

Bank Leumi le-Israel B.M. (hereinafter – the “Bank”)

Outline

of an offer by the State of Israel to the Bank’s employees pursuant to Section 15b(1)(b) of the Securities Law, 1968 and the Securities Regulations (Outline Details of an Offer of Securities to Employees), 2000

of

up to 7,793,155 registered ordinary shares of the Bank, of NIS 1 par value each, which are offered to the participants, as defined below (including the Bank’s Chairman of the Board of Directors and the Bank’s President and CEO).

Date: November 20 2018

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1. Introduction

- 1.1 The Bank is a Company registered in Israel. The par value of each of the Bank's ordinary shares is NIS 1 and they are listed for trade on the Tel Aviv Stock Exchange Ltd.
- 1.2 Pursuant to the agreements on the matter of the Bank's privatization, and pursuant to the resolutions of the Knesset's Finance Committee (hereinafter – the “**Existing Arrangements**”), the participants and/or any of them, was awarded the right to purchase from the State some of its holdings in the Bank in the event of the sale of its holdings in the Bank.

In view of the aforesaid, and after on September 5, 2018 the State sold the remaining Bank shares it owned (other than the shares offered pursuant to this Outline), which constitute approximately 5.32% of the Bank's issued share capital (without neutralizing dormant shares that are included in the Bank's share capital on that date) (see the Bank's immediate reports of September 5, 2018, references nos. 2018-01-0845455, 2018-01-084993 and 2018-01-0845491), participants are offered pursuant to this Outline 7,793,155 ordinary shares of the Bank, which constitute as of the date of this Outline, approximately 0.511% of the Bank's issued and paid share capital¹ (hereinafter – the “**Number of Offered Shares**”).

For the avoidance of doubt, it is hereby clarified that in this Outline the State offers to participants 7,793,155 shares, which constitute only approximately 0.511% of the Bank's issued and paid shares capital¹ as of the date of this Outline, and the aforesaid does not confer upon the participants rights to Bank's shares beyond the shares that are offered therein.

- 1.3 The shares which are offered to participants under this plan are offered without the State's providing any representation or undertaking in connection with the value of the acquired shares, the value of the Bank, the state of its businesses or the Government's policy and its course of action in connection with the Bank or fields in which the Bank operates, and the shares are offered subject to the participants' waiver of any claim, lawsuit, or indemnification demand of any kind whatsoever in connection with the Bank and its activity or in respect of the shares, towards the State, M.I Holdings Ltd., their employees, executives and any other entity operating on their behalf.
- 1.4 In this plan, the “**Participants**”:

Any person who is included in any of the following groups (as defined below) both on the entitlement date and on the effective date:

¹ For calculation purposes, the share capital includes 29,673,571 dormant shares, which are included in the Bank's share capital as of November 19, 2018. For details regarding the formation of dormant shares in the Bank's issued share capital, see immediate report of November 19, 2018 (reference no. 2018-01-110826). It should be noted that the shares, which are offered to participants by the State as set out in this Outline constitute approximately 0.521% of the Bank's issued and paid share capital as of November 19, 2018 on a fully diluted basis, including after the neutralization of the dormant shares as aforesaid, assuming that all unvested PSUs that have been allocated by the Bank to date (698,870 PSUs) will vest. It should also be noted that this calculation of the Bank's fully diluted issued and paid share capital, does not take into consideration a potential conversion of: (a) NIS 925,750,000 par value of Series 400 subordinated bonds, which were issued by the Bank on January 21, 2016 and are convertible, in certain circumstances, into up to 143,616,346 ordinary Bank shares and (b) NIS 613,800,000 par value of Series 401 subordinated bonds and NIS 209,100,000 par value of Series 402 subordinated bonds, which were issued by the Bank on July 8, 2018 and are convertible, in certain circumstances, into a total of up 56,858,739 and 19,369,766 ordinary Bank shares, respectively.

- 1.4.1 The Bank's permanent employees, including Bank's permanent employees who were loaned to Bank's subsidiaries or who are on unpaid leave (at the Bank's initiative) in order for them to be employed by Bank's subsidiaries and/or employed by the Bank's branches abroad (as will be determined by the Bank's HR division regarding those employed by the Bank's branches abroad);
 - 1.4.2 Employees working for the Bank under a managerial contract and who have worked at least four full years for the Bank prior to entitlement date;
 - 1.4.3 Employees who are members of the Bank's management and/or Bank's officeholders (including the Chairman of the Bank's Board of Directors, and excluding the Bank's other directors) and the Bank's Chief Internal Auditor;
 - 1.4.4 Employees who are employed by virtue of a special agreement that was signed on March 4, 1988;
 - 1.4.5 Employees who are employed by the Bank under a personal professional contract and who have worked at least four full years for the Bank prior to entitlement date;
 - 1.4.6 Any other employee, or a former employee, in respect of whom the Bank's Board of Directors and/or whoever was authorized by it, will determine that he is entitled to participate in the plan, provided that the written consent of the Bank's employees' representatives was obtained prior to the effective date;
and excluding
 - 1.4.7 Without derogating from the provisions of Section 1.4.1 above, any employee who is on unpaid leave (except for an employee on unpaid leave after giving birth), unless pursuant to the Bank's approval of the unpaid leave he is scheduled to go back to work no later than 6 months from the entitlement date;
 - 1.4.8 Any employee, in respect of whom the Bank's Board of Directors and/or whoever was authorized by it, will determine that he is not entitled to participate in the plan even though as of entitlement date that employee was included in the groups listed in Sections 1.4.1-1.4.6, and provided that the written consent of the Bank's employees' representatives was obtained prior to the effective date.
- 1.5 The Bank approached the Tax Authority and obtained an approval whereby the agreed tax ruling (as defined below) shall also apply to the offer of securities to employees pursuant to this Outline, provided that no changes will be made to the plan and to the Outline of the Company's offer to employees, as described in the agreed tax ruling, and provided that all of the provisions of the agreed tax ruling will be strictly complied with. The Bank shall report to the Tax Authority pursuant to the provisions of Section 102 of the Income Tax Ordinance, and pursuant to the regulations, rules, circulars and directives that were issued by virtue thereof (hereinafter jointly – "**Section 102**"). In the event of contradiction between the provisions of the plan, its appendixes and the documents that will be drawn up thereunder and the provisions of Section 102 and/or the agreed tax ruling, the provisions of Section 102 and the agreed tax ruling will prevail and any adjustments required in the plan shall be determined by the Bank's Board of Directors pursuant with and subject to the provisions of any law.

- 1.6 The participants should consider the tax implications of participating in the plan. The text of the Outline does not purport to be an authoritative or exhaustive interpretation of the provisions of the law or an exhaustive description of the tax laws' provisions pertaining to the plan, nor is it a substitute for professional advice on these issues.
- 1.7 The plan is in accordance with the Bank's remuneration policy (including remuneration policy applicable to the Bank's officeholders), and it is offered in addition to and without derogating from any wage agreements between the Bank and its employees, if any.
- 1.8 **Permits and approvals:** all permits and approvals required by any law for the plan and the publication of the Outline were obtained; however, pursuant to Regulation 9 to the Securities Regulations (Outline Details of an Offer of Securities to Employees), 2000, the Securities Authority may instruct the Bank, within fourteen (14) business days from the date of filing the Outline, to provide explanations, details, information and documents regarding the Outline and to amend the Outline within a period that it will set. Where the Securities Authority instructed the amendment of the Outline, it may instruct the deferral of the date of commencement of the period during which the securities will be awarded to a date that will fall at least three business days after the date of publication of the Outline's amendment and no later than fourteen business days from that date. The amendment of the Outline shall be performed in accordance with the provisions of the aforesaid regulations. Furthermore, the offer of the shares to the Chairman of the Board of Directors shall also be subject to approval of the general meeting, which has not yet been obtained.

