the total number of participating votes. The general meeting's voting on the appointment of directors and the termination of their tenure in office shall be carried out separately for each candidate or for each director, as the case may be.
 - (2) The Board of Directors may not appoint directors in the Bank or bring forward before the Directors' Appointment Committee any candidates for such office. Nevertheless, if the Bank has a controlling core, the Board of Directors may appoint directors in the Bank if a vacancy has become available in the Board of Directors after the last general meeting, or at the approval of the Supervisor of Banks, provided that the tenure in office of a director who was appointed in such a manner will end no later than the next annual meeting.
 - (3) If the number of persons who were put up for election as directors in the general meeting and who won a majority of the votes in the general meeting has exceeded the number of director vacancies, then the nominees who received a higher number of supporting votes in the general meeting than the other nominees shall be elected.
 - (4) A general meeting, the agenda of which includes the appointment or termination of service of directors, shall not convene unless the Bank published a prior notice of the above in the way a notice about the

convening of a general meeting is published, at least 21 days prior to the notice regarding the convening of the general meeting and the prior notice has been delivered to the Banking Supervision Department on that date.

- 6.3.3** For provisions regarding alternate directors, see Article 102 of the Bank's Articles of Association.
- 6.3.4** For provisions regarding the termination of service of the directors, see Articles 80, 80A, 82, 83, 83A and 84A of the Bank's Articles of Association.
- 6.3.5** Regarding voting in Board of Directors' meetings, Article 97 of the Articles of Association stipulates that questions arising at any meeting of directors shall be decided by a majority of votes and in case of an equality of votes the Chairperson shall have a second or casting vote.
- 6.3.6** As to the transfer of powers between the Bank's organs, Article 92 of the Articles of Association stipulates that the Directors may from time to time entrust to and confer upon a business director who serves as an officer at that time some of the powers exercisable under the Articles of Association by the Directors as they may deem fit and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they think expedient, and they may confer such powers either collaterally with or to the exclusion of and in substitution for all or any of the powers of the directors in that behalf, and may from time to time revoke, withdraw, alter or vary all or any of such powers.¹⁰
- 6.3.7** For provisions regarding the Board of Directors committees and the powers conferred upon them, see Articles 99-99B of the Articles of Association and the information provided below in this chapter.
- 6.3.8** For provisions regarding directors compensation and regarding exemption, insurance and indemnification, see Articles 77-78 and 143 of the Articles of Association and Chapter 7 below.

¹⁰ to the extent that this is does not contradicts the provisions of the Companies Law.

6.4 Legislative provisions regarding the Board of Directors

6.4.1 The Banking Ordinance sets out provisions regarding the appointment of directors in the Bank. On March 19 2012, the Banking Law (Legislative Amendments) (hereinafter in this Section – the “**Law**”) was published in the Official Gazette; the main purpose of the law is to make further adjustments to the Banking Law and the Banking Ordinance in order for them to be aligned with the required supervisory framework required in the event that all holders of means of control in a bank are not required to obtain a permit under Section 34(b) to the Banking Law, since the holding rate of each of those holders does not exceed 5% (hereinafter - “a **Banking Corporation without a Controlling Core**”). The Law focuses mainly on the manner of putting forward candidates for election as directors in the Bank as aforesaid, and their service, while maintaining a balance between the right of those who hold the means of control to put up candidates for election as directors and to act for their election, and the desire to prevent a situation where effective control in the Bank is achieved without the approval of the Governor of the Bank of Israel. Set forth below are provisions relating to the appointment and tenure of directors. It should be emphasized that those provisions do not provide the full details of the provisions of the said legislation in its entirety.

6.4.2 Pursuant to Section 36a(a) of the Banking Law (Licensing), a committee was set up for the appointment of directors in Banks (hereinafter – the “**Committee**”), whose function is to appoint directors in banks upon the occurrence of the circumstances set out in Section 35A of the Banking Law (Licensing), and to put forward candidates for service as directors before the general meeting of banking corporations without a controlling core.

6.4.3 Nomination of candidates for election as directors

Pursuant to the provisions of the Banking Ordinance, only the following may put forward candidates for election as directors in a banking corporation without a controlling core:

- (1) The Committee, as defined above, which will put forward a number of candidates that will be equal to the number of vacancies required to reach the maximal number of directors pursuant to the Proper Conduct of Banking

Business Directives, and one further candidate for each type of directors that should be appointed: ED, External Director, and other director;

- (2) A holder of more than 2.5% of a certain class of means of control in the banking corporation (hereinafter – a “**Holder**”).
- (3) Two or three holders of means of controls in the banking corporation, each of which holds more than 1% but no more than 2.5% of a certain types of means of control in the banking corporation, and which jointly hold no less than 2.5% and no more than 5% of such means of control (hereinafter – “**Group of Holders**”), provided that each member of the Group of Holders has submitted to the banking corporation a report on its holdings as set out in Section 36(b)(1) to the Banking Law (Licensing), and during at least 3 months prior to the notice on the convening of the general meeting that member of the Group of Holders has not objected to the disclosure as stated in Section 36(b)(1)(c) to the Banking Law.¹¹
- (4) A Holder or a Group of Holders, including any member of the Group of Holders, shall not put forward more than one candidate for the office of director in accordance with the provisions of clauses (2) and (3) above, and will not put forward any further candidates for the office of director so long as a director whom they put forward is in office, unless the Governor has given them a permit to do so after consulting the Licenses Committee. This provision shall not apply to the proposition of a candidate who will replace a serving director who was appointed at the suggestion of the Holder or Group of Holders, as the case may be.

6.4.4 Rules regarding non-existence of interest

Pursuant to the provisions of the Banking Ordinance, candidates to the office of director in a banking corporation without a controlling core shall be subject to restrictions regarding interest in the relevant banking corporation, by virtue of the provisions of the Companies Law applicable to an EDs, mutatis mutandis.

¹¹ In connection with this matter, it should be noted that as part of the amendment of Proper Conduct of Banking Business Directive No. 312, which deals with the Bank’s business with related persons, the definition of the term “related person” was extended to include those who put forward a candidate for the office of director in a banking corporation without a controlling core and his/her relatives (so long as the director who was put forward by him is in office).

Those provisions stipulate, among other things, that the following persons shall not be appointed or serve as directors in a banking corporation without a controlling core:

- (a) Any person or a relative thereof who holds any class of means of control in the banking corporation, in a corporation controlled by the banking corporation or in a substantial holder as defined in the Ordinance, excluding holding of negotiable shares at a rate that does not exceed a quarter of a percent of the issued and paid share capital of any of them;
- (b) Anyone who during the two years prior to the appointment or as from the appointment date and thereafter, has an interest in the banking corporation or a corporation controlled by the banking corporation, has an association with an officer in the banking corporation or with a substantial holder, or anyone who is in a close relationship therewith, and anyone who as from the date of appointment and thereafter has an association with a relative of an officer in the banking corporation, a relative of a substantial holder or a partner of a substantial holder (for that purpose, the service as director of a candidate for an additional tenure in a bank without a controlling core shall not be considered as an interest).
- (c) An individual who has a business or professional relationship with the banking corporation or with a corporation controlled by the banking corporation, or whoever is in a close relationship therewith, an officer in the banking corporation or with a substantial holder who put forward that candidate for the office of director, even if such relationships are not routine, except for negligible relationships.
- (d) Anyone whose candidacy was put forward by the Committee pursuant to Section 11d(a)(1) to the Banking Ordinance, and has an affiliation to the Committee member on appointment date.
- (e) Anyone whose candidacy was put forward by the Committee pursuant to Section 11d(a)(1) to the Banking Ordinance and is a minister, deputy minister or Knesset Member, or has a personal, business or political affiliation to a minister or a deputy minister, or is a public sector employee, or an employee of a statutory corporation.
- (f) Anyone whose candidacy was put forward by the Committee pursuant to Section 11d(a)(1) to the Banking Ordinance and was convicted of an

offense, due to the nature, severity or circumstances of which, he is not fit to serve in such office, or anyone against whom there is a pending indictment relating to such an offense.

- (g) Anyone whose candidacy was put forward by the Committee pursuant to Section 11d(a)(1) to the Banking Ordinance and whose other roles or occupations create or might create conflict of interest with his role as a director, or may impair his ability to serve as a director.

6.4.5 The Banking Supervision Department may approve the appointment or service of a director who during the two years prior to the appointment or as from the appointment date and thereafter, has an affiliation with a substantial holder, or anyone who is in a close relationship therewith has an affiliation with a substantial holder, a relative of a substantial holder or a partner of a substantial holder, even if that affiliation is not negligible. Such approval shall be granted if the Banking Supervision Department concludes that under the circumstances this affiliation does not give rise to conflict of interest during the course of service as director.

6.4.6 The Banking Ordinance places further restrictions on the appointment of directors in a banking corporation, and stipulates that a person who controls or who is related to a controlling shareholder of a substantial non-financial corporation, or an officer of a substantial non-financial corporation, as defined in the Concentration Law, may not be appointed as director or serve as director in a banking corporation which is a substantial financial entity.

