

## **Translation of Immediate Report**

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Public

**Bank Leumi le-Israel B.M.**  
Registration No. 520018078  
Securities of the Corporation are listed on The Tel Aviv Stock Exchange  
Abbreviated Name: Leumi  
34 Yehuda Halevi Street, Tel Aviv 651316  
Phone: 076-8858111, 076-889419; Facsimile: 076-8859732  
Electronic Mail: Livnat.EinShay@bll.co.il

16 August 2018  
Reference: 2018-01-078282

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

### **Immediate Report**

#### **Nature of Event: Investment in Bituach Yashir**

See attached Annex – [Immediate Report Bituach Yashir 16818 isa.pdf](#).

The company is not an envelope company as defined in the Stock Exchange bylaws.

Date and time at which the corporation first became aware of the matter being the subject of the report: 16 August 2018 Time: 18:29.

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Name of Electronic Reporter: David Raoul Sackstein, Position: Advocate, General Secretary  
34 Yehuda Halevi Street, Tel Aviv 6513616, Phone: 076-8857984, Facsimile: 076-8859732  
Electronic Mail: David.sackstein@bankleumi.co.il

**Note: English translations of Immediate Reports of Bank Leumi are for convenience purposes only. In the case of any discrepancy between the English translation and the Hebrew original, the Hebrew will prevail.**

**The original Hebrew version is available on the distribution website of the Israel Securities Authority: <http://www.magna.isa.gov.il/>**



16 August 2018

To  
Tel Aviv Stock Exchange  
Ahuzat Bayit Street 2  
Tel Aviv 6525216

To  
Israel Securities Authority  
Kanfei Nesharim Street 22  
Jerusalem 95464

Dear Sir or Madam:

Re: **Investment in Bituach Yashir Financial Investments Ltd.**

1. On 16 August 2018, the Bank's subsidiary, Leumi Partners Ltd. (hereafter: "**Leumi Partners**"), contracted with Bituach Yashir – Financial Investments Ltd. (hereafter: "**Financial Investments**"). Pursuant to the agreement, Leumi Partners, through a private placement, will purchase the ordinary shares of Financial Investments, of NIS 1 nominal value each, in exchange for all of Leumi Partners' holdings in Mimun Yashir of the Yashir Group Ltd. (2006) (hereafter: "**Mimun Yashir**"), which constitutes some 19.23% of the issued and paid-up capital of Mimun Yashir (hereafter: "**the Transaction**").
2. The total number of shares of Financial Investments to be allocated to Leumi Partners will be determined in accordance with a base value of NIS 750 million for Mimun Yashir, and a base value of NIS 1,900 million for Financial Investments. According to these values, Leumi Partners is expected to hold some 7.2% of the issued and paid-up capital of Financial Investments after the transaction. The base value of Mimun Yashir and the base value of Financial Investments will be adjusted for capital distributions and movements in each of the companies, starting on 1 April 2018 through the completion of the Transaction and in proportion to the base value of Financial Investments – also taking into account the deduction of any tax obligation which is imposed on the Transaction because of the sale of subsidiaries' shares through the completion of the Transaction, if it is carried out. If Financial Institutions invests in the purchase of the public's holdings in it in the framework of its transformation into a private company, including, *inter alia*, through a purchase offer, an arrangement pursuant to clause 350 of the Companies Law, 5759-1999 or a reverse three-way merger (hereafter: "**the Privatization Transaction**"), the amounts so invested will be deducted from the base value of the Financial Investments for the purpose of calculating the total number of shares to be allocated in the Transaction.
3. If the Privatization Transaction is carried out after the Transaction is completed, Financial Investments will allocate additional shares to Leumi Partners – in an amount that is calculated pursuant to the base value of Financial Investments after adjustment for capital distributions and movements from the date of the Transaction's completion through the completion of the Privatization Transaction, including, *inter alia*, the deduction of the amounts to be invested by Financial Investments for the purchase of the public's holdings in it in the framework of the Privatization Transaction.
4. Additionally, Leumi Partners will be entitled to an additional allocation of Financial Investments shares if, during the 30 months following the date of the completion of the Transaction (hereafter: "**the Adjustment Period**"), Financial Investments or Mimun Yashir enters into one of the following transactions (hereafter: "**the New Transaction**"): (a) The sale (or loss) of control of