The approvals that were obtained are as follows: on November 20, 2018, the Bank's Board of Directors approved the plan and its terms, the publication of the Outline and the offer of shares thereunder; the Board of Directors also approved the offer of shares to the Chairman of the Bank's Board of Directors, the Company's President and CEO and other members of the Bank's management, after the aforesaid was approved by the Board of Directors' Audit Committee on November 7, 2018. As aforesaid, the offer of the shares to the Chairman of the Board of Director is also subject to the approval of the general meeting; the Bank obtained the Tax Authority's approval to the effect that the agreed tax ruling (as defined below) shall also apply to the offer to employees pursuant to this Outline, subject to the provisions of Section 4.3 below.

2. **Interpretation**

The introduction to the Outline constitutes an integral part thereof. In the event of contradiction between the provisions of the introduction and the provisions of the Outline, the provisions of the Outline will prevail.

3. **Definitions**

In this Outline, the following terms shall have the meaning set out opposite them:

3.1 "Stock Exchange" – the Tel Aviv Stock Exchange Ltd.

3.2 The "Bank" - Bank Leumi le-Israel B.M.

- 3.3 The “**Board of Directors**” – including a Board of Directors committee that will be authorized by the Board of Directors for the purpose of the plan, insofar as it is authorized.
- 3.4 “**Agreed Tax Ruling**” – tax ruling of the Professional Department of the Income Tax Commission, Tel Aviv, of June 12, 2006, whose title is “Agreed Tax Ruling - Bank Leumi le-Israel B.M. – Employees Entitled to be Included in the Capital Gains Track Under the Provisions of Section 102 of the Ordinance and Calculation of the Value of the Work-Income Benefit”, and adjustments to the Tax Ruling of 2006, which were explicitly approved by the Tax Authority.
- 3.5 “**Designated Loan**” – a loan extended to those participants who wish to take it, by the funding entity (that was approved by the Bank’s Employees Committees (hereafter – the “**Funding Entity**”) for the purpose of funding the purchase of some or all of the total number of shares offered to each participant (as this term is defined in Section 6.3 below).
- 3.6 The “**Trustee**” – as defined in Section 102 of the Income Tax Ordinance, and as of the Outline’s publication date – IBI Capital Compensation and Trusts (2004) Ltd.
- 3.7 The “**Permanent Employees**” – any person who will be a permanent employee of the Bank on entitlement date, within the meaning of the term “permanent” in the Bank’s collective employment agreements.
- 3.8 The “**Plan**” – the offer for sale of ordinary shares of the Bank to Company’s employees pursuant to the provisions of this Outline.
- 3.9 “**Members of Management**” – members of the Bank’s management and the Chairman of the Bank’s Board of Directors, the Bank’s CEO and the Bank’s Chief Internal Auditor.
- 3.10 The “**Companies Law**” – the Companies Law, 1999.
- 3.11 The “**Index**” – the Consumer Price Index, including fruit and vegetables, published by the Central Bureau of Statistics and Economic Research or any other alternative index that was set for that purpose by the Government, which is based on the Central Bureau of Statistics’ data.
- 3.12 “**Entitlement Date**” – September 5, 2018.
- 3.13 “**Effective Date**” or the “**Effective Date**” – as defined in Section 9.4 of this Outline.
- 3.14 The “**Price per Share**” – as defined in Section 7 of this Outline.
- 3.15 “**Share**” or “**Shares**” – ordinary registered shares of the Bank of NIS 1 par value in the Bank’s issued and paid share capital².
- 3.16 “**Participant**” – as set out in Section 1.4 of this Outline.

² All of the Bank’s issued shares were converted into ordinary registered stock. The ordinary stock is transferrable in units comprising NIS 1 par value each. The terms “Shares” and “Shareholder” in this Outline include “Stock” and “Stockholder”, respectively, and one ordinary share of NIS 1 means NIS 1 par value of Ordinary Stock.

- 3.17 “**Retirement**” – termination of employment upon reaching retirement age, as set out in law or in a collective agreement applicable to the Bank’s employees.
- 3.18 “**Lock-up Period**” – a two-year (2-year) period commencing on the Effective Date, or as long as the Designated Loan that was taken by any Participant in connection with the purchase of the Shares, insofar as such a loan was taken, has not been fully repaid (the later of the two).
- 3.19 The “**Other Person**” – a person to whom shares were transferred due to the death or legal incompetence of a Participant.
- 3.20 The “**Ordinance**” or the “**Income Tax Ordinance**” – the Income Tax Ordinance (New Version), 1961.
4. **Required approvals and permits**
- 4.1 The Plan and its terms, the publication of this Outline and the offering of shares thereunder were approved by the Bank’s Board of Directors on November 20, 2018. The Plan is drawn up in accordance with the existing arrangements (as defined above). According to the Plan, the State offers to Participants to purchase the remaining balance of the Company’s holdings in the Bank, 7,793,155 Shares, which constitute, as of that date approximately 0.511% of the Bank’s issued and paid share capital¹.
- 4.2 All approvals and permits required for the Plan and the publication of the Outline pursuant to any law were obtained, except as described below.
- 4.3 The Bank approached the Tax Authority and obtained an approval whereby the Agreed Tax Ruling shall also apply to the offer of securities to employees pursuant to this Outline, provided that no changes will be made to the Plan and Outline of the State’s offer to employees, as described in the Agreed Tax Ruling, and provided that all of the provisions of the Agreed Tax Ruling will be strictly complied with. According to this approval, the provisions of Section 102 (as defined above) shall apply to the Plan.
- 4.4 The offer of shares to the Chairman of the Bank’s Board of Directors, the Company’s President and CEO and other members of the Bank’s management was approved by the Board of Directors’ Audit Committee on November 7, 2018 and by the Bank’s Board of Directors on November 20, 2018. The offer of the shares to the Chairman of the Board of Directors is also subject to the approval of the general meeting of the Bank’s shareholders pursuant to Section 273 of the Companies Law.
- 4.5 Pursuant to Regulation 9 of the Securities Regulations (Outline Details of an Offer of Securities to Employees), 2000, the Securities Authority may instruct the Bank, within fourteen (14) business days from the date of filing the Outline, to provide explanations, details, information and documents regarding the Outline and to amend the Outline within a period it will set. Where the Securities Authority instructed the amendment of the Outline, it may instruct the deferral of the date of commencement of the period during which the securities will be awarded to a date that will fall at least three business days after the date of publication of the Outline’s amendment and no later than fourteen business days from that

date. The amendment of the Outline shall be performed in accordance with the provisions of the aforesaid regulations.

5. The Participants

- 5.1 The offer pursuant to the plan is offered to all Participants.
- 5.2 As of the Effective Date, the Participants, other than the Chairman of the Bank's Board of Directors (due to his role as a director in the Bank) and except for the Bank's CEO (due to her role as the Bank's CEO), are not interested parties of the Bank and shall not become interested parties of the Bank as a result of receiving the offer.
- 5.3 Shortly after the publication of the Outline, the State will deliver to each Participant, through the Bank, the Notice to Participants (as defined in Section 8.2 below), which will include, among other things, details regarding the number of the Shares offered to the relevant Participant as part of the plan.