6.4.7 Further provisions regarding the appointment or termination of directors under the Banking Ordinance

The Banking Ordinance sets out further special provisions regarding the appointment of directors, their tenure in office and the termination thereof, that will be applied to a banking corporation without a controlling core, notwithstanding any other provisions of the law. Among other things, the Banking Ordinance stipulates the following: (1) voting for the appointment or termination of directors shall take place only at an annual general meeting or a meeting convened according to Section 35a to the Banking (Licensing) Law, unless the Banking Supervision Department approved such a vote in a extraordinary general meeting; (2) a provision prohibiting an officer in a banking

corporation (other than an External Director or ED serving as a committee) from taking action to appoint or to prevent the appointment of a certain director; however, the provision allows the director to put forward his/her candidacy; (3) a director, who is not an External Director or ED shall serve for a term that is no longer than 3 years, and he/she can be re-appointed for additional terms not exceeding three years each, provided that the aggregate number of his/her years in office does not exceed 9 (unless the Bank became a banking corporation without a controlling core, in which case a director serving at the bank prior to its becoming a banking corporation with no controlling core, shall continue serving until the next annual meeting even if his/her aggregate years in office exceeds 9 years); (4) the number of directors to be replaced every year shall not exceed half of the directors serving immediately after the previous annual meeting, unless the Banking Supervision Department has given its approval; (5) under certain circumstances, the Banking Supervision Department may give a director whose term in office has ended permission to continue serving for further 6 months or until the occurrence of certain events, the earliest of the two. Section 11A to the Banking Ordinance requires the banking corporation to give the Banking Supervision Department prior notice before the appointment of certain officers, including directors, and the appointment is subject to the Banking Supervision Department's approval. The Banking Supervision Department are also allowed to instruct the termination of a director's service in certain cases listed in the Banking Ordinance.

6.5 **The Banking Supervision Department's directives regarding the proceedings of the Board of Directors**

The Banking Supervision Department has set directives for the proceedings of a banking corporation's Board of Directors. These directives were promulgated further to the provisions of the Companies Law, the Bank's Articles of Association, relevant legislation, guidance issued by any other regulator which regulates the Bank and the Board of Directors' resolutions.

In Directive 301 the Banking Supervision Department has set provisions regarding the Board of Directors, including its functions and powers, composition, eligibility criteria for service as a director and as Chairperson of the Board of Directors, Board of Directors

committees, Board of Directors meetings, practices for efficient functioning of the Board of Directors and reporting to the Banking Supervision Department.

Set forth below is a summary of the provisions of Directive 301:

6.5.1 Functions of the Board of Directors

The Board of Directors bears the responsibility to the banking corporation's businesses and financial soundness. The Board of Directors shall employ all reasonable measures required to fulfill its functions in accordance with the law and as stated in Directive 301. Listed below are the Board of Directors' principal functions:

- (a) The Board of Directors shall outline the banking corporation's strategy, including its risk strategy and appetite, and shall approve the banking corporation's policy, which will guide the banking corporation in its current activities.
- (b) The Board of Directors shall supervise the actions of management and their consistency with the Board of Directors' policy.
- (c) The Board of Directors shall ensure that clear areas of responsibility and accountability are in place in the bank.
- (d) The Board of Directors shall outline an organizational culture for the bank that requires implementation of high professional standards and integrity.
- (e) The Board of Directors shall ensure that the bank complies with the law and regulations.

6.5.2 Issues which the Board of Directors must discuss and decide on

The Board of Directors shall discuss, decide, approve, and set guidance, as the case may be, relating to the following topics:

- (a) Overall strategy and policy
 - (1) The overall strategic targets of the banking corporation and its foreign offices (subsidiaries, branches, foreign offices and representatives) including the principles for action, the business model and profit sources, operational efficiency, overall risk strategy, and risk appetite, as described in Proper Conduct of Banking Business Directive No. 310.

The strategic targets will be discussed bearing in mind the macro-economic, business and regulatory environment in which the Bank operates. The Board of Directors of a controlled corporation must take into account the group's overall strategic targets, as determined by the Board of Directors of the controlling banking corporation, insofar as they are consistent with the interest of the controlled corporation and the provisions of Section 11 of the Companies Law.

- (2) Organizational Structure of the banking corporation and the group
The Board of Directors shall assess whether the structure of the banking corporation and that of the group are consistent with its business strategy, with reference to, among other things, the types of corporations in the group and the manner by which they are held and controlled, and the controlling banking corporation's ability to identify, control and mitigate the risks at group level, including excess risks stemming from complex structures. For that purpose, the Board of Directors shall ensure that the structure of the banking corporation and that of the group include appropriate communication and reporting channels.

In this subsection, "group" refers to the banking corporation and corporations under its control.

- (3) The risk management framework, including approval of policy and the method of risk management for each of the banking corporation's risks, including all corporations under its control and offices (credit risks, market risks, operational and technology risks, liquidity risks, compliance risks, legal risks, etc.), as described in Section 15 of Proper Conduct of Banking Business Directive No. 310.

The Board of Directors of a controlled corporation must take into account the group's overall risk management framework, as determined by the Board of Directors of the controlling banking corporation, insofar as they are consistent with the interest of the controlled corporation and the provisions of Section 11 of the Companies Law.

- (4) Approval of new product policy and examination and pre-approval of significant new products prior to their operation, as described in Proper Conduct of Banking Business Directive No. 310.
 - (5) The banking corporation's credit policy, and the targets as described in Proper Conduct of Banking Business Directive No. 311.
 - (6) The banking corporation's IT and E-Banking policy and strategy.
 - (7) The process of assessing capital adequacy against the level determined for exposure to risks, capital policy, and capital structure and changes therein.
 - (8) Targets to be achieved during the coming year and the degree to which they are consistent with the banking corporation's policy, and approval of a work plan in accordance with these targets.
 - (9) The banking corporation's overall budget (income, expenses and investments) and monitoring its actual execution.
- (b) Supervision and control
- (1) Reports on the banking corporation's business position
 - (2) Material departure, as defined by the Board of Directors, from the restrictions set under the policy it approved.
 - (3) Types of exceptional events that the Board of Directors should discuss, and discussion of material exceptional events.
 - (4) Supervision and control mechanisms over controlled corporations.
 - (5) The work of the audit and control functions.
 - (6) Material audit reports transferred by the Audit Committee for discussion in the Board of Directors' plenum, after consulting the Chairperson of the Board of Directors.
 - (7) Approval of the banking corporation's annual and quarterly reports to the public.
 - (8) Notices from the independent auditor: (1) Notice of failure to correct deficiencies under Section 3(b) of Proper Conduct of Banking Business Directive No. 304; (2) notice of doubts as to the banking corporation's ability to continue as a going concern under Section 6(c) of Proper Conduct of Banking Business Directive No. 302.

(c) Human resources and compensation policy

- (1) Appointment of the general manager, his/her termination and assessment of his/her performances.
- (2) Appointment policy and assessment of senior employees' performances.
- (3) Periodic rotation of certain officers in the banking corporation, as described in Proper Conduct of Banking Business Directive No. 360.
- (4) The compensation policy, as defined in Proper Conduct of Banking Business Directive No. 301A, after considering the Compensation Committee's recommendations.
- (5) The banking corporation's engagements with senior officers as to their compensation (as these terms are defined in Proper Conduct of Banking Business Directive No. 301A), after obtaining the Compensation Committee's approval and before the approval of the general meeting, if required. As to the banking corporation's engagement with the Internal Auditor, the Board of Directors' approval shall also be in accordance with the Audit Committee's recommendation.
- (6) Principles of compensation agreements of the banking corporation's employees who are not senior officers.

(d) Miscellaneous

- (1) Share issuance (including options and convertible securities) by a controlled corporation, whether in Israel or abroad, and any other issuance by a controlled corporation guaranteed by the banking corporation, other than an issuance by a corporation in which the parent corporation holds all the means of control, and the issuance is made to the banking corporation itself or a corporation controlled by the banking corporation.
- (2) Making changes in the structure of the banking corporation's control of a controlled corporation whose activity is material for the banking corporation's activity.

- (3) Making and disposing of permanent investments, including an investment in a controlled corporation, whether based in Israel or abroad, according to criteria to be set by the Board of Directors, with the investment amount being one of the criteria; the criteria shall be determined such that the Board of Directors is not involved in ongoing management of the banking corporation.
 - (4) A code of ethics for the banking corporation.
 - (5) Policy for preventing conflicts of interest and controls in respect thereof.
 - (6) A policy on “non-transparent activities”.
 - (7) Any other matter of significance to the banking corporation’s activity, or to supervision and control of its conduct.
- (e) Meetings without management’s presence

The Board of Directors shall hold a discussion at least once a year without the presence of management; the following subjects shall be discussed in this discussion:

- (1) Assessment of the general manager’s performance and management’s functioning.
- (2) Assessment of the quality of the information received from management at Board of Directors’ meetings, including: the amount and type of information and its frequency.
- (3) Salaries and compensation paid to senior employees.
- (4) Assessment of the audit and control functions and of the effectiveness of controls in the banking corporation.
- (5) Other issues relating to the relationship between management and the Board of Directors.

