

Bank Leumi Le-Israel B.M.

(hereinafter: "The Bank" or "The Company")

Shelf Offering Report

According to the Shelf Prospectus of the Bank dated May 25, 2018 (hereinafter: "**the Shelf Prospectus**"), and in accordance with the provisions of the Securities Regulations (Shelf Offering of Securities), 5765-2005 (hereinafter: "**Shelf Offering Regulations**"), the Bank is honored to publish hereby a Shelf Offering Report for the issuance and listing for trading on the Tel Aviv Stock Exchange Ltd. (hereinafter: "**the Stock Exchange**") of the securities listed below (hereinafter: "**the Shelf Offering Report**").

1. The Securities Offered

1.1 Debentures (Series 179) (hereinafter: "**Debentures (Series 179)**")

- 1.1.1 Up to NIS 1,450,000,000 par value Debentures (Series 179) of the Bank, registered to the holder, of NIS 1 par value each, bearing fixed annual interest at a rate to be determined in a tender not exceeding 0.83%.
- 1.1.2 The principal of the Debentures (Series 179) will be repayable in two equal instalments on June 30, 2024 and on June 30, 2026, such that each of the payments will be 50% of the principal of the Debentures.
- 1.1.3 The principal and interest of the Debentures (Series 179) shall be linked to the Consumer Price Index published on June 15, 2018 in respect of May 2018 (hereinafter: "**the Base Index**"). If on the payment date of the principal or interest, as the case may be, it appears that the payment index increased or decreased in comparison to the base index, the Bank shall pay the principal or interest payment, after it is increased or decreased, as the case may be, in proportion to the rate of increase or decrease of the payment index compared to the base index. It should be noted that in accordance with Stock Exchange directives, the linkage method of the principal and interest will not change over the lifetime of the Debentures (Series 179).
- 1.1.4 The interest will be paid to the holders of Debentures (Series 179) once a year on June 30 of each of the years from 2019 to 2026 (inclusive), for the twelve-month period that ended on the day preceding the date of payment, except for the first payment of the interest which will be paid on June 30, 2019 in respect of the period commencing on the first trading day after the date of the tender and up to June 29, 2019 (hereinafter in this Section 1.1: "**the first interest payment**").
- 1.1.5 The interest rate on the first interest payment date will be calculated according to the number of days in the period commencing on the first trading day following the tender date and ending on June 29, 2019, on the basis of 365 days a year (hereinafter in this Section 1.1: "**the Interest Rate for the First Interest Payment**").
- 1.1.6 The annual interest rate and the interest rate for the first interest payment on the Debentures will be specified in the Immediate Report to be published by the Bank regarding the results of the issuance.
- 1.1.7 For details regarding the rating of the Debentures (Series 179), see Section 9.1 below.

- 1.1.8 For further details regarding the terms of the Debentures (Series 179), see Section 6 below.

2. The Trustee

- 2.1 The Trustee for the Debentures (Series 179) is Strauss Lazar Trust Company (1992) Ltd.¹ (hereinafter: "**the Trustee**").
- 2.2 The Bank entered into a Deed of Trust for the Debentures (Series 179) with the Trustee on June 19, 2018. The full text of the Deed of Trust for the Debentures (Series 179) is attached hereto as **Appendix A** to this Report. It is hereby clarified that in the event of cancellation of the issuance of the Debentures (Series 179), for any reason whatsoever, the Deed of Trust shall be null and void.
- 2.3 The Trustee has no material interest in the Bank and the Bank has no personal interest in the Trustee.
- 2.4 To the best of the Bank's knowledge, as it has been informed by the Trustee, no legal proceedings are being conducted against the Trustee regarding the fulfilment of its duties.

3. Manner of offering the securities

3.1 Debentures (Series 179) - A uniform offer by way of a tender on the interest rate

Up to NIS 1,450,000,000 par value of Debentures (Series 179) are offered to the public in a uniform offer, as defined in the Securities Regulations (Mode of Offering Securities to the Public), 5767-2007 (hereinafter: "**Uniform Offering**" and "**Public Offering Regulations**", respectively) by way of a tender on the annual interest rate to be borne by the Debentures (Series 179), which shall not exceed 0.83% (hereinafter: "**the maximum interest rate of the Debentures (Series 179)**"), in 1,450,000 units each of which includes NIS 1,000 par value of Debentures (Series 179), at a price of NIS 1,000 per unit (hereinafter: "**Series 179 Units**").

Each applicant shall specify in his application the number of Series 179 units he wishes to purchase in the tender, as well as the interest rate offered by him, which shall not exceed the maximum interest rate of the Debentures (Series 179). An application for the purchase of Series 179 units that will be submitted in the framework of the tender and for which the interest rate is higher than the maximum interest rate of the Debentures (Series 179) shall be deemed to have been an order that was not submitted.

In the tender, each applicant may submit up to three (3) applications at different interest rates, each of which shall not exceed the maximum interest rate of the Debentures (Series 179), which will be denominated in 0.01% interest rate increments, i.e. 0.82%, 0.81% etc. The rate of interest denominated in an application that is not equal to one of the interest brackets will be rounded up to the nearest interest rate increment.