6. The offered securities

- 6.1 As of the Effective Date, the Bank's issued and paid share capital will be NIS 1,524,021,394 divided into 1,524,021,394 shares of NIS 1 par value each (without neutralizing dormant shares which are included in the Bank's share capital)¹.
- 6.2 As part of the Plan, Participants will be offered 7,793,155 shares according and subject to the arrangements and terms set out in this Outline, which constitute, as of November 20, 2018, 0.511% of the Bank's issued and paid share capital¹. For the avoidance of doubt, it should be noted that the number of Shares as set out in this paragraph: (a) will be adjusted to reflect the any distribution of bonus shares, if such distribution takes place in the period from September 5, 2018 through the effective payment date of the consideration for those Shares; and (b) will not change as a result of a potential dilution due to the conversion into Shares of subordinated bonds (Series 400, 401 and 402) as described in Section 1.2 above.

As to the entitlement of the Shares, which are offered under the Outline, to participate in the distribution of dividend or bonus shares in the Bank, which will be declared upon subsequent to the date of this Outline – see Section 9 below.

- 6.3 The distribution of Shares among the Participants and the number of Shares to be offered to each Participant shall be determined pro rata to those Participants' wages in for September 2018, that serves as the basis to calculate social benefits for those Participants (hereinafter – the “**Number of Shares Offered to Each Participant**”). In any case where the Number of Shares Offered to Each Participant according to the aforesaid distribution is not a whole number, the number of Shares that will be offered to that Participant will be rounded down to the nearest whole number, as follows:
 - 6.3.1 7,766,428 Shares are offered to Participants, excluding the Bank's Chairman of the Board of Directors and the Bank's President and CEO.
 - 6.3.2 12,364 Shares are offered to the Bank's Chairman of the Board of Directors subject to the approval of the Bank's general meeting as described in Section 4.4. above.

6.3.3 14,363 Shares are offered to the Bank's **President and CEO**.

Notwithstanding the above, if it transpires that some Shares that have been offered to Participants were not purchased, due, for example, to any of the Participants' not exercising some or all of his entitlement to purchase Shares pursuant to this Outline, then each of the Participants who did exercise his entitlement as aforesaid³, will be entitled to purchase additional Shares in excess of the Number of Shares Offered to Each Participant (hereinafter – the “**Additional Shares**”) pro rata and taking into consideration the Participant's consent that will be given in advance (if and to the extent it will be given)⁴.

The Number of Shares Offered to Each Participant together with the Additional Shares shall be called hereinafter – the “**Overall Number of Shares Offered to a Participant**”.

7. **The Shares' price**

The Shares are offered to Participants at a price of NIS 17.535 per Share⁵, as of September 5, 2018 (hereinafter –the “**Price per Share**”). It should be clarified that the Price per Share is the share price for which the State sold (on September 5, 2018) Bank's Shares it owned, less a 25% discount. The Price per Share shall include linkage differences to be calculated according to the “last known Index” method, where the base Index is the Index in respect of July 2018 (which was published on August 15, 2018) and the new Index is the last known Index before the effective payment date (hereinafter – the “**Exercise Price**”). The Exercise Price shall be adjusted to reflect the distribution of dividends⁶ as from September 5, 2018 through the effective payment date plus linkage differences according to the “last known Index” method; the linkage differences will be calculated in respect of the period from dividend distribution date through the effective payment date.

8. **The Shares offer procedure**

8.1 Pursuant to the Tax Authority's approval whereunder Section 102 of the Ordinance applies to each of the Participants, the Shares that will be purchased by the Participants who will accept the offer will be subject to the taxation track whereby the Shares are held in trust pursuant to Section 102. It is hereby clarified that the capital gains track pursuant to Section 102 will only apply to some of the Participants, and it falls on each Participant to check the applicability of Section 102 to him.

8.2 After the submission of the Outline to the Securities Authority and to the Stock Exchange, the State will send each Participant, through the Bank, a letter which lists, among other things, the number of Shares offered to him and the amount he is required to pay for those Shares, should he decide to subscribe to those Shares (hereinafter – the “**Notice to Participants**”). An order form for the purchase of the Shares (hereinafter – the “**Order Form**”) will be attached to the Notice to Participants; the wording of the Order Form will

³ It should be noted that the Chairman of the Board of Directors and the CEO will not participate in the purchase of the aforesaid Additional Shares.

⁴ Provided that each of such Participants will be allowed to purchase shares at a rate that will not exceed 3 times the Number of Shares Offered to Each Participant and subject to any law.

⁵ The price per Share is subject to adjustments as set out in this Outline.

⁶ The Price per Share will also be adjusted to reflect the Bank's notice of November 23, 2018 regarding the distribution of dividend, the ex-dividend day of which is November 27, 2018 (see the Bank's immediate report of November 13, 2018, reference no: 2018-01-107559).

be agreed upon by the Bank and the State and the Participant shall be asked to sign it. The Order Form will include, among other things, the Participant's declaration whereby he agrees that the arrangement set out in this Outline will apply to him; the maximal number of Additional Shares he wishes to purchase in the event that after the deadline for the submission of the Order Form, as defined in Section 8.4, it transpires that some Shares that have been offered to Participants under this Plan were not purchased; and that he is aware of the provisions of Section 102 and the potential tax tracks. The Order Form will also include an irrevocable order to the Bank to debit the Shares' consideration amount from the Participant's account. For purposes of this Outline, the term "**Shares' Consideration Amount**" means the product of multiplying the Exercise Price (as defined above) by the number of Shares to which the Participant subscribed (out of Overall Number of Shares Offered to a Participant (as this term is defined above).

- 8.3 If the Notice to Participants does not reach any of the Participants, this will not invalidate the offer pursuant to this Outline and will not preclude that Participant from subscribing to the Shares he was offered, so long as the Participant submits the Order Form as described below. Non-delivery of the Notice to Participants will not confer upon a Participant any right that is not conferred upon a Participant who received such notice. Non-delivery of the Notice to Participants to any Participant will not afford a right to postpone the date on which the Order Form is to be submitted pursuant to this Outline.
- 8.4 A Participant who would wish to purchase the Shares that were offered to him shall return the Order Form to the State, through the Bank, with the Order Form being signed by him or by his legal representative (subject to the Participant's signing a power of attorney form that will be delivered by the Bank) (no later than fourteen business days from the date of the filing of the Outline to the Securities Authority and the Stock Exchange). The Order Form will specify the number of Shares, which the Participant wishes to purchase (including the Additional Shares), and an irrevocable order to debit the Shares' Consideration Amount from the Participant's account will be attached to it. The Order Form shall be returned by the Participant until the date that will be specified in the Notice to Participants (hereinafter – the "**Deadline for Submitting the Order Form**"). A participant who will not specify the number of Shares he wishes to purchase in the Order Form shall be deemed to have agreed to purchase the Overall Number of Shares Offered to a Participant (as this term is defined in Section 6.2 above, excluding the Additional Shares).

A participant who will not return the signed Order Form as aforementioned until the abovementioned date, shall be deemed as a Participant who has not subscribed to any Shares and who rejected the offer to purchase some or all of the Shares.