Every two years the Board of Directors shall hold a discussion to assess the effectiveness of the Board of Directors’ work, as described in Directive No. 301.

- (f) Directive No. 301 includes various other issues as described therein, including the required frequency of discussions by the Board of Directors of the issues listed in that Directive.

6.5.3 Composition of the Board of Directors

- (a) The Board of Directors shall comprise a number of directors that will encourage efficiency and significant strategic discussion, provided that the number of directors will not be lower than 7 or higher than 10. A banking corporation that believes that a larger number of directors are needed for its Board of Directors' proper functioning may appoint a larger number of directors to the Board of Directors, subject to approval by the Banking Supervision Department.
- (b) Employees of the banking corporation shall not be appointed as members of the Board of Directors.
- (c) At least one-third of the members of the Board of Directors shall be External Directors.
- (d) Notwithstanding the provisions of Section 245(b) to the Companies Law, the Banking Supervision Department may discontinue the service of an External Director who is not an ED in accordance with Section 11a(e) to the Banking Ordinance, and to give a banking corporation permission to add to the agenda of the general meeting a shareholder's proposal to discontinue the service of such External Director, if the shareholder is entitled to do so according to the Companies Law and the banking corporation's Articles of Association.
- (e) In exceptional cases, the Banking Supervision Department may approve a candidate for the position of External Director, even if not all the conditions listed in Directive No. 301 are met, provided that if the person in question is an ED or an Independent Director appointed in accordance with the Companies Law, all the conditions set in connection therewith in the Companies Law are met.

6.5.4 Board of Directors eligibility

In addition to the eligibility criteria applicable to each of the directors, as described below, the Board of Directors shall collectively possess proper knowledge, qualifications, skills and experience that are in line with the banking corporation's strategy and the characteristics of its activity, provided that the following conditions are met:

- (a) At least one-third of the directors shall have “Banking Experience” as this term is defined in Directive 301, or someone whom the Banking Supervision Department authorized as having equivalent experience.
- (b) At least one-fifth of the directors shall have accounting and financial expertise, as this term is defined in Section 240 to the Companies Law.
- (c) At least half of the directors shall have possess professional competence as defined in Directive 301.
- (d) At least one director shall have knowledge and proven experience in the field of IT¹². This condition shall not apply to banking corporations which are subsidiaries of banking corporations and receive IT services therefrom.
- (e) For the avoidance of doubt, a director possessing a number of competences, as required in this section, may be counted as one of the directors required by those sections.

6.5.5 Knowledge of the Hebrew language:

The directors shall be fluent in the Hebrew language, at least in terms of reading and speaking, such that they will be able to read background material for meetings and to actively participate in discussions. In exceptional cases the Banking Supervision Department may exempt a director from this requirement.

6.5.6 Chairman of the Board:

The Chairperson of the Board of Directors is charged with the proper functioning of the Board of Directors and for the fulfillment of the duties imposed on it. The Chairperson makes a significant contribution to maintaining the checks and balances in a banking corporation’s corporate governance between the Board of Directors, senior management, controlling shareholders, and other interested parties. The Chairperson of the Board of Directors is required to have appropriate experience, capabilities and personal traits in order to fulfill the role.

- (1) All duties of a director shall apply to the Chairperson of the Board of Directors.

¹² On November 20 2018, the Bank’s Board of Directors decided that the principal parameter for classifying a director as a “director with proven experience in the field of IT” in accordance with the provisions of Section 25 of Directive 301 shall be as follows: “anyone who has practical managerial experience in leading significant technological projects in large companies during the past 15 years, and who ensured that he/she is up-to-date with changes in this field since the leading/managing of the technological project has ended, all subject to the Board of Directors’ judgement and resolutions”.

- (2) The Chairperson is to encourage the holding of open discussions that allow the expression of differing opinions and ensure that decisions are made on the basis of adequate information.
- (3) With the absence of the Chairperson of the Board of Director, one of the directors shall take his/her place.
- (4) A controlling shareholder or his relative shall not serve as the Chairperson of the Board of Directors.
- (5) An External Director shall not serve as the Chairperson of the Board of Directors of a banking corporation with a controlling core.
- (6) A person shall only serve as the Chairperson of the Board of Directors if he/she participates in Board meetings on a regular basis.
- (7) The Board of Directors shall set a policy as to the maximal term in office of a Chairperson of the Board of Directors.

6.5.7 Director's eligibility criteria:

- (a) A director in a banking corporation shall be an individual.
- (b) Each of the directors shall possess the qualifications necessary to serve in his/her role and, specifically: possess the education, knowledge, experience or expertise in one or more of the following areas: banking, finance, economic or business activity, law, finance, accounting, risk management, regulatory compliance, information technology, information security (including cybersecurity) or another area approved by the Banking Supervision Department.
- (c) A person shall not serve as a director if his/her other occupations do not leave him with sufficient time to fulfil his/her duties in that capacity.

6.5.8 Permanent conflict of interest

Directive 301 sets rules to prevent permanent conflicts of interest of directors, including: prohibiting serving at the same time as a director / member of the Investment Committee/ member of the Credit Committee/ an employee of another banking corporation which is not part of the same banking group or its controlling shareholders, and in a financial entity or a corporation controlling the financial entity, in accordance with the provisions set in Directive 301. Furthermore, in accordance with Directive 301, the Board of Directors shall set

guidelines for cases where a director may potentially have a permanent conflict of interest, and guidelines for cases in which directors have personal interest.

In that regard, it should be noted that Proper Conduct of Banking Business Directive No. 312 adds guidance on a banking corporation's business with "related parties", restricts the amount of "related parties" liabilities to the banking corporation, and requires that transactions between the banking corporation and "related parties" shall be carried out in accordance with strict corporate governance rules and in accordance with business considerations and at terms that are not preferential to similar transactions with unrelated parties.

6.5.9 Board of Directors meetings

- (a) Directive 301 sets rules regarding the frequency of Board of Directors meetings, attendance in those meetings, notices and background material for meetings, legal quorum and voting, agenda, minutes, Internal Auditor's participation in meetings, holding meetings via means of communication and passing decisions without convening.
- (b) The Directive also prohibits the appointment of an alternate director or observer to the Board of Directors of a banking corporation. Nevertheless, a director may take part in a meeting of a Board of Directors committee he/she is not a member of, provided that he/she does not participate in those meetings on a regular basis.

6.5.10 Practices for efficient functioning of the Board of Directors

Directive No. 301 sets rules as to practices for efficient functioning of the Board of Directors, including work procedures, requirements from directors, directors' right to receive information, professional assistance to the Board of Directors, signatory rights, sectoral conflict of interest, personal interest, relations with the banking corporation's employees outside of meetings, professional training, and expertise and assessment of the effectiveness of the Board of Directors' work. Furthermore, Directive 301 sets rules regarding reporting to the Banking Supervision Department.

For information about the proceedings of the Board of Directors, see Articles 94 to 101 of the Articles of Association.

6.6 **Board of Directors' Committees**

The Bank's Board of Directors operates, among other things, through sub-committees. Generally, the committees are permanent committees; some of the committees were set up in accordance with the requirements of the relevant legislation, some were set up by virtue of the provisions issued by the Banking Supervision Department (Proper Conduct of Banking Business Directives), and some were set out in accordance with Board of Directors' resolutions in view of the Bank's needs and activity. Furthermore, committees are set up on an ad-hoc basis from time to time to deal with certain issues. The composition of the committees, their roles and work methods are determined in accordance with the relevant legislation, the provisions of the banking procedures and the Bank's internal procedure as to the work of the Board of Directors and its committees. In accordance with the Board of Directors procedure, subject to the Companies Law and the Directives of the Banking Supervision Department, the Chairperson of the Board of Directors may present any matter for discussion in and resolution by the Board of Directors' plenum, even if the Board of Directors procedure requires that this matter shall be discussed by a certain committee. The Chairperson of the Board of Directors may also decide, based on the circumstances of the matter, that subjects that should be brought for discussion in and/or resolution by a certain committee will be brought for discussion in and/or resolution by another Board of Directors committee.

The Board of Directors may not delegate its powers to a Board of Directors committee with regard to certain subjects as set out in the Companies Law and in Directive 301. The above does not apply to issues regarding which a decision in the framework of a committee is required under any law, or to issues regarding which the Board of Directors has obtained advance written approval from the Banking Supervision Department.