- 3.2 The period for the submission of orders for units offered to the public according to the Shelf Offering Report will commence on June 20, 2018 (hereinafter: **the "Tender Day"**) at 09:30 (hereinafter: "**the Commencement of the Order Submission Period**") and will end on the same day at 16:30 (hereinafter: "**the Time of Closing of the Subscription List**"), provided that at least 7 hours have passed since the date of publication of the Shelf Offering Report, of which 5 hours of trading on the Stock Exchange, until the end of the period for submission of orders.
- 3.3 Any application for the purchase of the units offered to the public will be submitted to the Bank through Bank Leumi le-Israel B.M. - Israeli Securities Operations Sector, which is

¹ Details of the contact person at the Trustee are as follows: Uri Lazar, tel. 02-6237777, email: ori@slcpa.co.il.

located at 9 Ahad Ha'am Street, Tel Aviv, Shalom Tower, 12th Floor West Lobby (hereinafter: "**the Issuance Coordinator**"), or through any of the branches of the Bank and through branches of banks or other members of the Stock Exchange (hereinafter: "**Those Authorized to Receive Applications**"), no later than the time of closing of the Subscription List, on forms that may be obtained by those authorized to receive applications.

- 3.4 An investor who submits an order may withdraw his order by the end of the period for the submission of orders, namely up to the time of closing of the Subscription List.
- 3.5 For further information on the manner of offering the securities offered and submitting applications to purchase the units offered, the proceedings of the tender, publication of its results, payment of the consideration in respect of the securities offered, the manner of determining the interest rate in the tender, the allocation of the units and the listing of the securities offered for trading, see Section 1.2 ("Submission of Applications in the Tender Phase"), Section 1.3 ("the Tender Proceedings"), Section 1.4 ("Determining the Interest Rate and Allocating the Units to the Applicants"), Section 2 ("Notice of the Results of the Issuance"), Section 3 ("the Special Account and the Allocation of Units"), and Section 4 ("Confirmation of Listing for Trading of Securities Offered on the Stock Exchange"), respectively, of **Appendix B** to the Shelf Offering Report.

4. **Classified Investors**²

- 4.1 Of the units offered to the public as stated in this Shelf Offering Report, in respect of 1,285,970 Series 179 units constituting 88.69% of the total Series 179 units offered to the public, prior undertakings were made for their purchase from classified investors, as defined in Section 1 of the Public Offering Regulations, whose names are specified in Section 4.4 below, according to which the classified investors shall submit applications for the tender for the purchase of units as detailed in Section 4.4 below.
- 4.2 In this Section 4.2, the following expressions shall have the meaning ascribed to them:
 - 4.2.1 "**Quantity remaining for distribution**" - the number of units offered in the tender, after deducting the number of units for which orders were submitted at an interest rate lower than the interest rate to be determined in the tender.
 - 4.2.2 "**Oversubscription**" - the ratio between the number of units for which orders were submitted at the interest rate to be determined in the tender and the quantity remaining for distribution (as defined above), provided that it exceeds one.
- 4.3 Under the Public Offering Regulations, in the event of oversubscription, the allocation to classified investors will be as follows:
 - a. If the oversubscription does not exceed 5, each classified investor will be allocated 100% of the quantity he undertook to purchase.
 - b. If the oversubscription exceeds 5, each classified investor will be allocated 50% of the quantity he undertook to purchase.

² "**Classified Investor**" - One of the following: (1) a portfolio Manager within the meaning thereof under Section 8(b) of the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 5755-1995, who acquires at his discretion for the account of a client; (2) a corporation under full ownership of one or more classified investors, which acquires for itself or for another classified investor; (3) an investor designated under Section 15A(b)(2) of the Securities Law, 5728-1968; (4) an investor designated under Sections (1) to (9) or (11) under the Schedule One to the Securities Law, who is acquiring for himself. In addition, a classified investor must undertake to purchase securities totalling at least NIS 800,000.

- c. If the quantity of securities remaining for distribution is insufficient for the allocation as stated above, then the amount remaining for distribution to the classified investors will be allocated according to the proportionate share of each advance commitment out of the total advance commitments submitted at the same interest rate. Orders by classified investors will be considered orders submitted by the public for the purpose of determining interest rates in the tender.
- d. The allotment to the classified investors of the Debentures offered will be at an interest rate determined in the tender.
- e. In the event that there is no oversubscription, the orders by the classified investors in the framework of the tender will be considered as orders submitted by the public for the purpose of distributing the units to the subscribers.
- 4.4 Each of the classified investors, as detailed below, undertook, as part of an advance commitment to purchase the units offered pursuant to this Shelf Offering Report, to submit applications for the purchase of units as follows:
- 4.4.1 Advance commitments for the purchase of Debentures (Series 179) at an interest rate not exceeding the interest rate specified in the Table:

Name of the Classified Investor	Number of units of Debenture (Series 179)	Interest rate
Orcom Strategies Ltd. (*)	32,000	0.80%
Orcom Strategies Ltd. (*)	10,000	0.83%
IBI Investments Ltd. Provident Funds and Supplementary Training Funds Ltd.	10,302	0.80%
Ayalon Insurance Company Ltd.	20,000	0.78%
Ayalon Insurance Company Ltd.	10,000	0.83%
Altshuler Shaham Investment Portfolio Management Ltd.	19,500	0.82%
Alfi Bandak Investment Portfolio Management Ltd.	1,500	0.77%
Alfi Bandak Investment Portfolio Management Ltd.	1,500	0.81%
Amtarin 2 Limited Partnership	5,500	0.83%
Amtarin Limited Partnership	6,500	0.83%
Analyst I.M.S. – Mutual Funds Management (1986) Ltd.	18,695	0.73%
Analyst I.M.S. – Mutual Funds Management (1986) Ltd.	13,400	0.79%
Analyst Provident Funds Ltd.	6,796	0.73%
Bina Capital (2016) Ltd.	5,000	0.72%
Bina Capital (2016) Ltd.	5,000	0.75%
Bina Capital (2016) Ltd.	5,000	0.78%
Bank of Jerusalem Nostro	10,000	0.83%
Barak Capital Investments 2006 Ltd.	12,500	0.83%
The Company for Management of the Provident and Pension Fund of the Jewish Agency for Israel Ltd.	10,000	0.75%
Harel Insurance Company - Amitim	17,620	0.81%
Harel Pia Mutual Funds Ltd.	11,400	0.83%
Verdan Investment House	4,575	0.77%
Eilat Ashkelon Pipeline Company Ltd.	1,000	0.80%

Name of the Classified Investor	Number of units of Debenture (Series 179)	Interest rate
Hatzavim Limited Partnership	5,000	0.79%
Hatzavim Limited Partnership	5,000	0.83%
Yellin-Lapidot Mutual Funds Management Ltd.	27,713	0.83%
Yellin-Lapidot Investment Portfolio Management Ltd.	29,500	0.74%
Lehava Investment Portfolio Management Ltd.	25,000	0.67%
Lehava Investment Portfolio Management Ltd.	25,000	0.71%
Migdal Insurance Company Ltd.	63,124	0.83%
Migdal Makefet Pension Funds and Provident Funds Ltd.	36,885	0.83%
Mor Alternative Investments Limited Partnership	1,500	0.82%
Meitav Dash Best Invest	4,030	0.81%
Meitav Dash Provident & Pension Fund Ltd.	3,080	0.80%
Meitav Dash Mutual Funds Ltd.	30,105	0.81%
Meitav Dash Mutual Funds Ltd.	3,100	0.83%
Menorah Mivtachim Sal Corporate Bonds in Israel (*)	100,000	0.83%
Amitim Veteran Pension Funds	200,000	0.83%
Inbar Derivatives Ltd. (*)	30,000	0.70%
Inbar Derivatives Ltd. (*)	23,000	0.79%
Fidelity Venture Capital Ltd.	1,255	0.82%
Psagot Securities Ltd.	230,512	0.75%
Psagot Provident and Pension Funds Ltd.	102,378	0.83%
Quoted Corporate Bond Partnership - The Phoenix Amitim (*)	50,000	0.75%
Quoted Corporate Bond Partnership - The Phoenix Amitim (*)	50,000	0.79%
Tamir Fishman Mutual Funds Ltd.	2,000	0.80%
Total	1,285,970	

(*) A distributor in an issuance or a classified investor related to a distributor in an issuance.

- 4.5 Receipt of advance commitments from the classified investors prior to the publication of the Shelf Offering Report, was made based on the principles prescribed in the Public Offering Regulations.
- 4.6 Classified investors will be able to order units in an amount greater than that stated in their advance commitment, but surplus units ordered will not be considered as orders of classified investors for the Shelf Offering Report, but rather as applications submitted by the public for all intents and purposes.
- 4.7 The consideration to be paid by the classified investors will be transferred to the Issuance Coordinator via the Stock Exchange members on the first trading day after the tender date until 12:30 pm and will be deposited by it in a special account as defined in Section 3 of **Appendix B** to the Shelf Offering Report.

- 4.8 The classified investors will be entitled to an advance commitment commission at the rate of 0.5% of the total proceeds received for units of Debentures (Series 179), in respect of which the classified investors have undertaken to submit bids in the tender as part of the advance commitment.
- 4.9 A classified investor will be entitled, on the day of the tender (until the end of the period for the submission of orders), to reduce the interest rate specified in the advance commitment for the purchase of the units offered by 0.01% interest increments by giving written notice to the Issuance Coordinator, which will be delivered to him no later than 16:30 on the tender day (the Time of Closing of the Subscription List).

5. **Additional allocations after the tender**

No additional allocations of the securities offered under the Shelf Offering Report will be made after the tender to classified investors and / or to all the subscribers.