- 8.5 A Participant shall be allowed to subscribe to some or all of the Shares offered to him. A Participant may only submit one Order Form.
- 8.6 Unless it is expressly determined otherwise in this Outline, a Participant's right to purchase Shares as described above is non-transferrable, not even to another Participant.
- 8.7 A copy of the Outline will be available in the Bank's secretariat and in the Bank's knowledge management website for the perusal of each of the Participants.

- 8.8 Shortly before the Deadline for Submitting of the Order Form, the State shall open a special trust account with a bank (hereinafter – the “**Employees’ Account**”). The Employees’ Account will be administered by the State pursuant to the provisions of Section 28 of the Securities Law, 1968. The funds that will be deposited with the Employees’ Account will be invested in liquid deposits, which are not linked and bear interest on a daily basis.
- 8.9 On the first business day after the Deadline for Submitting the Order Form as described in Section 8.4 above, the Bank will debit the Shares’ Consideration Amount from the relevant Participant’s bank account and will deposit the overall Shares’ Consideration Amount paid for the Shares that were subscribed by the Participants.
- 8.10 The overall Shares’ Consideration Amount paid for the Shares that were subscribed by the Participants shall be transferred, pursuant to an irrevocable order given by the State, from the Employees’ Account to the Account of the General Accountant of the Bank of Israel until the Effective Date (as defined in Section 3.13 above).

9. **Trustee and lock-up**

- 9.1 The Shares that will be subscribed to and purchased by each Participant (hereinafter – the “**Shares that the Participant Purchased (were Purchased by the Participant)**”) shall be restricted as described below and shall be deposited in trust for the purpose of restricting them by the Trustee appointed by the Bank for the Participants pursuant to an agreement between the Trustee and the Bank (hereinafter – the “**Trust Agreement**”), and subject to approval of the Bank’s Board of Directors regarding the Trust Agreement’s provisions pertaining to the power of attorney to Participants. The main points of the Trust Agreement are set out in Section 10 below. During the Lock-up Period, the Trustee will give those Participants who wish to vote in general meetings by virtue of the Shares that will be deposited with the Trustee, and who will let the Bank know in advance of their wish to do so, a power of attorney to vote, which will be given via the Bank.
- 9.2 The Shares shall be restricted during the Lock-up Period.
- 9.3 Within seven days after the Deadline for Submitting the Order Form, the Bank will deliver to the Trustee lists of the Participants who purchased Shares, their personal details (and in the case of the Trustee, also their bank account details), the number of Shares purchased by each Participant and all details required for the purpose of reporting pursuant to Section 102. At the same time, the Bank will inform the State of the number of Shares purchased by each Participant and the overall Shares’ Consideration Amount paid for the purchased Shares.
- 9.4 Within three days of receipt of the Bank’s Notice as per Subsection 9.3 above (hereinafter – the “**Effective Date**”), the State will deposit with the Trustee and in the Trustee’s name, Shares that were purchased as aforesaid by the Participants, provided that through that date the entire overall Share’s Consideration Amount for the Shares purchased as aforesaid was transferred from the Employees’ Account to the Account of the **General Accountant of the Bank of Israel** as described in Section 8.10, as long as this date falls at least 30 days from the date on which this Outline was submitted for approval of the Tax Authority pursuant to the provisions of Section 102, and so long as at least 14 business days elapsed since the submission of this Outline to the Securities Authority and the Securities Authority did not

issue any orders in connection therewith pursuant to the Securities Regulations (Outline Details of an Offer of Securities to Employees), 2000.

- 9.5 The Shares that shall be purchased by the Participants shall be held by the Trustee until the end of the Lock-up Period pursuant to the provisions of the Trust Agreement and the provisions of Section 102. The Lock-up Period shall also apply to Participants who stopped and/or will stop working for the Bank prior to the end of the Lock-up Period.
- 9.6 The heirs of a Participant who passed away during the Lock-up Period and his legal representatives under any law should he become legally incompetent during the Lock-up Period, shall be treated as a Participant.
- 9.7 The Shares that will be transferred to the Participants according to the Outline and the rights conferred by virtue thereof constitute personal rights of the Participant. Prior to the latest of the end of the Lock-up Period or the payment of the tax applicable as per Subsection 9.8 below, the Shares may not be transferred, assigned, pawned, otherwise voluntarily pledged, placed under lien or foreclosed by virtue of the provisions of any law, and no power of attorney or transfer deed will be issued in respect thereof, whether such power of attorney or transfer deed enter into effect immediately or in the future, except for transfer by virtue of a will or pursuant to the law, and except for a power of attorney given to Participants as per Section 9.1. It is hereby clarified that under no circumstances (including in the case of rights' transfer by virtue of a will or pursuant to the law) will the Trustee release the Shares before the end of the Lock-up Period, and the Shares will be subject to the provisions of this Outline, including with regard to the furnishing of the power of attorney to Participants.
- 9.8 Once the Lock-up Period has ended, each Participant shall be allowed to demand that the Shares he purchased will be transferred to him, provided that the Shares will only be transferred to the Participant after: (a) the applicable tax pursuant to Section 102 as described below was paid and the Trustee has the Bank's approval to the effect that the payment of tax in respect of the purchase and transfer of the Shares that belong to the relevant Participant has been settled and (b) the Bank's approval was received to the effect that the relevant Participant repaid the Designated Loan that was extended to him by the Funding Entity for the purpose of purchasing the Shares (if such a loan was indeed extended to him).
- 9.9 The applicable tax shall be paid by the Participant or by the Other Person, as the case may be, by way of giving authorization to debit his account or in any other manner as approved from time to time by the Bank.
- 9.10 If for any reason whatsoever the provisions of Section 102 will not apply, the Participant or the Other Person, as the case may be, will pay the tax applicable to him (including by way of tax withholding by the Bank and/or the Trustee), and such payment will be a condition for the transfer of the Shares from the Trustee to the Participant. Without derogating from the provisions of Section 9.7, the Shares will only be transferred to the Participant after: (a) the applicable tax was paid and the Trustee has the Bank's approval to the effect that the payment of tax in respect of the purchase and transfer of the Shares that belong to the relevant Participant has been settled and (b) the Bank's approval was received to the effect that the relevant Participant repaid the Designated Loan that was extended to

him by the Funding Entity (if such a loan was indeed extended to him), and there is no impediment to the release of the Shares pursuant to the provisions of this Outline and/or pursuant to any law.