Following is a list of the Bank's committees, their roles and powers:

6.6.1 Audit Committee¹³

Set forth below is a summary of the principal issues which the Audit Committee is authorized to discuss and/or make recommendations about to the Board of Directors:

- (a) To identify deficiencies in the business management of the Bank and the Group, while consulting, among other things, the Chief Internal Auditor or the independent auditor, and suggest ways to rectify those deficiencies. In this framework, the committee shall discuss, among other things, the findings of internal and external audit reports submitted to it, and after consulting the Chairperson of the Board of Directors bring material audit reports for discussion before the Board of Directors' plenum. The committee shall also ensure that management has taken appropriate action on a timely manner in order to rectify the deficiencies stated in the audit reports, and discuss periodic reports to be submitted by the Internal Auditor.
- (b) Supervising the Bank's Chief Internal Auditor, including giving the Board of Directors recommendations as to appointment, suspension or removal from office of the Chief Internal Auditor, at the recommendation of the Chairperson of the Board of Directors in coordination with the President and CEO. The committee shall give the Compensation Committee recommendations as to the salary and compensation of the Chief Internal Auditor and his/her promotion, and will give the Board of Directors' plenum recommendations on the approval of the Chief Internal Auditor's annual work plan including the scope and frequency of the audits. The committee may require the internal audit function to conduct special examinations in addition to those set in the Internal Auditor's work plan, and will ensure the competency of the audit and control function and the allocation of appropriate resources for their work.

¹³ As of January 1 2013 and pursuant to the directives of the Banking Supervision Department, the Audit Committee serves as the Financial Statements Review Committee. As of January 1 2018 and in accordance with the Directives of the Banking Supervision Department and pursuant to the provisions of Section 118A(D) to the Companies Law, the Audit Committee and Compensation Committee were merged, so that the Audit Committee shall also serve as the Compensation Committee. On July 22 2020, the Board of Directors approved the separation of the Compensation Committee from the Audit Committee.

- (c) To discuss the independent review of the internal audit function on ICAAP.
- (d) To oversee the work of the Bank's independent auditors, including giving the general meeting a recommendation as to their appointment. Every three years, the committee shall discuss the potential replacement of the independent auditors and give the general meeting and/or the Board of Directors a recommendation as to the compensation thereto.
- (e) To assess the Bank's annual and quarterly reports to the public, discuss and give the Board of Directors a recommendation as to their approval, including discussing and giving the Board of Directors recommendations on various issues such as issues pertaining to internal control over financial reporting, loan loss provision and provision for legal claims, the appropriateness of provisions and classification of debts, the appropriateness of the disclosure in the financial statements, the accounting policy and appraisals.
- (f) To determine arrangements as to the way of handling complaints of the Bank's employees regarding deficiency in the management of its business and as to the protection provided to the employees so complaining.
- (g) To use the work of the internal audit function in order to assess the effectiveness of key internal controls in the Bank.
- (h) To discuss transactions with "related parties" as required under Proper Conduct of Banking Business Directive No. 312, and discuss actions and transactions requiring the Audit Committee's approval under the Companies Law, and set criteria for extraordinary transactions with an officer, or transactions in which an officer has a personal interest and criteria for an extraordinary action by officers. The committee shall assess the need to revise the said criteria at least once a year.
- (i) To discuss the Group's policy for management of the compliance risks, which includes the policy for management of money laundering and terrorism financing risks and the Bank's internal enforcement policy, while taking into account the Bank's risk assessment; to discuss and approve the multi-year work plan of the compliance function, and monitor its performance on a semi-annual basis, and discuss the periodic reports of the Compliance Officer. Furthermore, to recommend the Board of

Directors the appointment or removal from office of the Compliance Officer.

- (j) To discuss the annual report of the Bank's ombudsman and the public inquiries policy.
- (k) To discuss the policy for preventing conflicts of interests and the controls in place in respect thereof, and to assess - from time to time - the disclosure provided by the directors as to their service in roles outside the Bank, and potential concerns for conflict of interest in connection with their service in the Bank.
- (l) To hold a separate biennial discussion with each audit and control functions, and with the Chairperson of the Board of Directors, the Bank's President and CEO, Head of the Human Resources Division; such discussions will be attended solely by the committee's members and the relevant officer.
- (m) To work in collaboration with the Risk Management Committee on material issues, which are relevant to its areas of responsibility. The committees will meet on a quarterly basis.

The procedure for the work of the Bank's Board of Directors sets out additional roles of the Audit Committee.

6.6.2 Composition of the Audit Committee:

- (1) The Chairperson of the Audit Committee shall be an ED. Most committee members shall be External Directors; all of the Bank's EDs shall be committee members. All other Audit Committee members shall be directors whose terms of service and employment are in accordance with the provisions set pursuant to Section 244 to the Companies Law (Rules Concerning Compensation and Expense Reimbursement for an ED), and at least one of its members shall possess expertise and experience in risk management and control activities. For more information about directors' pay, see Section 7.4 below. All Audit Committee members will be able to read and understand financial statements. At least three directors from among the committee's members shall possess accounting and financial expertise, and at least one of them will be an ED. The Chairperson of the Board of Directors may not be a member of the Audit Committee;

however, the Chairperson of the Board of Directors may participate as an observer in meetings of the Audit Committee which discuss issues relating to the financial statements.

- (2) The legal quorum for holding meetings and decision-making by the Audit Committee is a majority of its members, provided that the majority of those present are External Directors and at least one is an ED.
- (3) As of the date of this Shelf Prospectus, the members of the committee are: the Chairperson of the committee, Ms. Tamar Gottlieb - ED, Mr. Yitzhak Edelman - ED, Mr. Yoram Gabbay - ED, Mr. Ohad Marani - External Director and Ms. Irit Shlomi - Other Director.

6.6.3 Compensation Committee¹⁴

Set forth below is a summary of the key issues which the Compensation Committee is authorized to discuss and/or recommend on to the Board of Directors:

- (a) The Bank's compensation policy for its employees and officers, including criteria for assessment and measurement of performance. The compensation policy shall be consistent with the Bank and the Group's organizational and managerial culture, the Bank and the Group's long-term targets and strategy and the control environment. The Audit Committee shall ensure that the compensation policy promotes compliance with the Bank and Group's targets, established and effective risk management, does not encourage taking exceptional risks or risks beyond the Bank and Group's risk appetite, does not contradict the Bank and Group's credit management strategy and enables maintaining a sound capital base.
- (b) To discuss the effectiveness of the compensation policy and the existing compensation mechanisms, and their compliance with regulatory requirements (including the requirements set in the Companies Law, Directive 301A, Proper Conduct of Banking Business Directives and in

¹⁴ As of January 1 2018 and in accordance with the Directives of the Banking Supervision Department and pursuant to the provisions of Section 118A(D) to the Companies Law, the Audit Committee and Compensation Committee were merged, so that the Audit Committee shall also serve as the Compensation Committee. On July 22 2020, the Board of Directors approved the separation of the Compensation Committee from the Audit Committee.

the Compensation for Officers in Financial Corporations Law (Special Approval and Non-Authorization of Expense for Tax Purposes due to Extraordinary Compensation), 2016).

- (c) The need to make changes to the compensation policy (such as if a material change occurs in the circumstances compared to the circumstances at the time the policy was formulated).
- (d) To discuss the principles of the compensation agreements of Bank employees who are not senior officers.
- (e) To discuss and approve the terms of the Bank's engagement with its senior officers with regard to their terms of service and employment.
- (f) The application of personal employment contracts on certain types or certain levels of Bank employees and the general terms of those contracts.
- (g) Framework for granting bonuses and the granting of bonuses to Bank employees, who are subject to the labor code in accordance with the compensation policy applicable to Bank employees, taking into account, among other things, the targets of the work plan for the forthcoming year.
- (h) Framework for granting bonuses and the granting of bonuses to key employees, who are not officers in accordance with the compensation policy, taking into account, among other things, the targets of the work plan for the forthcoming year.
- (i) Granting a bonus to the Chairperson of the Board of Directors, the President and CEO and other senior officers, and the amount of such bonus, in accordance with the compensation policy applicable to the Bank's senior employees.
- (j) Furthermore, the committee is authorized to discuss and make recommendations (through the President and CEO) to the competent organs of subsidiaries about the compensation of their directors who do not work for the Bank, if their compensation is not in line with the Companies Regulations (Rules Concerning Compensation and Expenses for an External Director), 2000, as updated from time to time, and discuss the employment terms of the CEOs of the material subsidiaries, including bonuses, prior to the discussion in the Board of Directors of the relevant material subsidiary.

- (k) The procedure for the work of the Bank's Board of Directors sets out additional roles of the Compensation Committee. For additional information on the roles of the Board of Directors and the Compensation Committee with regard to the compensation policy of a banking corporation, see Proper Conduct of Banking Business Directive 301A on compensation policy in the Report of the Board of Directors included in the Bank's 2020 periodic report.

Composition of the Compensation Committee

- (1) Most Compensation Committee members shall be External Directors; all of the Bank's EDs shall be members of the Compensation Committee. All other Compensation Committee members shall be directors whose terms of service and employment are in accordance with the provisions set pursuant to Section 244 to the Companies Law (Rules Concerning Compensation and Expense Reimbursement for an ED), and at least one of its members shall possess expertise and experience in risk management and control activities.
- (2) The legal quorum for discussion and decision-making by the Compensation Committee shall be a majority of its members, provided that most of the participants were external directors.
- (3) As of the date of this Shelf Prospectus, the members of the committee are: the Chairperson of the committee, Mr. Yitzhak Edelman - ED, Ms. Tamar Gottlieb - ED, Mr. Yoram Gabbay - ED, Prof. Yedidia Stern - External Director and Ms. Ester Dominissini - Other Director.