6. **Debentures (Series 179) - additional details**

- 6.1 The payments on account of the interest of the Debentures (Series 179) shall be paid to persons whose names shall be entered in the Register of the Debentures (Series 179) on June 24 of each of the years 2019 to 2026 (inclusive), except for the last payment of the principal and interest to be paid to persons whose names shall be entered in the Register on the date of payment and shall be made against the delivery of certificates of Debentures (Series 179) to the Bank, on the date of payment.
- 6.2 It is hereby clarified that a person who is not entered in the Register for Debentures (Series 179) on the determining date of the Debentures (Series 179) shall not be entitled to payment of interest in respect of the interest period commencing before that date.
- 6.3 In any event where the repayment date on the principal and / or interest account falls on a day that is not a business day, the payment date will be postponed to the next business day without any additional payment, and the determining date for determining eligibility for redemption or interest will not change as a result.
- 6.4 For further details regarding the principal and interest payments of the Debentures (Series 179), see Section 6 of the terms listed overleaf in the Deed of Trust for Series 179.
- 6.5 The Debentures (Series 179) have an ordinary repayment ranking equal to the repayment ranking of all deposits from the public deposited with the Bank from time to time.
- 6.6 The Bank's obligations pursuant to the Deed of Trust for Series 179 are not secured by any collateral whatsoever.
- 6.7 In the event that the Stock Exchange decides to delist the Debentures (Series 179) from trading because the value of the Debentures (Series 179) is less than the amount stipulated in the Stock Exchange's instructions regarding the delisting of debentures from trading, the Bank will not make early redemption. The debentures will be delisted from trading and all the resulting tax implications will apply to the debentures.
- 6.8 The Bank will not be entitled to make early redemption of the Debentures (Series 179) on its own initiative.
- 6.9 As part of the Deed of Trust for Series 179, grounds have been set for immediate repayment. For details, see Section 7 of the Trust Deed of Series 179.
- 6.10 The Debentures (Series 179) issued pursuant to this Shelf Offering Report are issued for the first time, and therefore are not discounted. For details regarding the discount rate to be borne by the Debentures (Series 179) in the event that the Bank issues additional debentures in the future, see Section 5 of the Deed of Trust for Series 179.

6.11 For details of the other terms of the Debentures (Series 179), see the Deed of Trust for Series 179 attached as **Appendix A** to this Shelf Offering Report.

7. **Taxation**

For details of the tax implications of the securities offered, see Section 6 of **Appendix B** to the Shelf Offering Report.

As is customary at the time of making a decision on an investment, the tax implications should be considered which relate to the investment in the securities offered under the Shelf Offering Report. The provisions included in the Shelf Offering Report regarding the taxation of the securities offered are of a general nature, do not purport to constitute an authoritative interpretation of the provisions of the Law, and do not replace professional advice, in accordance with the special data and the unique circumstances of each investor. It is recommended that anyone wishing to purchase the securities offered seeks professional advice in order to clarify the tax results that will apply to him, taking into account the unique circumstances of the investor and the securities offered.

Furthermore, the contents of the Shelf Offering Report reflect the provisions of the law as at the date of the report and may change in the future.

8. **Refraining from making arrangements**

8.1 The Bank and the directors undertake, by signing the Shelf Offering Report, to refrain from making arrangements that are not written in the Shelf Offering Report in connection with the offering of the securities pursuant to the Shelf Offering Report, their distribution and dispersion to the public, and undertake to refrain from granting the right to the purchasers of the securities under the Shelf Offering Report, to sell the securities they purchased beyond the details in the Shelf Offering Report.

8.2 The Bank and the Directors undertake, by signing the Shelf Offering Report, to notify the Israel Securities Authority of any arrangement known to them with a third party that contradicts the undertaking as stated in Section 8.1 above.

8.3 The Bank and the Directors undertake, by signing the Shelf Offering Report, to refrain from entering into an agreement in connection with the securities offered under the Shelf Offering Report with any third party who, to the best of their knowledge, has made arrangements contrary to the provisions of Section 8.1 above.

9. **Rating of the Securities Offered**

9.1 **Rating of Debentures (Series 179)**

9.1.1 On June 19, 2018, Ma'alot announced the granting of a rating of ilAAA for the issuance of Debentures (Series 179) in the amount of up to NIS 1.45 billion par value that the Bank will issue pursuant to the Shelf Offering Report. 2018. For further details, see the Bank's Immediate Report dated June 19, 2018 (Reference No. 2018-01-053493), the information contained herein being included by way of reference.

9.1.2 On June 19, 2018, Midroog Ltd. (hereinafter: "**Midroog**") announced the granting of a rating of Aaa.il to the issuance of Debentures (Series 179) in an amount of up to NIS 1.45 billion par value, to be issued by the Bank pursuant to the Shelf Offering Report. For further details, see the Bank's Immediate Report dated June 19, 2018 (Reference No. 2018-01-053490), the information contained herein being provided by way of reference.

- 9.1.3 The consents of Ma'alot and Midroog of June 19, 2018 for the inclusion of the said rating reports for the Shelf Offering Report are attached as **Appendix C** to the Shelf Offering Report.