- 9.11 Subject to receipt of approvals as aforesaid in Section 9.8 or 9.10 above, as the case may be, at the end of the Lock-up Period, the Shares shall be transferred by the Trustee to the Participants' securities' deposits, and they will be subject to the provisions of Section 52I of the Securities Law, 1968.
- 9.12 Shares that were not released in favor of the Participant at the end of the Lock-up Period due to non-compliance with the conditions set out in Section 9.8 or 9.10 above, as the case may be, and Shares that cannot be transferred to the Participant for any reason relating to the Participant, shall be sold by the Trustee and through the Bank immediately after the end of the Lock-up Period, but no later than a month after the end of the Lock-up Period, in accordance with the Trustee's professional judgment and his fiduciary duty. The tax payable in respect of the Shares will be deducted from the consideration that will be received from their sale and the outstanding balance of the debt to the Funding Entity (if any) in respect of the Shares as per the Bank's records will also be repaid out of the said consideration. The remaining amount after the aforesaid deductions will be transferred to the Participant's bank account. If such transfer cannot be executed (either because it is not possible to identify the Participant's bank account or for any other reason), the remaining amount will be transferred to the Bank that will hold it in trust for the Participant and will deduct from that amount of the expenses it incurs in connection with the holding of such amount.
- 9.13 If the Bank distributes bonus shares, the effective date for the distribution of which will fall before the end of the Lock-up Period, the Bank will transfer to the Trustee bonus shares according to the number of Shares held in Trust by the Trustee in favor of the Participants, and those shares will be restricted until the end of the Lock-up Period and be subject to the provisions of this Outline, *mutatis mutandis*.
- 9.14 If the Bank issues its securities by way of issuing rights to its shareholders, and the effective date for receipt of those securities will fall before the end of the Lock-up Period, the Participants shall be allowed to sell the rights, provided that the sale's consideration shall be invested in the Bank's Shares and those Shares will be deposited with the Trustee and the Participants will not be allowed to sell them until the end of the Lock-up Period. The Participants will also be allowed to exercise the rights, provided that the securities that will be purchased shall be deposited with the Trustee and will be restricted until the end of the Lock-up Period and be subject to the provisions of this Outline, *mutatis mutandis*.
- 9.15 If the Bank distributes cash dividend in respect of the Shares held by the Trustee in favor of each of the Participants, and the effective date for the distribution of those securities will fall before the end of the Lock-up Period, the dividend amounts, after deduction of tax payable according to the law, will be used to repay the Designated Loan extended to that Participant by the Funding Entity (if such a loan was indeed extended to him) according to the revalued balance of the loan as of the date of dividend distribution. After repayment of the Designated Loan, or in cases where no such loan was extended to the relevant Participant, the dividends will be paid to the Participant, subject to any law.

9.16 The Bank (subject to the State's approval, if this concerns it), may change the Shares' offering procedures from time to time, if necessary, at the discretion of the Bank, in order to facilitate, streamline and improve the procedures of offering the Shares to employees, the purchase of the Shares by the Participants and the release of the Shares from the lock-up, and to adjust them to the changes made in the applicable law, provided that the Participants' rights as per this Outline will not be impaired.

10. **The Trust Agreement**

10.1 Pursuant to the provisions of Section 102, all of the Shares that will be subscribed to and purchased by the Participants will be transferred in the name of the Trustee for the Participants. The shares shall be deposited in the securities account in the name of the Trustee.

10.2 The Bank and the Trustee entered into an agreement (hereinafter – the “**Trust Agreement**”) and the provisions of the Trust Agreement shall bind each of the Participants. The Trust Agreement, includes, among other things, the following provisions:

10.2.1 The Trustee will hold all the Shares in Trust for the Participants for a period that will not be shorter than the Lock-up Period, and will act with regard thereto pursuant to the provisions of this Outline and the provisions of Section 102 and subject to the provisions of the Trust Agreement.

10.2.2 Prior to ensuring the payment of the full amount of the tax applicable by law and the full repayment of the Designated Loan extended by the Funding entity, the Shares may not be transferred, assigned, pawned, foreclosed or otherwise voluntarily pledged, and no power of attorney (except for a power of attorney given to Participants as per Section 9.1) will be issued in respect thereof, except for transfer of the Participant's rights in the Shares by virtue of a will or pursuant to the law, provided that under no circumstances will the Trustee release the Shares before the end of the Lock-up Period.

10.2.3 A copy of the Bank's last periodic report and its last unaudited financial statements shall be available for perusal by the Participants' at the Bank's secretariat during normal office hours. A copy of the aforesaid report will be sent to a Participant upon his sending a written request to that effect.

10.2.4 Through the end of the trust period, the Bank shall be required to furnish confirmations of payment of the applicable tax in connection with the release of the Shares from trust as aforesaid and regarding the repayment of the Designated Loan extended by the Funding Entity (if such a loan was indeed extended); after receipt of these confirmations, all Participants for whom the Shares will be held by the Trustee, will be required to transfer the said Shares to their bank account, pursuant to the provisions of Section 52I(c) of the Securities Law, 1968. If the Bank does not provide such confirmation of tax payment regarding any of the Participants, the Trustee shall take such action as described in Section 9 above in relation to those Participants.

11. The rights attached to the Bank's Shares

11.1 General

The rights attached to the Bank's Shares, the main points of which are described below, are those arising from the Bank's Articles of Association, whose provisions are subject to the provisions of the law, including the Companies Law, 1999, the Banking Law (Licensing), 1981 (hereinafter – the “**Banking Law (Licensing)**”) and the Banking Ordinance, 9141 (hereinafter – the “**Banking Ordinance**” or the “**Ordinance**”), as amended. In the event of contradiction between the provisions of the Articles of Association and provisions that cannot be stipulated upon pursuant to the provisions of the law, including directives issued by the Banking Supervision Department, the aforesaid provisions will prevail over the provisions of the Articles of Association.

The following is a condensed description and does not substitute perusal of the complete and binding version of the Bank's Articles of Association. The complete and up-to-date version of the Bank's Articles of Association was attached to the Bank's immediate report of November 3, 2016, regarding amendments to the Articles of Association (reference no. 2016-01-072234) which is included in this Outline by way of reference.

11.2 The Bank's share capital as of the Outline's date

The Bank's share capital comprises ordinary Shares of NIS 1 par value each. For details regarding the authorized, issued and paid share capital of the Bank as of the Outline's date see the Bank's immediate report of July 8, 2018 (reference no. 2018-01-061401). For further details regarding the authorized, issued and paid share capital of the Bank as of December 31, 2017 see Note 25A of the Bank's financial statements as of December 31, 2017, which are included in the Bank's periodic report for the year 2017, which was published on March 6, 2018 (reference no. 2018-01-021430).

As to capital increase, issuance of new Shares and changes to the Company's share capital, see Articles 46 through 50b of the Bank's Articles of Association.

11.3 The main rights attached to the Shares

Subject to the provisions of the Bank's Articles of Association and subject to any law, the ordinary Shares shall confer upon their holders the right to be invited to, participate and vote in all of the Bank's general meetings, the right to one vote in respect of each ordinary Share they hold, and the right to participate in distribution of the Bank's profits and/or its assets (including upon the Bank's liquidation), pro rata in proportion to the amounts that were paid or which were credited as paid on account of the par value of those shares.

11.4 The conditions and rates of participation in the distribution of dividends and bonus shares

Articles 112 and 113 of the Bank's Articles of Association stipulate that the Board of Directors may declare a dividend that shall be paid to the members according to their rights and interests in the profits and set the payment date. Dividends will only be paid out of the Bank's profits and no dividend shall bear interest against the Bank.

For further details regarding the conditions and rates of participation in the distribution of dividend and issuance of bonus shares, see Article 5 and Articles 111 to 124 of the Bank's Articles of Association.

The distribution of dividends by the Bank is subject to relevant regulatory directives, including directives of the Banking Supervision Department and the provisions of the Companies Law.

On the issue of dividend distribution – see also Section 9.15 above.

11.5 Rights upon liquidation

In the event that the Bank is liquidated, its surplus assets, subject to the rights of any other class of shares in issue at that time, will belong to the holders of ordinary Shares and will be distributed pro-rata among them in proportion to the amounts paid or credited as paid on account of the par value of those Shares.

For further details regarding shareholders' rights upon liquidation, see Article 5 and Articles 141 and 142 of the Bank's Articles of Association.