6.6.4 Risk Management Committee

Set forth below is a summary of the principal issues which the Risk Management Committee is authorized to discuss and/or make recommendations about to the Board of Directors:

- (a) The overall risks strategy, including the current and future risk appetite and the overall risk management framework, which is based on the ICAAP document and on policy papers describing the internal exposure limits and the manner of risk management for each of the Bank's types of risk, including all corporations under its control and its offices (such as: credit risks, market risks, operational risks, liquidity risks, compliance risks,

legal risks, cyber risks, reputational risks, models risks, strategic risk, etc.), in accordance with the Bank and the Group's overall risk appetite.

- (b) The Bank and the Group's overall risk appetite and the process of assessing capital adequacy, as per the ICAAP document.
- (c) The Bank's credit management strategy and credit policy;
- (d) Discussing the document dealing with exposure to the risks implied in the Bank and the Group's activity, which includes a reference to new or emerging risks, and ensuring that those risks are mitigated appropriately and that the Bank's management allocated appropriate resources for that purpose.
- (e) Discussing the Group's new product policy, which regulates the required review and approval processes prior to such products' operation.
- (f) Holding an annual discussion on the Bank and the Group's organizational preparedness for management of and control over the overall exposure to the different risks and the assessment of qualitative tools in the Bank and the Group (including managerial information) for management of and control over all risk types in all areas of activity.
- (g) Assessing the effectiveness of the mitigation - by the Bank - of compliance risk and money laundering and terrorism financing risk.
- (h) Discussing the findings of the risk surveys (including operational risk surveys) carried out by Bank's management as to the different risks implied in the Bank's activity; this will include discussing the findings of the mapping of areas vulnerable for embezzlement and fraud risks and the control mechanisms relating to those areas; the Bank is required to hold such a discussion at least once every three years.
- (i) Discussing, where needed, the purchase of a banker's insurance policy.

The committee shall also serve as a committee for management of US risks, as required in the procedure outlining the work of the Board of Directors.

Furthermore, the committee collaborates with the Audit Committee on material issues which are relevant to its areas of responsibility, and liaises on an ongoing basis with the Chief Risk Management Officer and other audit and control functions, in order to ensure that it is up-to-date with the revised risk profile, risk

appetite, limits and the exceeding of those limits and plans for mitigating risks, as described in the procedure for the work of the Bank's Board of Directors.

The procedure for the work of the Bank's Board of Directors sets out additional roles of the Risk Management Committee.

Composition of the Risk Management Committee

As of the date of this Shelf Prospectus, the members of the committee are: the Chairperson of the committee, Dr. Samer Haj Yehia, Mr. Yoram Gabbay - ED, Dr. Shmuel Ben Zvi - External Director, Prof. Yedidia Stern - External Director, Ms. Ester Dominissini - Other Director and Mr. Avi Bzura - Other Director.

6.6.5 Credit and Business Committee

Set forth below is a summary of the principal issues which the Credit and Business Committee is authorized to discuss and/or make recommendations about to the Board of Directors:

- (a) The Bank's risk management strategy and risk policy paper, and the Group's risk policy.
- (b) The committee discusses the giving of credit to a borrower or a group of borrowers within its area of responsibilities and is authorized to approve credit applications brought before its.
- (c) The committee is authorized to oversee and monitor the provision of credit by the Bank, the status of credit, as well as the credit portfolios of the Bank's largest groups of borrowers, by receiving credit-related immediate and periodic reports; the committee makes recommendations to the Board of Directors as to the policy for collection of debts from private customers and small businesses.
- (d) The committee discusses other issues, such as branches, advertising and marketing and customer services.

The procedure for the work of the Bank's Board of Directors sets out additional roles of the Credit and Business Committee.

Composition of the Credit and Business Committee

As of the date of this Shelf Prospectus, the members of the committee are: the Chairperson of the committee, Dr. Samer Haj Yehia-other director, Ms. Tamar Gottlieb-ED, Mr. Yitzhak Edelman-ED, Mr. Ohad Marani-External Director and Ms. Irit Shlomi-other director.

6.6.6 Strategy Committee

Set forth below is a summary of the key issues which the Strategy Committee is authorized to discuss and/or recommend on to the Board of Directors:

- (a) Discussion of the Bank's overall strategy targets, its subsidiaries and foreign offices, revision of those targets and monitoring their achievement.
- (b) The Bank's Code of Ethics
- (c) The Bank's Organizational Structure.
- (d) The Bank's policy on branches and the transition to direct banking in line with the Bank's strategy.
- (e) Bank and the Group's corporate social responsibility management and its compliance with the Bank's overall strategy.
- (f) Donation policy and strategy.
- (g) Open banking strategy.
- (h) Advertising and marketing strategy
- (i) The Bank's human resources strategy

The procedure for the work of the Bank's Board of Directors sets out additional roles of the Strategy Committee.

Composition of the Strategy Committee

As of the date of this Shelf Prospectus, the members of the committee are: the Chairperson of the committee, Dr. Samer Haj Yehia - Other Director, Ms. Tamar Gottlieb - ED, Mr. Yoram Gabbay - ED, Dr. Shmuel Ben Zvi - External Director, Mr. Ohad Marani - External Director and Ms. Irit Shlomi - Other Director.

6.6.7 Investment Committee

Set forth below is a summary of the principal issues which the Investment Committee is authorized to discuss and/or make recommendations about to the Board of Directors:

- (a) Execution or disposal of non-financial investments, nostro investments, undertaking underwriting liabilities and sale of real estate, equipment or other assets, at the conditions set by the Board of Directors and above the threshold set by it.
- (b) Acquisition, establishment and sale of subsidiaries or merger between such subsidiaries or between them and the Bank, under certain conditions.
- (c) The Investment Committee shall discuss and give the Board of Directors recommendations about the Bank's investment budget (other than investment in IT), and shall receive periodic reports regarding transactions involving real estate and investments.

The procedure for the work of the Bank's Board of Directors sets out additional roles of the Investment Committee.

Composition of the Investment Committee

As of the date of this Shelf Prospectus, the members of the committee are: the Chairperson of the committee, Mr. Ohad Marani - External Director, Dr. Shmuel Ben Zvi - External Director, Dr. Samer Haj Yehia - Other Director, Ms. Ester Dominissini - Other Director and Mr. Avi Bzura - Other Director.

6.6.8 IT and Technological Innovation Committee

Set forth below is a summary of the principal issues which the IT and Technological Innovation Committee is authorized to discuss and/or make recommendations about to the Board of Directors:

- (a) IT strategy and policy and management thereof, including the Bank's technological infrastructures, management and use of databases, technological innovation supporting business innovation, and use of cloud computing technologies in line with the Bank's overall strategy and policy. As part of the discussion as aforesaid, the committee will make recommendations to the Board of Directors regarding the approval of a framework for management of technological risks, including relevant operational risks and innovation risks.
- (b) Targets and annual and multi-year work plan (including budgets) regarding IT.

- (c) Bank-wide cyber strategy and policy, effective framework for management of IT and cyber risks.
- (d) Discussing and outlining a policy that will form the basis for management of open banking and E-banking.
- (e) Discussing and outlining risk management policy and controls in the field of business continuity; as part of this role, the committee will discuss and recommend to the Board of Directors the approval of a disaster recovery plan and the extent to which it complies with the principles of the working framework for management of business continuity.
- (f) The committee shall support key projects and efforts in the fields of IT, cyber security, business continuity and E-banking.
- (g) The procedure for the work of the Bank's Board of Directors sets out additional roles of the IT and Technological Innovation Committee.

The composition of the IT and Technological Innovation Committee

As of the date of this Shelf Prospectus, the members of the committee are: the Chairperson of the committee, Dr. Samer Haj Yehia-other director, Mr. Yitzhak Edelman-ED, Dr. Shmuel Ben Zvi-External Director, Prof. Yedidia Stern-External Director, Ms. Ester Dominissini-other director and Mr. Avi Bzura - other director.

6.6.9 Other committees and ad-hoc committees

In addition to the above committees, the Bank has permanent committees for specific purposes, such as the Procedure Committee and the Issuances and Capital Raising Committee, which compete on an as needed basis. Furthermore, from time to time the Board of Directors sets up ad-hoc committees for specific purposes, such as the Committee for the Implementation of the Strum Committee's Recommendations.

6.7 The Corporation's Authorized Signatories

The corporation does not have an independent authorized signatory as this term is defined in Section 37(d) to the Securities Law.

6.8 Additional information

6.8.1 The Bank's independent auditors:

Somekh Chaikin, 17 Ha'arba'a Street, Millennium Tower, Tel Aviv.

Brightman Almagor Zohar & Co., 132 Menachem Begin St.,

6.8.2 The Bank's registered office:

Beit Leumi, 34 Yehuda Halevi St. Tel Aviv.