10. **Permits and Approvals**

- 10.1 The Bank applied to the Stock Exchange to list for trading the securities offered under the Shelf Offering Report, and the Stock Exchange gave its approval thereto.
- 10.2 The listing of the securities offered under the Shelf Offering Report for trading on the Stock Exchange is subject to fulfilment of the following conditions:
- a. The value of the public's holdings in the Debentures (series 179) will not be less than NIS 36 million.
 - b. The minimum dispersion required in the Debentures (Series 179) is at least 35 holders, each holding a minimum holding value of at least NIS 200,000 from the Series (for details regarding the manner of allotment for the purpose of achieving minimum dispersion, see Section 1.5 of **Appendix B** to the Shelf Offering Report).
- 10.3 Since the securities offered under this Shelf Offering Report have been rated as detailed in Section 9.1 above, compliance is not required with the capital requirements prescribed in the guidelines pursuant to the Second Part of the Stock Exchange Regulations.
- 10.4 The said approval of the Stock Exchange shall not be considered as confirmation of the details presented in the Shelf Offering Report, their reliability and completeness, and does not constitute any expression of opinion on the Bank or the nature of the securities offered in the Report or the price at which they are offered.

11. **Payment of a Fee**

In accordance with the provisions of Regulation 4A of the Securities Regulations (Fee for Application to Grant a Permit to Publish a Prospectus), 5755-1995, the Bank will pay the Israel Securities Authority the additional fee for the securities offered in the Shelf Offering Report.

12. **Proceeds of the Issuance**

- 12.1 On the assumption that that the full number of units offered to the public is purchased, the expected proceeds for the Bank from this issuance, less expenses related thereto, will be as follows:

Immediate expected gross proceeds	NIS 1,450,000,000
Less advance commitment, concentration and distribution fees in the amount of	approx. NIS 7,909,850
Less other expenses in the amount of	approx. NIS 1,218,593
Expected immediate proceeds	approx. NIS 1,440,871,557

- 12.1 Pursuant to an agreement signed with Leumi Partners Underwriters Ltd. (hereinafter - "**Leumi Partners**"), Leumi Partners, Discount Capital Underwriting Ltd., Excellence Nessuah Underwriting (1993) Ltd., Leader Issuances (1993) Ltd., Menorah Mivtachim Underwriting and Management Ltd., Epsilon Underwriting and Issuances Ltd., Rosario Underwriting Services (A.S.) Ltd., Poalim I.B.I. - Underwriting and Issuances Ltd., Apex Issuances Ltd., Orion Underwriting and Issuances Ltd., Infin Capital Ltd., Inbar Issuances and Finance Ltd., Alfa Beta Issuances Ltd. and Egoz Issuances and Finance Ltd. (hereinafter together: "**the Distributors**"), will receive an advisory and distribution fee in connection with the issuance of the securities offered pursuant to this Offering Report, at a rate of 0.1% of the proceeds of the issuance (gross) of the Debentures (Series 179), with the addition of Value Added Tax by law (hereinafter: "**the Distribution Fee**"). Leumi Partners will be entitled, at their sole discretion, to pay distribution fees to third parties who declare their eligibility to serve as distributors under the Securities Regulations (Underwriting), 5767-2007, for assistance in marketing, sale and distribution of the securities offered under this Shelf Offering Report, provided that these amounts are not paid to the final purchaser of a security in the Shelf Offering. All such fees will be distributed at the sole discretion of Leumi Partners. It is clarified that, in any event, a distributor will not be entitled to a fee for securities that the distributor actually acquired as a result of the realization of advance commitments that the distributor submitted in the framework of the tender to classified investors.
- 12.2 The Issuance Coordinator will be entitled to a commission of NIS 30,000.
- 12.3 No minimum amount for submission is to be determined in this issuance.
- 12.4 The proceeds of the issuance are intended for use by the Bank, at its discretion.
- 12.5 The Bank will see receipt of the proceeds by the Issuance Coordinator as if the proceeds were received by itself.

13. **Underwriting**

The offering of securities pursuant to this Shelf Offering Report is not secured by underwriting.

14. **Material changes and developments from the date of publication of the Shelf Prospectus until the date of publication of the Shelf Offering Report**

14.1 The following are material developments and changes that occurred in the Bank's business in any matter that are to be described in the Shelf Prospectus until the date of publication of the Shelf Offering Report:

- a. On June 17, 2018, Videa – Leumi Group Investments Management Ltd., a wholly-owned subsidiary of the Bank, received a license from the Israel Securities Authority to engage in investment management.

14.2 In accordance with Section 4 (a) of the Shelf Offering Regulations, all reports submitted by the Bank subsequent to publication of the Shelf Prospectus are included in this report by way of reference. The full text of the Bank's reports can be found on the distribution website of the Israel Securities Authority at www.magna.isa.gov.il and on the Stock Exchange website: www.maya.tase.co.il.

15. **Letter of Consent of the Bank's External Auditors**

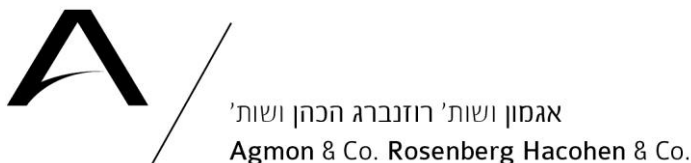
The Bank has received a letter of consent from the Bank's joint external auditors, which includes their consent to include in the Shelf Offering Report, including by way of reference, the external auditor's reports and the review reports, as the case may be, included in the Shelf Offering Report by way of reference. The above consent letter is attached as **Appendix D** to the Shelf Offering Report.