11.6 The tenure of Bank's directors

Pursuant to Articles 82 and 83 of the Bank's Articles of Association, at the ordinary general meeting of each year, one third of the directors whose tenure in office was the longest, or if their number is not a multiple of three then the number nearest to but not higher than one third of the directors, will retire from their office and may be reelected (subject to the law). Between two directors or more who served in office an equal amount of time, the decision as to who of them will retire will be agreed upon by those directors and if no such agreement can be reached, the issue will be decided by casting lots. The period during which a director served in office shall be calculated as from the date of his last election or appointment if he previously vacated office. A retiring director may be reelected and shall act as a director during the meeting at which he retires.

11.7 Provisions of the Bank's Articles of Associations on the right to appoint directors

Articles 82 to 89 of the Bank's Articles of Association set out provisions regarding the appointment or termination of directors' tenure in office, the length of their service, and the manner in which resolutions regarding this issue will be passed in the general meeting, when Article 83A of the Bank's Articles of Association stipulates that as long as the Bank does not have a controlling core, the putting forward of candidates, their appointment, service and the termination of their service, including the maximal number of directors that may be replaced in a general meeting, shall be performed pursuant to the provisions of the Banking Ordinance, and in the event of contradiction between these provisions or any provision of the Articles of Association, these provisions shall prevail. Set forth below are the details of the relevant Articles:

11.7.1 Pursuant to Article 84 of the Bank's Articles of Association, the Bank may, from time to time and in a general meeting, appoint new directors, increase or decrease the number of serving directors at that time and change their qualification requirements.

- 11.7.2 Article 84A of the Bank's Articles of Association stipulates that the resolutions of the general meeting regarding the appointment of directors or the termination of their 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.
- 11.7.3 Article 84A also stipulates that one person will not reach an agreement with another regarding their votes on the appointment of a director in the Bank, including regarding their vote on the termination of a director's tenure in office, unless this is done pursuant to the provisions of the Banking Law (Licensing) and the Banking Ordinance.
- 11.7.4 Article 85 of the Bank's Articles of Association stipulates that in any general meeting in which directors retire from office by rotation, the Bank may fill the vacancies by electing an equal number of persons as directors.
- 11.7.5 Pursuant to Article 85A of the Bank's Articles of Association, a director's tenure in office shall commence on appointment date, unless a later date was set for the commencement of the tenure in office.
- 11.7.6 Article 85B of the Bank's Articles of Association stipulates that if the number of persons who were put up for election as directors in the general meeting and who received an ordinary majority of the total voting rights of the shareholders entitled to vote and who voted in the general meeting (themselves, by proxy or by voting ballots) has exceeded the number of director vacancies, the filling of which is on the agenda of the general meeting, then the candidates who received a higher number of supporting votes in the general meeting than the other candidates (hereinafter – the “**Elected Directors**”) shall be elected to serve in the vacancies. If several candidates received an equal number of votes, the question of who of those candidates will be elected as director will be decided by casting lots.
- 11.7.7 Article 85C of the Bank's Articles of Association stipulates that if prior to the commencement of any of the Elected Directors' tenure in office it was clarified that he will not commence his tenure for any reason whatsoever, then any of the candidates who has the same type of qualifications (external director according to the Companies Law, external director according to Directive 301 of the Proper Conduct of Banking Business Directives (hereinafter – “**ED**” and “**External Director**”, respectively), or another director) who received the majority required for election shall be deemed to have been elected in his stead by the general meeting; and if several such candidates received the required majority as aforesaid, then that candidate among them who received the highest number of supporting votes in the general meeting (hereinafter – the “**Next in Line**”) will be elected. The provisions of this Section shall also apply to the Next in Line.

- 11.7.8 Article 86 of the Bank's Articles of Association stipulates that subject to the provisions of the Banking Ordinance, the provisions of the Banking Law (Licensing), and the provisions of Article 85C as aforesaid, if the vacancy of a director who retired was not filled by rotation in the general meeting in which directors are to be elected, then the director who retired shall continue in office, if he wishes to do so, until the ordinary meeting of the following year, and thereafter from year to year until his vacancy is filled, unless it was decided in such a meeting to reduced the number of directors.
- 11.7.9 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.
- 11.7.10 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 Banking Supervision Department, 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.
- 11.7.11 Article 89 of the Bank's Articles of Association stipulates that subject to the provisions of Article 84A above, the Bank may, at the approval of an ordinary majority of the general meeting, remove a director from office before the end of his tenure and appoint another qualified person in his stead, A person that was so appointed will remain in office only for the remaining tenure of the director who was removed from office.
- 11.7.12 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:
- 11.7.12.1 The putting forward and appointment of candidates and the termination of their tenure, including the maximal number of directors that may be replaced in the general meeting, shall be executed pursuant to the provisions of the Banking Ordinance.
- 11.7.12.2 Without derogating from the generality of the aforesaid, an officeholder 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.

- 11.7.12.3 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.
- 11.7.12.4 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.
- 11.7.13 Furthermore, the provisions of the Banking Ordinance apply to the appointment of directors as follows:
- 11.7.13.1 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.
- 11.7.13.2 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.
- 11.7.13.3 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.
- 11.7.13.4 A general meeting that will have the election of directors or termination of their service on its agenda will only be convened if the Bank published an advance notice to that effect in the manner of publishing a notice on convening a general meeting, at least 21 days before the publication of the notice regarding the convening of the general meeting and provided that the advance notice was also delivered on that date to the Banking Supervision Department.

- 11.7.14 For provisions regarding alternate directors, see Article 102 of the Bank's Articles of Association.
- 11.7.15 For provisions regarding the termination of the tenure in office of the directors, see Articles 80, 80A, 82, 83 and 84A of the Bank's Articles of Association.
- 11.8 Legislative provisions regarding the appointment of directors in the Bank
- 11.8.1 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 (Licensing) and the Banking Ordinance in order for them to be aligned with the required supervisory framework of a banking corporation without a controlling core. The Law focuses mainly on the manner of putting up candidates for election as directors in the Bank as aforesaid, their appointment and 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.
- 11.8.2 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.
- 11.8.3 **Putting forward 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:
- 11.8.3.1 The Committee, 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: External Directors pursuant to the Companies Law, External Director pursuant to Directive 301 of the Proper Conduct of Banking Business Directives, and other director;
- 11.8.3.2 A holder of more than 2.5% of a certain class of means of control in the banking corporation (hereinafter – a “**Holder**”).

11.8.3.3 A body of Holders that will appoint 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 class 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 – “**Body of Holders**”), provided that each member of the Body of Holders has submitted to the banking corporation a report on its holdings as set out in Section 36(b)(1) of 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 Body of Holders has not objected to the disclosure as stated in Section 36(b)(1)(c) to the Banking Law (Licensing)⁷.

11.8.4 A Holder or a Body of Holders, including any member of the Body of Holders, shall not put forward more than one candidate for the office of director, 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 putting forward of a candidate that will replace a serving director who was appointed at the suggestion of the Holder or Body of Holders, as the case may be.

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

11.8.5.1 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;

11.8.5.2 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 officeholder 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

⁷ In connection with this matter, it should be noted that as part of the amendment of Directive 312 of the Proper Conduct of Banking Business Directives, 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 bank without a controlling core and his relatives (so long as the director who was put forward by him is in office).

association with a relative of an officeholder 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).