Chapter 7 - Interested Parties in the Bank

7.1. As mentioned in Section 3.5 above, as from March 24 2012, the Bank is defined by law as a banking corporation without a controlling core, and no shareholder meets the definition of a controlling shareholder of the Bank.

7.2. **Compensation of senior officers**

For information regarding the compensation paid in respect of 2019 and 2020 to the five highest-paid senior officers in the Bank or a corporation controlled thereby, and to the three highest-paid senior officers in the Bank in connection with their service in the Bank itself, including a description of their key terms of employment, see the chapter “Senior Officers Pay” in the Corporate Governance Report included in the Bank’s 2020 periodic report, and in Note 23 to the financial statements included in the 2020 periodic report (hereinafer - the “**Finanical Statements**”).

7.3. **Indemnification, exemption and insurance**

For information regarding indemnification, exemption from liability and Bank directors and officers’ insurance, see Note 23 and 26F to the Financial Statements and the information in accordance with Regulation 29a to the Reports Regulations in the 2020 periodic report.

As to exemption of officers, it should be noted that Article 143 to the Articles of Association stipulates that the Bank may give an exemption in advance to an officer thereof in respect of his/her liability, in whole or in part, in respect of damage caused due to his/her breach of the duty of care towards the Bank. Notwithstanding the above, the Bank may not give an exemption in advance to a director in respect of his/her liability towards the Bank due to breach of his/her duty of care in the case of “distribution” (as this term is defined in the Companies Law).

7.4. **Directors’ pay**

For details regarding the total amount of directors’ pay (except for the Chairperson of the Board of Directors, details in respect of the pay of whom are included, as aforesaid, in Section 7.2 above) and the expenses reimbursed to them, or which they were entitled to receive from the Bank in respect of 2020, which do not exceed the amounts normally

accepted, see information in accordance with Regulation 21 to the Reports Regulations in the 2020 periodic report.

For further information about directors' pay, see Articles 77 and 78 of the Bank's Articles of Association.

The compensation paid to all Bank directors (excluding the Chairperson of the Board of Directors) is an annual compensation and a compensation for participation in meetings, at the maximum amount payable to an External Director or an expert External Director, as the case may be, in accordance with the provisions of the Companies Regulations (Rules Concerning Compensation and Expenses for an External Director), 2000, as amended from time to time.

7.5. **Holdings of interested parties and senior officers**

For information about interested parties and senior officers' holdings in the Bank's securities or in securities of subsidiaries or related parties thereof whose activity is material to that of the Bank as of the Prospectus date and 12 months prior to the Prospectus' publication date, see the Bank's immediate reports of April 7 2021 and April 23 2020, respectively (Ref. Nos.: 2021-01-058476 and 2020-01-036631, respectively), which are included in this prospectus by way of reference.

Furthermore, as of the Prospectus date, Ms. Avivit Klein, who was appointed Head of the Human Resources Division on April 1 2021, holds 6,737 ordinary Bank shares.

For information about the holdings of holders of material means of control in the Bank as of the Prospectus date and 12 months prior to the Prospectus' publication date, see the Bank's immediate reports of April 7 2021 and April 7 2020, respectively (Ref. Nos.: 2021-01-058458 and 2020-01-036906, respectively), which are included in this prospectus by way of reference.

Chapter 8 - Financial Statements and Events Report

8.1. Financial Statements

Pursuant to the provisions of Sections 60 and 6B to the Securities Regulations (Details of a Prospectus and a Draft Prospectus - Structure and Format) 1969 (hereinafter - the “**Prospectus Details Regulations**”), the Bank’s 2020 annual financial statements, which were included in the Bank’s 2020 periodic report, are included in this Prospectus by way of reference).

8.2. Statement of the President and CEO and the Most Senior Financial Officer in the Bank

Pursuant to the provisions of Section 60(e) and 6(e) to the Prospectus Details Regulations, the statements of the President and CEO and the most senior financial officer in the Bank, as required under Regulation 9B(g) to the Reports Regulations, and which were included in the 2020 periodic Report, are included in this Prospectus by way of reference.

8.3. Consent letters from the Bank’s independent auditors

The consent letters from the Bank’s independent auditors, in which they consent to include in the Shelf Prospectus their auditors' report on the Bank’s 2020 Financial Statements and their auditor report regarding internal controls, including by way of reference, are attached to this Prospectus.

8.4. Actuary’s consent letter to include an actuarial opinion regarding the pension benefits, grants and special holidays of the Bank’s employees

The actuary’s consent letter to include in this Prospectus his/her actuarial opinion regarding pension, benefits, grants and special holidays of the Bank’s employees as of December 31 2020, which was attached to the Bank’s 2020 Financial Statements, is attached to this Prospectus.

8.5. Events report

Pursuant to Regulation 60B(b) to the Prospectus Details Regulations, the Bank attaches to this Prospectus an events report as defined in Section 56A to the Prospectus Details Regulations, regarding events that took place after the signing of the Bank’s Financial Statements as of December 31 2020, which were signed on March 8 2021, and through immediately prior to the date of granting the permit for this Prospectus.

Events report

Pursuant to Section 60B(b) to the Securities Regulations (Details of a Prospectus and a Draft Prospectus - Structure and Format) 1969, set forth below is an events report listing material events in the period subsequent to the Bank's financial statements as of December 31 2020, which were signed on March 8 2021 (hereinafter - the "**Financial Statements**"), which are included in the Bank's 2020 Periodic Report published on March 9 2021 (Ref. No.: 2021-01-029400) (hereinafter - the "**Periotic Report**"), and until immediately prior to the date of granting the permit for this Shelf Prospectus. Some of the information included in this events report is "forward-looking information". For the meaning of the term and the ramifications thereof, please see the chapter "Forward-Looking Information" on page 13 of the periodic report.

Legal proceedings

1. Further to what is stated in Note 26C.1., 1.3, a. to the Financial Statements regarding a motion to approve a class action against the Bank, which was filed on April 29 2015, claiming that funds of Holocaust survivors which were deposited with the Anglo Palestine Bank before World War II, and which were not withdrawn by them during the war are paid to survivors or their next of kin without purportedly revalued to real terms, on February 11 2021 the District Court handed in a ruling dismissing the application to approve the legal claim as a class action, and on April 12 2021, the applicants appealed against the ruling to the Supreme Court.
2. On April 11 2021, a motion to approve a class action against the Bank, other banks and other financial institutions was filed to the Tel Aviv District Court. The motion deals with the applicants' claims whereby the defendants breach their customers' privacy and the duty of confidentiality they are bound by, since they transfer the customers' private details to third parties, and in particular to Google. The applicants estimate the personal damage caused to them at NIS 2,000 and do not specify the damage amount caused to the entire group. According to the Bank's management, which is based on legal opinions as to the legal claim's chances of being upheld – it is impossible to estimate the claim's chances at this stage.

Additional topics

3. Agreement with Tarya

In March 2021, the Bank and Tarya Fintech Ltd. (hereinafter - “**Tarya**”) entered into an agreement for the joint development of a core system for mortgage operations for the Bank and Tarya.

The amount payable to Tarya under the agreement is not material for the Bank.

4. Bank Leumi USA

Further to an immediate report published by the Bank on January 22 2018 (Ref. No. 2018-01-008101), under the agreement to bring strategic partners into BLUSA (by selling 15% of the shares of Bank Leumi Corporation, which wholly owns BLUSA) (hereinafter –the “**Transaction**”), if during a four-year period subsequent to the transaction’s completion date and up to five years from the said date, the purchased shares shall not be listed, and subject to certain conditions, the strategic partners shall have a put option towards the Bank, pursuant to which they shall be entitled to demand that the Bank repurchases all the shares, and the Bank may opt to repurchase the shares or allocate the strategic partners shares in the Bank.

Since the execution of the Transaction, the Bank assesses, from time to time, the options to implement the above, including steps that will lead to the listing of the shares as described above; however, to date the said assessments did not lead to a decision to carry out any transaction or issuance.

5. Sale of Retailors’ shares

On May 13 2021, Leumi Partners Ltd. (hereinafter - “**Leumi Partners**”) exercised an option allocated to it upon its investment in Retailors Ltd. (hereinafter - “**Retailors**”). The shares allocated upon the exercise of the option (hereinafter - the “**Option Shares**”) were sold on May 18 2021 as part of the completion of the issuance and the sale offer of May 18 2021.

The pre-tax profit expected to be recorded by Bank Leumi as a result of the sale of the Option Shares is approx. NIS 90 million.

Following the completion of the issuance and the sale offer pursuant to the prospectus, Leumi Partners shall hold 6.81% of Retailors’ shares. The shares are restricted for a period of up to 18 months following the listing of Retailors’ shares.