Mimun Yashir, including through the allocation of Mimun Yashir securities other than through an options program, (b) the allocation of Mimun Yashir securities in a public offering, or (c) a merger of Mimun Yashir, in the framework of which Financial Investments receives cash or securities listed for trading in exchange for its holdings in Mimun Yashir, or which leads to a situation in which immediately after its completion, the holdings of Financial Investments in the merged entity are lower than the product of the percentage of Financial Investments' holdings in Mimun Yashir immediately after the date of the completion of the Transaction multiplied by 85%. The number of new shares to be allocated to Leumi Partners will be calculated in a manner which will allow Leumi Partners to have 55% of the positive difference between the value of Mimun Yashir in the New Transaction and the value of Mimun Yashir at the date of the completion of the transaction, multiplied by the percentage of Leumi Partners' holdings in Mimun Yashir. If Financial Investments or Mimun Yashir do not enter into a New Transaction during the Adjustment Period, additional shares will be allocated to Leumi Partners based on the above-described calculation, with the value of Mimun Yashir at the end of the Adjustment Period to be determined by a value appraiser to be agreed upon by Leumi Partners and Financial Investments. Financial Investments will be entitled to delay the date of the appraisal and allocation by one year (and in such a case, the value of Mimun Yashir will be determined as of the date which is one year after the end of the Adjustment Period). In any event, the value of Mimun Yashir for the purpose of the additional allocation will not exceed NI S1 billion.

5. If at the time of the additional allocation, Leumi Partners is prevented from carrying out the allocation by any regulatory impediment, including, *inter alia*, if the additional allocation leads to Leumi Partners holding more than 10% of the issued and paid-up capital of Financial Investments, a cash payment will be made in place of the part of the allocation regarding which such an impediment arises.
6. Leumi Partners undertakes not to sell the shares that are allocated to it in the Transaction during six months after the completion of the Transaction.

In addition, Leumi Partners has undertaken not to sell the shares that are allocated to it in the Transaction in the framework of the Privatization Transaction until the earliest of: (a) 31 December 2019 (or any other date to be set for compliance with the Increased Competition and Reduction of Concentration Law, 5774-2013 (hereafter: "the **Concentration Law**"), but not later than 31 December 2020); and (b) the date for the completion of the privatization of Financial Investments or the completion of another transaction which will make it unnecessary to privatize Financial Investments in accordance with the provisions of the Concentration Law. Such a sale will not be made except to a transferee who will undertake Leumi Partners' above-described undertaking.

7. The agreement includes representations and declarations of the parties and restrictions on transactions and/or actions that are not in the course of ordinary business of Financial Investments or of its subsidiaries during the interim period which continues until the completion date, all as is standard in such agreements.
8. The agreement includes provisions concerning the indemnification of Leumi Partners for circumstances established in the agreement, subject to the terms that are established in the agreement. The said indemnification will be the only remedy available and it will not exceed the consideration in the Transaction, except in the case of malevolence/fraud. Also, the agreement provides for the indemnification of Financial Investments in the case of the inaccuracy of Leumi

Partners' representation regarding its free and clear ownership of the shares in Mimun Yashir that are sold in the framework of the Transaction.

9. Upon the completion of the transaction, the agreement between Leumi Partners and Tsur Shamir Holdings Ltd., which holds control of Financial Investments (hereafter: "**Tsur Shamir**"), will enter into effect. The agreement will establish their relations as shareholders in Financial Investments and will include standard provisions regarding the rights of shareholders in Financial Investments and its management; veto rights for Leumi Partners concerning certain matters for the protection of its rights as a minority shareholder in Financial Investments – including a change in the structure of Financial Investments, a change in the capital structure of the Financial Investments, a significant change in Financial Investments' areas of activity (as they are at the time of this report); protections against dilution; provisions concerning the appointment of a Leumi Partners director to serve on the Financial Investments board of directors (subject to the percentage of its holdings in Financial Investments being at least 5.5%); a determination of the dividend distribution policy at Financial Investments; provisions regarding Tsur Shamir's non-competition; pre-emptive rights and co-sale rights in the case of the sale of control of Financial Investments by Tsur Shamir and its controlling shareholders or the sale of the control of Tsur Shamir by its controlling shareholders. The shareholders' agreement also establishes that Leumi Partners is given the right to request the redemption of its shares in Financial Investments, or the conversion of its shares in Financial Investments into shares in Tsur Shamir or of its subsidiaries up to the end of the seventh year from the date of the completion of the Transaction; and Tsur Shamir will make efforts to respond affirmatively to such a request, but if it is unable to carry out the said redemption and/or conversion, such failure will not constitute a cause of action for a claim against it.

Additionally, it is noted that if an additional shareholder of Mimun Yashir is granted rights that are preferred rights in relation to those granted to Leumi Partners in the framework of the Transaction, such preferred rights will also be offered to Leumi Partners.

10. The completion of the Transaction is subject to the fulfilment of the standard conditions precedent by 31 December 2018 (or a later date about which the parties will agree) and this includes the completion of a due diligence examination to Leumi Partners' satisfaction, and the receipt of the regulatory approvals required by law, if any such are required – including the approval of the Director of Capital Markets, Insurance and Savings at the Ministry of Finance, concerning the holding of the means of control of Financial Investments.
11. The Bank is expected to record a pre-tax profit of NIS 76 million with respect to the realization of its Mimun Yashir shares in the framework of the Transaction.

Very sincerely,

Bank Leumi le-Israel BM

By

Mr. Ronen Agassi, Head of the Capital Markets Division