- 11.8.5.3 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 officeholder in the banking corporation or a substantial holder who put forward that candidate for the office of director, even if such relationships are not routine relationships, except for negligible relationships.
- 11.8.5.4 Anyone who was put forward as candidate by the Committee and is associated with a member of the Committee as of the date of appointment;
- 11.8.5.5 Anyone who was put forward as candidate by the Committee and who is a minister, deputy minister or a Knesset Member, or has a personal, business or political association with a minister or a deputy minister, or anyone who is a public sector employee or an employee of a statutory corporation.
- 11.8.5.6 Anyone who was put forward as candidate by the Committee and was convicted of an offense, and due to the nature, severity or circumstances of that offense he is not fit to serve in such office, or anyone against whom there is a pending indictment relating to such an offense.
- 11.8.5.7 Anyone who was put forward as candidate by the Committee and his 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.

The Banking Supervision Department may approve the appointment or service as a director of a person, or someone with whom he has a close relationship, who during the two years preceding the date of his appointment or as from the appointment date and thereafter has an association with a substantial holder, a relative of a substantial holder or a partner of a substantial holder, even if such association is not negligible, if the Banking Supervision Department reached the conclusion that under the circumstances, this association does not give rise to a concern regarding a conflict of interest as a result of that person's service as a director.

- 11.8.6 The Banking Ordinance adds further restrictions regarding the appointment of directors in a banking corporation. Among other things, it is stipulated that a person who controls a significant real corporation or who is related thereto or an officeholder in a real significant corporation, as defined in the Concentration Law, shall not be appointed or serve as a director in a banking corporation which is a significant financial corporation.

11.8.7 Further provisions regarding the appointment of directors and termination of their tenure under the Banking Ordinance

11.8.7.1 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 Ordinance sets out a provision whereby the vote on appointment of directors or termination of their tenure will only take place in the annual meeting or in a meeting that was convened pursuant to Section 35A of the Banking Law (Licensing), unless the Banking Supervision Department approved holding such a vote in a special meeting; a provision prohibiting officeholders in the banking corporation from acting to appoint a certain director or to prevent his appointment, but allowing the director to put himself forward as a candidate to serve as a director; a provision that limits a director's tenure in office to three years and his cumulative tenure to nine years; a provision stipulating that the number of the directors that will be replaced every year shall not exceed half of the directors who served as directors immediately after the last annual meeting, unless this was approved by the Banking Supervision Department; it was also determined that under certain circumstances the Banking Supervision Department may allow a director whose tenure has ended to continue serving in office until the earlier of the end of an additional 6-month period or the occurrence of certain events.

11.8.7.2 The Banking Ordinance requires giving advance notice to the Banking Supervision Department before the appointment of certain officeholders, including directors, and such appointments are subject to the Banking Supervision Department' approval of or non-objection to the appointment. The Banking Supervision Department shall also have the power to order the termination of a director's tenure under certain cases specified in the Ordinance.

11.9 Rights to receive notices on shareholders' meetings, to participate and vote in those meetings and the legal quorum required therein

11.9.1 Legal quorum in a general meeting

11.9.1.1 Pursuant to Article 59 of the Bank's Articles of Association, three members who are present in person in a general meeting shall constitute a legal quorum therein, and no matter shall be discussed in a general meeting unless the required legal quorum is present when it is discussed.

11.9.1.2 Pursuant to Article 61 of the Bank's Articles of Association, if a legal quorum is not present within half an hour from the time set for the meeting, it shall be adjourned to the same day in the following week, at the same time an place, or to another day, time, or place as decided by

the directors in a notice issued to the shareholders, whether the meeting was convened at the initiative of the Board of Directors or otherwise.

If no legal quorum is present in such an adjourned meeting, two members present in person shall constitute a legal quorum and they shall be allowed to deal with the issues in respect of which the meeting was convened.

11.9.2 The appointment of the chairman of the general meeting

11.9.2.1 Pursuant to Article 60 of the Bank's Articles of Association, the Chairman of the Board of Directors or in his absence, the Deputy Chairman (if any), shall be entitled to chair every general meeting. In the absence of a chairman or a deputy chairman, or if he is not present in the meeting within 15 minutes from the time set for the meeting, or if he does not wish to act, the present directors may elect a chairman, and if they do not do so, then the members will elect one of the members to be a chairman, and if none of the directors wishes to chair the meeting, then members will elect one of the members to chair it.

11.9.3 Voting in the general meeting

11.9.3.1 Pursuant to Article 62 of the Bank's Articles of Association, any resolution put to the vote of the meeting shall be decided by votes, first and foremost, on a show of hands or as instructed by the chairman of the meeting. In the event of an equal number of votes, the chairman shall have the casting vote, in addition to the vote or votes he is entitled to as a member.

11.9.3.2 Pursuant to Article 63 of the Bank's Articles of Association, unless a personal vote before or upon the declaration of the result of the show of hands is demanded by the chairman or by at least three members who are present and entitled to vote in the meeting, a declaration by the chairman that a resolution has, on a show of hands, been carried by a particular majority, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favor of or against such resolution being required. The general meeting shall be held subject to the provisions of the Banking Ordinance.

11.9.3.3 Pursuant to Article 64 of the Bank's Articles of Association, where such personal vote is demanded, the vote shall be held in the same manner and at the same time and place as instructed by the chairman of the meeting, either immediately or after recess or adjournment, and the results of the personal vote shall be deemed to be the resolution of the meeting in which it was demanded. A person who demands a personal vote may retract this demand. Any dispute regarding the qualification or disqualification of a vote shall be resolved in good faith by the chairman and his decision shall be final and conclusive.

11.9.3.4 For further details regarding the right to participate and vote in the general meetings, see Articles 58 to 75 of the Bank's Articles of Association.

11.9.4 Rights to receive notices on the convening of general meetings

The Bank will issue notices on the convening of the general meetings on the dates and under the terms set out by law (including pursuant to the Companies Regulations (Notice and Announcement of a General Meeting and Class Meeting in a Public Company and Addition of an Issue to the Agenda), 2000), which will include, among other things, the place, date and time of the general meeting as well as the agenda and reasonable details of the issues on the agenda.

For further details regarding the rights to receive notices on the convening of general meetings of the Bank, see Articles 54 to 57A of the Bank's Articles of Association.

It should be noted that pursuant to the Bank's Articles of Association and the Banking Ordinance, a general meeting that will have the election of directors or termination of their service on its agenda will only be convened if the Bank published an advance notice to that effect in the manner of publishing a notice on the convening of a general meeting, at least 21 days before the publication of the notice regarding the convening of the general meeting and the advance notice was also delivered on that date to the Banking Supervision Department.

11.10 Restrictions on the transfer of Shares

11.10.1 Pursuant to Article 36 of the Bank's Articles of Association, the directors may refuse the recording of the transfer of Shares upon which the Company has a pledge, and where the Shares in question were not fully paid, they may refuse the recording of a transfer in favor of a transferee whom they do not approve. If the directors refuse to record the transfer of Shares, they will inform the transferee of their refusal within two months from delivery of the transfer notice to the Company.

For further details regarding the transfer and assignment of Shares, see Articles 34 through 42 to the Bank's Articles of Association.

11.10.2 For details regarding special restrictions on holding the Bank's Shares, and the duty to report the Bank's means of control, see Section 3.7 of Chapter 3 ("Management of the Bank") of the shelf prospectus published by the Bank as part of an immediate report of May 25, 2018 (reference no. 2018-01-042543).