6. Effect of the spread of the coronavirus

Further to what is stated in Note 36B to the Financial Statements, in view of the swift vaccination roll out implemented in Israel, the risks pertaining to the economic activity in Israel have decreased for the time being. Furthermore, there are indications that the vaccination roll out in some of the leading economies is relatively successful, which leads to a decrease in risk levels in those economies. In all other countries, the vaccination roll out was so far relatively slow; therefore, those countries, and specifically countries defined as emerging markets, still have high levels of exposure to the economic risks stemming from lockdowns and other restrictions due to high infection rates. The Bank continues to review the key parameters in the process of calculating the provision for credit losses, while giving weight to positive developments such as the highly successful vaccination roll out and its positive effect on reducing infection rates and the reopening of the economy. At the same time, the government support schemes and the payment deferral plans have stopped the counting of arrears and reduced the amounts of accounting write-offs.

It should be noted that the Bank continues to look into ways to support those of its customers that found themselves in temporary crisis and whom the Bank believes will successfully get through the crisis. As part of this process, the Bank takes into account the effects of the crisis and conducts a thorough assessment of the customers in view of the crisis.

Economic and other assessments and forecasts as to the duration and severity of the crisis may change frequently and significantly, and are therefore subject to high levels of uncertainty. It is therefore difficult to assess or project how the customers' situation and conduct will change.

7. The Bank's Shelf Prospectus, under which securities may be offered, was in effect until May 24 2021. On May 26 2021 the Bank's Board of Directors approved the Bank's new Shelf Prospectus, which will be in effect for a two-year period from its publication date; the new Shelf Prospectus was granted the Israel Securities Authority's approval.

Laws and Regulations Governing the Banking System

Further to what is stated in the chapter of "Laws and Regulations Governing the Banking System" in the Financial Statements, some proposals were published for regulatory changes and changes in various legal provisions, which may have an effect on the scope of activity in some of the Group's areas of activity, the profits arising from such activities and the credit, operational and legal risks to which the Group is exposed. Some of the provisions are at various

stages of discussion, and therefore it is not possible to assess whether they will be published as binding provisions, and, if issued, what provisions will be ultimately published. As a result, at this stage, it is impossible to assess the impact of these provisions on the Group's overall activity, if any. Set forth below are provisions that came into effect during the period from the periodic report's publication date and until immediately prior to the date of granting the permit for this Shelf Prospectus, and provisions that are expected come into effect, and whose effect on the Bank may be material.

Directives Issued by the Banking Supervision Department

Access to banking information

8. Amendment of Proper Conduct of Banking Business No. 368 - Implementing of Open Banking Standard in Israel

The directive was initially published in February 2020. Open Banking requires the bank and credit card companies to share customer's banking information at his/her request, with authorized third-party providers and to allow making payments to his/her account through third parties (authorized for this purpose). The objective is that based on the said banking information, third-party suppliers will be able to offer customers new products, customized to their needs. According to the directive, the adoption of Open Banking will encourage new players in the payments, information, marketing and intermediation fields, offering customers better pricing and innovative products. At this stage, the directive only applies to banks and credit card companies. In April 2020, the directive's effective dates were postponed by three months, and the effective date of the first stage was set to March 31 2021.

On April 5 2021, in view of issues stemming from the complexity of the provision's application, it was revised again. The revision focuses mainly on deferral of the implementation of the provision's various stages. In accordance with this revision of the provision, the effective date of the first stage was postponed to April 18 2021, and the effective dates of the other implementation stages were also postponed.

The Bank is working to implement the provision according to the effective dates of the gradual outline.

9. The Banking Supervision Department's letter on banks' activity as information consumers in open banking

On April 14 2021, the Banking Supervision Department published a letter on banks' activity as consumer of information in open banking. In its letter, the Banking Supervision Department clarifies that it intends to amend Proper Conduct of Banking Business Directive No. 368, such that a bank or an acquirer will require advance approval from the Banking Supervision Department for a new activity that involves a cost comparison service which includes brokering financial products that the bank or the acquirer provide to customer - to another financial entity. In its letter, the Banking Supervision Department outlines the information a bank or an acquirer will be required to provide to the Department in order to obtain an approval to engage in such an activity, especially where conflicts of interest and disclosure to customers about the said service is concerned.

In addition, it is further clarified in the letter that the Banking Supervision Department intends to amend Proper Conduct of Banking Business Directive No. 368 so as to allow entities supervised by other financial regulators to access information through open banking; the letter also states that the Banking Supervision Department is considering allowing such entities to receive consideration in respect of the cost of comparison services which involve brokering financial products under a new directive which is currently being developed.

Following the said letter, the Ministry of Finance announced its intention to advance the enactment of the Memorandum of Law Financial Information Services, 2020, which regulates, among other things, conflict of interests in open banking. In this matter, the Ministry of Finance stated that the banks should be prevented from engaging in price comparisons and brokering of products of competing financial entities.

Pursuant to the said letter of the Banking Supervision Department, on April 29 2021, the Competition Commissioner published a letter addressed to the CEOs of the banking corporations and credit card companies; according to the letter, providing cost comparison services for competing products offered by the same entity may constitute a cartel; therefore, one of the following should be examined: the need to obtain a cartel exemption

or approval from the Competition Court - prior to providing the said cost comparison services.

As a result of the said exchange of letters, at this stage the issue of the banks' ability to engage in cost comparison and brokering activity is unclear.

10. The Banking Supervision Department's letter on promotion of open banking

On May 10 2021, the Banking Supervision Department published a letter addressed to the Commissioner of Insurance, Capital Markets, and Savings, the Chairperson of the Israel Securities Authority, and the Supervisor of the Central Credit Register. In the letter, the Banking Supervision Department clarifies that since legislative processes which were designed to regulate the activity of the third parties (other than banks or credit card companies) have not yet come to fruition, at this stage, open banking will be launched pursuant to Proper Conduct of Banking Business Directive No. 368, "Application of the Open Banking Standard in Israel". The duty to make information accessible under the this directive applies only to the banks and credit card companies, and in the first phase only banks and credit card companies shall have access to information.

However, the Commissioner clarifies that, subject to the dialogue undertaken with the addressee regulators, due to latter's willingness to regulate and oversee the activity of their regulated entities in the aspects required from third parties with access to banking information (information consumers), the Banking Supervision Department intends to allow access to information to the said regulated information consumers, under a requirement to be imposed on the banking system as part of a scheduled amendment to Directive No. 368.

The Commissioner clarifies that providing access to the additional entities without adequate legislation is complex and may increase the various risks already implicit in an open banking system. Therefore, a uniform regulation among the various entities in the open banking environment is needed, which includes relevant regulation, ongoing oversight and enforcement, as well as the issuing of certificates by those entities' regulator.

11. Draft Proper Conduct of Banking Business Directive - banking corporations' ties with cost comparison service providers

The draft directive outlines general principles regarding ties between banking corporations and cost comparison providers working as brokers and regarding comparison service providers working as an agent of the customer. The draft stipulates that a cost comparison

service provider is any of the following: credit bureaus, information bureaus on entities engaging in such activities and paid representatives, as defined in the Credit Information Service Law; as well as banking corporations, subject to obtaining a written advance approval from the Banking Supervision Department.

The above directives regarding access to banking information are part of the initiatives intended to increase competition, as outline in the Regulation section in the 2020 financial statements; the directives are expected to affect the Israeli banking system in the next few years.

12. Draft Amendment of Proper Conduct of Banking Business Directive No. 336 - Restrictions on Imposing a Lien on Assets of a Banking Corporation

The draft amendment was published on April 29 2021 following the increase in volume and variety of activities in respect of which banking corporations are required to pledge assets, as a result of various global regulatory reforms.

The draft proposes the revoking of the current qualitative restriction on pledging assets of a banking corporation, or define requirements to adequate administration of pledged assets.

It is proposed that the directive will become effective on January 1 2022. However, a banking corporation that deviates, or is highly likely to deviate, from the current quantitative restriction until the said effective date, is to notify the Banking Supervision Department in writing and outline the reason for the deviation and the compensatory mechanisms it adopts. The Bank is studying the draft and preparing for its application.

13. Draft Amendment of Proper Conduct of Banking Business Directive No. 222 - Stable Funding Ratio

On March 4 2020, the Bank of Israel published Draft Directive No. 222, Net Stable Funding Ratio (NSFR) - which is based on a publication issued by the Basel Committee. Net Stable Funding Ratio is intended to improve the resilience of the liquidity risk profile of banking corporations in the long term by requiring them to maintain stable funding profiles according to their on-balance-sheet asset composition and off-balance sheet-activities. On March 11 2021, the Bank of Israel published several clarifications regarding the directive,

including postponement of the directive set to December 31 2021. On April 28 2021, a revised circular on the topic was published.

According to the QIS conducted by the Bank with regard to the data as of December 31 2019, the Bank will meet the regulatory threshold (100%) required for the implementation of the directive. The Bank is preparing to implement the directive according to the Bank of Israel's guidelines.