16. **Letter of Consent of the Actuary to Include an Actuarial Opinion of the pension, bonuses and special vacation rights for the Bank's employees**

The Bank has received a letter of consent from an actuary containing its consent to include in its Shelf Offering Report, including by way of reference, its actuarial opinion regarding pension, bonuses and special vacation rights of the Bank's employees as of December 31, 2017 and March 31, 2018, which was attached to the financial statements of the Bank for 2017 and for the first quarter of 2018, respectively. The above letter of consent is attached as **Appendix E** to the Shelf Offering Report.

17. **Legal Opinion**

The Bank has received the following legal opinion:



June 19, 2018

Bank Leumi Le-Israel B.M.
Leumi House, Yehuda Halevy Street 34
Tel Aviv

Dear Sirs,

Re: **Shelf Offering Report of Bank Leumi le-Israel B.M. (hereinafter: "The Bank")**

With regard to the Shelf Prospectus dated May 25, 2018 (hereinafter: "**the Shelf Prospectus**") and the Shelf Offering Report to be published by virtue thereof (hereinafter: "**the Shelf Offering Report**") regarding an offering to the public of the Debentures (Series 179) of the Bank (hereinafter: "**the Securities Offered**"), we express our opinion as follows:

1. The rights attached to the Securities Offered were, in our opinion, described correctly in the Shelf Offering Report.
2. In our opinion, the Bank has the authority to issue the Securities Offered in the manner described in the Shelf Offering Report.
3. In our opinion, the directors of the Bank were duly appointed, and their names are included in the Shelf Prospectus and in the Shelf Offering Report.

We agree that our above opinion is to be included in the Shelf Offering Report to be published in June 2018.

Sincerely,

Ran Shalom, Adv.

Mati Goldberg, Adv.

Agmon & Co., Rosenberg Hacoheh & Co., Advocates

18. **Signatures****The Bank:**

Bank Leumi Le-Israel B.M.**The Directors:**

Brodet David

Idelman Yitzhak

Gottlieb Tamar

Samet Haim

Samet Zipporah

Dominissini Esther

Haj Yehia Samer, Dr.

Levanon Esther

Nardi Yoav

Sharir Yitzhak, Dr.

Ben Zvi Shmuel, Dr.

Marani Ohad

Stern Yedidia, Prof.

Appendix A to the Shelf Offering Report
Deed of Trust for Debentures (Series 179)

Appendix B to the Shelf Offering Report
Details of the Manner of Offering the Securities

The provisions of this Appendix apply to the Debentures (Series 179) offered according to the Shelf Offering Report (in this Appendix: "the **Shelf Offering Report**"). Accordingly, "units" in this Appendix mean the Debentures (Series 179).

1. **The Manner of the Public Offering**

The Debentures (Series 179) will be offered to the public in a uniform offer by way of a tender on the annual interest rate that will be borne by the Series, with the composition of the unit and the maximum interest rate specified in the Shelf Offering Report.

1.1 **Subscription List**

The Subscription List for the purchase of the units will be opened on the date and at the time determined in the Shelf Offering Report (hereinafter: "**the Tender Date**" or "**the Date Submission of the Applications**") and will be closed on the date and at the time determined in the Shelf Offering Report.

1.2 Until the date of closing of the Subscription List, the Bank may cancel the offer without the investors having any claim and / or right in connection thereto. In such a case, all the orders given in connection with the offering shall be deemed cancelled.

1.3 **Submission of Applications at the Tender Stage**

1.3.1 The applications for the purchase of the Securities Offered (hereinafter: "**the Applications**") must be submitted to the Bank, on forms used for this purpose, through the Issuance Coordinator (as defined in the Shelf Offering Report) directly or through banks or through other members of the Stock Exchange (hereinafter: "**Persons Authorized to Receive Applications**"), no later than the closing date of the subscription list.

Any application submitted to a person authorized to receive applications on the day of the tender shall be considered as submitted on that day if it is received by the person authorized to receive applications by the closing date of the Subscription List, provided that it is transferred by the person authorized to receive applications to the Issuance Coordinator and received by the Issuance Coordinator, until one hour from the time of closing of the Subscription List (hereinafter: the "Deadline for Submission to the Coordinator"). Any application received by the Issuance Coordinator after the last time for submission to the Coordinator shall not be accepted by the Bank.

1.3.2 In the tender, each applicant may submit up to three applications at different interest rates at the increments between the interest rates specified in the applications, as determined in the Shelf Offering Report. An application that specifies an interest rate that is not equal to one of the interest rate increments set in the Shelf Offering Report will be rounded to the nearest level of the interest rate increment.

1.3.3 Each applicant shall indicate in his application the number of units he wishes to purchase, and the interest rate offered by him, which shall not exceed the maximum interest rate as determined in the Shelf Offering Report. An application in which an interest rate offered is higher than the maximum interest rate shall be deemed not to have been submitted.