11.10.3 Furthermore, since the Bank is a controlling shareholder of foreign banking corporations, the acquisition of controlling interest of the Bank may be subject to approvals in various jurisdictions, according to the laws applicable to the banking corporations controlled by the Bank.

11.11 Conditions for changing the rights attached to Shares

For details regarding changes to the rights attached to Shares, see Articles 6 and 7 of the Bank's Articles of Association. The Bank's Articles of Association may be changed by an ordinary majority of the general meeting.

11.12 Transfer of powers between the Bank's organs

Pursuant to Directive 301 of the Proper Conduct of Banking Business Directives, notwithstanding the provisions of Sections 50(a) and 58(b) of the Companies Law, the general meeting shall not take powers conferred upon another organ and shall not transfer powers from the CEO to the Board of Directors.

11.13 Exemption

Pursuant to Article 143A of the Bank's Articles of Association, the Bank may exempt an officeholder thereof in advance from some or all of his liability in respect of damage caused due to his breach of duty of care to the Bank. Notwithstanding the above, the Bank may not exempt a director in advance from his liability towards the Bank due to breach of his duty of care in a "Distribution" (as this term is defined in the Companies Law).

12. Taxation

12.1 The Bank approached the Tax Authority and obtained an approval whereby the Agreed Tax Ruling shall also apply to the offer of securities to employees pursuant to this Outline, provided that no changes will be made to the Plan and the Outline of the Company's offer to employees, as described in the Agreed Tax Ruling, and provided that all of the provisions of the Agreed Tax Ruling will be strictly complied with. Pursuant to this approval, the provisions of Section 102 (as defined above) shall apply to the Plan. The Participant shall bear all tax charges, levies and mandatory payments, if and to the extent that they are imposed on him by virtue of the provisions of any law in respect of the Shares, and/or other charges that the Participant and/or the Trustee will accrue in connection with the Plan, without the Bank's grossing them up in the Participant's salary. The Bank and/or the Trustee are not liable to the tax implications that will apply to a Participant as a result of the Shares' purchase.

12.2 The Bank and/or the Trustee will deduct tax pursuant to the provisions of any law, including tax withholding, as prescribed in this Outline. If at any stage of the execution of this Plan, the Participant will be required to pay tax and the Bank and/or the Trustee will not have the funds required to deduct tax out of the amount payable or which will be payable to the Participant by the Bank and/or the Trustee, then the Bank and the Trustee will be entitled not to execute that stage and/or part of the Plan, unless the Participant has provided the Bank or the Trustee, immediately upon request, the amount required to pay the tax. Without derogating from the aforesaid, the Participants shall indemnify the Bank and/or the Trustee in respect of any payment or payment demand of any such payable tax, if any, and in respect of any damage, cost, expense, interest or linkage differences that will be caused or imposed due to delay in the payment of the tax or due to non-fulfillment of the Participant's undertaking in connection with the aforesaid. The Bank or the Trustee may deduct from

amounts that will be payable to a Participant any debt balance owed to the Bank or the Trustee by the Participant, to the extent that such a debt exists in respect of indemnification as aforesaid.

12.3 Nothing in this Outline shall derogate from any charge which is imposed or will be imposed on the Participant pursuant to the provisions of Section 102 or the provisions of any section that will supersede it and/or will be added thereto.

12.4 Each of the Participants is advised to get professional advice and consider the tax implications applicable to him as a result of the sale of the Shares; each of the Participants should consider and examine for himself the tax considerations arising from the applicability of the provisions of Section 102 to this Outline and to him.

12.5 By signing the Order Form, the Participant agrees in advance to the agreed tax ruling in connection with the Plan and in connection with the taxation track that shall apply to him; once he signs the agreed the Order Form, the Participant must act in accordance therewith and to pay any applicable tax.

13. The Share's price on the Stock Exchange

Set forth below are data regarding the highest and lowest prices of the Bank's Share on the Stock Exchange for the period from January 1, 2016 through the Outline's date:

Bank's share price	2016		2017		2018 ⁸	
	Date	Agorot per share	Date	Agorot per share	Date	Agorot per share
Highest	Dec. 20, 2016	1,540.46	Dec. 31, 2017	2,041.05	Nov. 11, 2018	2,468
Lowest	Feb. 16, 2016	1,181.97	Feb 6, 2017	1,464.38	Feb. 20, 2018	1,989.55

The Bank's Share price on the Stock Exchange on November 20, 2018 was NIS 23.85.

All of the above-mentioned prices are correct as of the end of the trading day and adjusted to reflect dividends.

14. Administration of the Plan

14.1 The Bank shall administer the Plan subject to and pursuant with the provisions of this Outline, and it may, during the course of administering the Plan, exercise the powers conferred upon it pursuant to this Outline and carry out any related actions which are necessary or desirable for the administration of the Plan, including interpreting the Plan and supervising its execution.

⁸ Correct up until November 20, 2018.

14.2 The Bank's Board of Directors may prescribe any provision in connection with any matter relating to the Plan, its interpretation, terms and execution, to the extent that such a provision was not prescribed expressly in this Outline, subject to the State's approval of such provision (if this concerns the State) and subject to the approval of the employees' representatives, as far as the Participants' identity is concerned.

15. **Labor laws**

15.1 The income that will be credited to a Participant as a result of the purchase of the Shares, the transfer thereof in his name, their sale or any other matter related thereto, shall not be taken into account in the Participant's wages that serve as the basis to calculate his entitlement to any social benefits from the Bank. Without derogating from the generality of the aforesaid, this income will not be taken into account for the purpose of calculating benefits under managerial insurance policies, study funds, provident funds, severance pay, vacation pay, and other social benefits.

15.2 Nothing in this Outline and/or in the Shares' offer documents will not award or afford the Participant any right in connection with his employment by the Bank and will not impair in any way the Bank's right to terminate the employment of any Participant on any date whatsoever.

16. **Expenses and proceeds**

The Bank will bear all the expenses pertaining to the Plan's administration, including the expenses and costs pertaining to the services rendered by the Trustee pursuant to this Plan.

17. **Failure to comply with the Outline's terms**

In addition to other remedies available to the Bank, failure of a Participant to comply with the terms of this Outline or the provisions of other documents to be published by the Bank and/or the State in connection with the Shares' offer shall constitute grounds to cancelation and forfeiture of some or all of the Shares which have not yet been transferred to the Trustee on behalf of the Participant, as decided by the Bank's Board of Directors or by anyone who was authorized by it at their sole discretion, unless such failure was rectified by the Participant within thirty (30) days after he received notice to that effect from the Bank.

18. **Reference to financial statements and immediate reports**

The Bank draws the Participants' attention to additional details regarding the Bank, which can be found in the Bank's periodic report for the year 2017, published on March 6, 2018 (reference no.: 2018-01-021430) and includes the financial statements (the information included in the said report is presented herein by way of reference); the Bank also draws the Participants' attention to the immediate and quarterly reports published by the Bank after the date of publication of the aforesaid periodic report, as set out in the appendix attached to this Outline. All of the said reports are available for perusal on the MAGNA website at www.magna.isa.gov.il or at the offices of the Bank's secretariat during normal office hours and by prior appointment at: 076-885-9419.

Bank Leumi le-Israel B.M

November 20, 2018

Bank Leumi le-Israel B.M

Date

By:

Ms. Hila Eran Zick – Head of Human Resources Division

Irit Roth (Adv.) – Legal Council

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.

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