14. Developments in measuring capital adequacy in the directives of the Basel Committee on Banking Supervision

In April 2019, the Banking Supervision Department announced plans to begin implementing the Basel 2014 Guidelines "The Standardized Approach for Measuring Counterparty Credit Risk Exposures" (SA-CCR) as at June 1 2021 or one year after the actual EU implementation date, whichever is later. In February and March 2021, the Banking Supervision Department published circular drafts in respect of the application of Proper Conduct of Banking Business Directives Nos. 203A and 208A, according to which the application date of Directive 203A is expected to be July 1 2022 and of Directive 208A - January 1 2023. The Bank is examining the effects of the draft circulars and continues to prepare for their implementation.

Regulatory Developments Following the Coronavirus Event

15. The Insolvency and Economic Rehabilitation Law (Amendment No. 4 - Temporary Order) (Novel Coronavirus) Delay in Proceedings for Formulation and Approval of Debt Settlement), 2021

The Law prescribes a dedicated track for handling debts of debtors (corporations and private individuals) which suffered from the coronavirus crisis, which will be in effect for a period of one year until March 18 2022, and allow debtors to reach debt settlement agreements as an alternative to full insolvency proceedings. The proposed temporary settlement allows to stay legal proceedings and collection proceedings against a debtor. During the stay period, the debtor will retain control of his/her assets. At the same time, the proposed arrangement includes adequate alternative protections to lenders.

16. Amendment of Proper Conduct of Banking Business Directive No. 250 - Adjustments to Proper Conduct of Banking Business Directives for Dealing with the Coronavirus Crisis

The directive was first published in March 2020 as a temporary order, on the backdrop of the development of the coronavirus event, and includes a series of measures and adjustments

designed to allow banking corporations the business flexibility needed during this period. The directive was revised a number of times. On March 22 2021, the last revision to the directive was published; the main point of the directive was the extension of the temporary order until September 30 2021 (instead of March 31 2021).

In addition, it was stipulated that during the six-month period following the expiry of the temporary order, a decrease of up to 0.3% in the minimum capital ratio shall not be deemed a deviation from the temporary order.

Privacy protection

17. Further to what is stated in the chapter of “Laws and Regulations Governing the Banking System” in the Financial Statements, recently there has been a trend of increased privacy-protection regulation both in Israel and abroad. On March 25 2021, due to the increase in the number of serious information security events, the Privacy Protection Authority published an additional draft policy paper regarding decreasing the scope of private information included in databases on various organizations. In its paper, the Authority provides recommendations and emphases for business and public sector entities on how to scale down collection, maintenance and use of excess information. According to the Authority, failure to scale down excess information by a database owner that had discovered such information in its possession, may, under certain circumstances, constitute a breach of the Privacy Protection Regulations (Information Security).

In addition, on April 22 2021, the Privacy Protection Authority published a paper on privacy protection for advanced means of payment in transmitting funds and payments at merchants’ premises. The Authority’s paper places special emphasis on obtaining consent for subscription to, and use of, all aspects of advanced means of payment, in order to enable users to control the privacy of their information in an optimal manner and ensure that their information will be used at their knowledge and subject to their full consent.

On May 25 2021, the Privacy Protection Authority published an opinion for public comments, in which it clarifies and illustrates what signifies “information” and “knowledge of a person’s private affairs” in the Privacy Protection Law, and what types of data the

provisions of the law apply to in accordance with the interpretation given to them by the courts.

For more information on privacy protection regulation, please see the 2020 annual financial statements.

The application of the various provisions in this area, if any, will require changes in work processes.

Appointments and Retirements

18. Further to what is stated in the “Appoinrments and retirements” Chapter of the financial statements:

- a. Ms. Hadar Wismonskey-Weinberk shall be appointed Secretary of the Bank and the Group during the second quarter of 2021.
- b. Ms. Sharon Gur, Chief Internal Auditor and Head of the Internal Audit Division, shall terminate her tenure during the second quarter of 2021 after approx. 28 years of working for Leumi.
- c. Ms. Hagit Argov (CPA) will be appointed Executive VP, Chief Internal Auditor and Head of the Internal Audit Division during the second quarter of 2021, subject to approval of non-objection of the Banking Supervision Department.

Haj Yehia Samer, PhD
Chairman of the Board

Friedman Hanan
President and CEO

Ziv Omer
Chief Accounting Officer,
Head of Finance Division

Date of approval of events report: May 26 2021.



May 26 2021

To:

The Board of Directors of
Bank Leumi le-Israel B.M. (the “**Bank**”)
34 Yehuda Halevy Street
Tel Aviv

Dear Madam/Sir,

Re: Consent for the Inclusion of our Reports in the Bank’s Shelf Prospectus which is Due to be published in May 2021

This is to inform you that we agree to the inclusion (including by way of reference) of our reports listed below in the Shelf Prospectus referred to above:

1. Independent Auditors’ Report dated March 8 2021 regarding the Bank’s Consolidated Financial Statements dated December 31 2020 and for the year ended December 31 2020.
2. Independent Auditors’ Report dated March 8 2021 regarding audit of components of internal control over financial Reporting of the Bank as at December 31 2020.

Respectfully,

Somekh Chaikin

A registered partnership in Israel and a partner firm in the global KPMG network which is comprised of independent firms affiliated with KPMG International Limited a privately-owned limited liability British company

Certified Public Accountants

Brightman Almagor Zohar & Co.

A Firm in The Deloitte Global Network
Certified Public Accountants



To
The Board of Directors of
Bank Leumi Le-Israel B.M.
34 Yehuda Halevy Street
Tel Aviv

May 26 2021

Dear Madam/Sir,

Re: **Shelf Prospectus of Bank Leumi le-Israel B.M. (hereinafter - the “Bank”) which is due to be published in May 2021 (hereinafter - the “Shelf Prospectus”)**

This is to inform you that we give our consent for the inclusion (including by way of reference) in the Shelf Prospectus, which is due to be published in May 2021 in connection with our following reports:

- (1) Independent Auditors' Report dated February 26 2020 regarding the Bank's Consolidated Financial Statements dated December 31 2019 and 2018 and for each of the three years in the period ended December 31 2019.
- (2) Report of the Independent Auditors dated February 26 2020 regarding Audit of Components of Internal Control over Financial Reporting of the Bank as at December 31 2019.

We consent to this opinion being included in the Bank's Shelf Prospectus.

Somekh Chaikin
CPAs

Kost Forer Gabay Kasierer
CPAs

Joint independent auditors



Alan Dubin F.S.A. Ltd. אִלָּן דּוּבִין פ.ס.א. בע"מ
ACTUARIAL CONSULTING יעוץ אקטוארי

May 26 2021

To:

Bank Leumi Le-Israel B.M.

Dear Madam/Sir,

Re: **Shelf Prospectus of Bank Leumi le-Israel B.M. (hereinafter - the "Bank")**
which is due to be published in May 2021 (hereinafter - the "Shelf Prospectus")

I, the undersigned, hereby give my consent for the inclusion (including by way of reference) of the opinion that I signed on February 25 2021 regarding an actuarial valuation of the pension benefits, bonuses and special leave of the Bank's employees as of December 31 2020, which was attached to the Bank's financial statements as of December 31 2020, in the Bank's Shelf Prospectus that is due to be published in May 2021.

Respectfully,

Alan Dubin, FSA, FILA

Actuarial Advisor

Chapter 9 - Legal Opinion



אגמון ושות' רוזנברג הכהן ושות'
Agmon & Co. Rosenberg Hacoheh & Co.

May 26 2021

To:
Bank Leumi le-Israel B.M.
Beit Leumi, 34 Yehuda Halevi St.
Tel Aviv

Dear Madam/Sir,

Re: **Shelf Prospectus of Bank Leumi le-Israel B.M.**

At your request, we hereby confirm that the directors of the Bank have been duly appointed and their names are included in the Shelf Prospectus referred to above.

We consent to this opinion being included in the Shelf Prospectus that will be published in May 2021.

Respectfully,

Adv. Ran Shalom

**Adv. Nadav
Manaker**

Chapter 10 - Additional Information

10.1 Application fee for the grant of a permit to publish a prospectus

In accordance with the provisions of Regulation 4A of the Securities Regulations (Application Fee for the Grant of a Permit to Publish a Prospectus), 2005, the Bank paid the Israel Securities Authority an application fee for the grant of a permit to publish a Shelf Prospectus. An additional fee in respect of any securities that will be offered under the Shelf Prospectus shall be paid on the publication date of the Shelf Offering Report at the amounts and on the dates set in the said regulations

10.2 Perusal of documents

A copy of the Prospectus, the permit for the publication thereof and a copy of each approval, report or opinion included or referred to in the Shelf Prospectus may be perused at the Bank's offices during normal office hours. Furthermore, a copy of the Prospectus is published on the Israel Securities Authority's website, at www.magna.isa.gov.il and on the Stock Exchange's website at www.maya.tase.co.il.

Chapter 11 - Signatures

The Bank:

Bank Leumi of Israel B.M.

Directors:

Haj Yehia Samer, PhD

Edelman Yitzhak

Avi Bzura

Ben Zvi Shmuel, PhD

Yoram Gabay

Gottlieb Tamar

Dominissini Esther

Ohad Marani

Professor Yedidia Zvi Stern

Irit Shlomi