- 1.3.4 An applicant who submitted an application for the purchase of units may withdraw his application no later than the closing date of the subscription list signatures by written notice to the person authorized to receive applications. Any application that was submitted and the applicant did not retract from his application before the closing date of the subscription list will be considered an irrevocable undertaking on the part of the applicant to receive the securities that will be allocated to him as a result of full or partial response to his application and to pay the full price of the securities which will be allocated to him due to compliance with the terms of the Shelf Offering Report for his application.
- 1.3.5 Applications may be submitted for the purchase of whole units only. An application submitted for any part of a unit shall be deemed to be an application submitted in respect of the number of whole units only specified in it and the part of the unit included in the application shall be deemed not to have been included therein in the first place. An application whose number of units is less than one unit shall not be accepted.
- 1.3.6 The total number of units ordered by one bidder in the tender (for all applications submitted by him up to three such applications) shall not exceed a percentage of the offered quantity of the securities offered as determined in the Shelf Offering Report, if and to the extent determined (hereinafter: "**the maximum number of units**"), subject to the provisions of any law. In the event that such applicant submits one or more applications for units in an amount exceeding the maximum number of units, all his applications shall be deemed to have been submitted for the purchase of the maximum number of units only and in the manner specified below:
- (a) First, the units specified in the application with the lowest interest rate shall be taken into account and up to the maximum number of units (hereinafter in this subsection: "**the First Application**");
 - (b) Where the number of units specified in the first application is less than the maximum number of units, then additional units shall be taken into account from the application stating the lowest interest rate of the remaining applications (hereinafter in this paragraph: "**the Second Application**");
 - (c) Where the number of units specified in the first application and in the second application is less than the maximum number of units, additional units shall be taken into account from the third remaining application, up to the maximum cumulative number of units.
- If no limitation is set on the maximum number of units, then each application in which the number of units ordered is higher than the offered quantity of the securities offered shall be deemed to be an order specifying the quantity offered under the Shelf Offering Report.
- 1.3.7 Persons authorized to receive applications will be responsible and liable to the Bank and to the Issuance Coordinator for the payment of the full consideration due to the Bank in respect of applications submitted through them and which were accepted partially or in full.
- 1.3.8 "**Applicant**" or "**Bidder**" - together with a member of his family who lives with him, and including a classified investor with whom the Bank has entered into a prior agreement to purchase units as detailed in the Shelf Offering Report.

1.4 **Tender Proceedings**

1.4.1 The applications will be forwarded by the persons authorized to receive applications to the Issuance Coordinator by digitally transmitting the applications to the Issuance Coordinator via a virtual safety deposit box. In addition, applications submitted directly to the Issuance Coordinator will be transferred in sealed envelopes. On the day of the tender after the deadline for submission to the Issuance Coordinator, the applications in the safety deposit boxes, including applications submitted directly to the Issuance Coordinator, will be submitted in the presence of a representative of the Bank and its external auditors who will supervise the proper conduct of the tender proceedings.

1.5 **Determining the Interest Rate and Allocating the Units to the Applicants**

In the tender according to the Shelf Offering Report, all the units for which the applications for purchase are accepted will be issued at a uniform interest rate (hereinafter: "**the Uniform Interest Rate**"), which will be the lowest interest rate for which the applications for the units stated as the interest rate, together with applications that stated lower interest rates, shall be sufficient to allocate all the units offered to the public (including classified investors) according to the Shelf Offering Report.

Allocation of the units shall be made as follows:

- 1.5.1 If the total number of units requested (including units for which purchase commitments were received from classified investors who entered into a prior agreement with the Bank) be less than the total number of units offered under the Shelf Offering Report, all the applications will be accepted in full, subject to fulfilment of the requirements of the relevant Stock Exchange directives, in which case the Uniform Interest Rate shall be the maximum interest rate determined in the Shelf Offering Report. The remaining units, for which applications will not be accepted, will not be issued.
- 1.5.2 If the total number of units included in the applications received (including units for which purchase commitments were received from classified investors) is equal to or exceeding the number of units offered to the public, the following provisions shall apply:
- a. Applications stating a higher interest rate than the Uniform Interest Rate will not be accepted.
 - b. Applications stating an interest rate lower than the Uniform Interest Rate will be met in full.
 - c. Applications (excluding commitments from classified investors) stating an interest rate equal to the Uniform Interest Rate - will be answered proportionately so that each applicant will receive, out of the total of the offered units that will remain for distribution after responding to applications stating an interest rate lower than the Uniform Interest Rate (less meeting the applications of the classified investors, who undertook to purchase units at the Uniform Interest Rate), a portion equal to the ratio between the number of units he ordered in the application in which he specified the Uniform Interest Rate and the total number of units included in all applications submitted to the Bank in which the Uniform Interest Rate was stated (less the share of the classified investors as aforesaid).
 - d. Allocation of units to classified investors will be made as detailed in the Shelf Offering Report.

- 1.5.3 If an allotment as stated in Section 1.5.2 above does not lead to compliance with the minimum distribution requirements for the securities offered, as stated in the Shelf Offering Report, the priority of allocation to the classified investors will be cancelled and the allocation of the offered units will be done as follows:
- a. Applications stating a higher interest rate than the Uniform Interest Rate will not be accepted.
 - b. Applications stating an interest rate lower than the Uniform Interest Rate will be met in full.
 - c. Applications (including commitments from classified investors) stating an interest rate equal to the Uniform Interest Rate - will be answered proportionately so that each applicant will receive, out of the total of the offered units that will remain for distribution after responding to applications stating an interest rate lower than the Uniform Interest Rate, a portion equal to the ratio between the number of units for which the applications for purchase at the Uniform Interest Rate were submitted to the Bank (including units for which commitments of classified investors were received).
- 1.5.4 If the allotment pursuant to Section 1.5.3 above does not lead to fulfilment of the minimum distribution requirements of the securities offered, then the allotment will be carried out at the Uniform Interest Rate as follows:
- a. Applications stating a higher interest rate than the Uniform Interest Rate will not be accepted.
 - b. Applications (including commitments from classified investors) stating the Uniform Interest Rate and / or a lower interest rate will be answered proportionately, such that each applicant will receive a number equal to the ratio between the number of units he ordered at the Uniform Interest Rate and / or at a lower interest rate and the total number of units in the applications, stating the Uniform Interest Rate and / or a lower interest rate that were submitted to the Bank (including units for which purchase commitments from classified investors were received).
- 1.5.5 If, and as a result of, the allotment as stated in Section 1.5.4 above, will not lead to the fulfilment of the minimum dispersion requirements of the securities offered, a reallocation will be made in order to determine a new Uniform Interest Rate that will not exceed the maximum interest rate and which will be the lowest interest rate at which the offered units will be allocated in such a manner that the minimum dispersion requirements will be met, provided that an applicant is not allocated more units than the ones he ordered or at a lower interest rate than that specified in his application (hereinafter: "**the New Uniform Interest Rate**").
- If a New Uniform Interest Rate is set as stated in this paragraph, the allocation shall be made in accordance with the provisions of Section 1.5.4 above, and instead of the "Uniform Interest Rate", the "New Uniform Interest Rate" shall be deemed to have been stated.
- 1.5.6 Should the allotment as stated in section 1.5.5 above not result in the fulfilment of the minimum distribution requirements of the Securities offered, section 4.4 below shall apply.
- 1.5.7 Each applicant shall be deemed to have undertaken in his application to purchase all the units that will be allocated to him as a result of partial or full response to his application, according to the rules detailed above.

1.6 **Additional Allocations After the Date of the Tender and Treatment of Fractions of Units**

1.6.1 No further allocations of the securities offered will be made after the tender to classified investors and / or to all subscribers.

1.6.2 **Treatment of fractions of units**

If in the allocation of the securities offered according to the response in the tender as aforesaid, fractions of units will be created, they will be rounded up, to the extent possible, to the nearest complete unit. Surpluses of units remaining as a result of such rounding up shall be purchased by the Issuance Coordinator at a price to be determined in the Tender.

2. **Notification of the Results of the Issue**

2.1 By 10:00 am on the first trading day following the date of the tender, notification will be given by the Issuance Coordinator, and through the persons authorized to submit applications, to applicants whose applications were met partially or in full. The notice shall specify the number of units to be allotted to each bidder and the consideration due from them for the units. By 12:30 pm on the first trading day following the date of the tender, the applicants will transfer, through the persons authorized to receive applications, to the Issuance Coordinator, to the Special Account as stated in Section 4 below, consideration in full owed by them for the units for which the said order was met in the above notice.

2.2 By the end of the first trading day following the date of the tender, the Bank shall notify the Immediate Report of the results of the tender, and within two additional business days shall publish an advertisement in two widely circulated daily newspapers in Israel, insofar as the law requires publication of such notice.

3. **The Special Account and the Allocation of the Units**

3.1 Immediately prior to the date of the tender, the Issuance Coordinator shall open a Special Trust Account in the name of the Bank (hereinafter: "**the Special Account**") and shall provide the persons authorized to receive applications with its details. The Special Account will be managed exclusively by the Issuance Coordinator on behalf of and for the Bank in accordance with the provisions of the Securities Law.

3.2 Funds accrued in the Trust Account will be invested by the Issuance Coordinator in liquid, unlinked deposits bearing interest on a daily basis.

3.3 The persons authorized to receive applications will deposit in the Special Account all the amounts paid in respect of the securities offered whose purchase applications were met under the terms of the Shelf Offering Report, and the Issuance Coordinator will deal with them and act according to the terms of the Shelf Offering Report.

3.4 If the minimum dispersion requirements and the value requirements of holdings by the public as stated in the Shelf Offering Report are met, the Issuance Coordinator will transfer to the Bank no later than 12:30 on the second trading day after the date of submission of the applications, the balance of the monies remaining in the Special Account, including income accrued in respect of them, less the monies due to the classified investors and the persons authorized to receive applications (insofar as such amounts will be due according to the Shelf Offering Report and as the case may be), in exchange for the transfer of the certificates in respect of the securities offered to the Nominee Company of Bank Leumi le-Israel B.M. (hereinafter: "**the Nominee Company**").

- 3.5 If, at the end of the day of the tender, it becomes clear that the minimum dispersion requirements and / or the value requirements of holdings by the public, as stated in the Shelf Offering Report, have not been fulfilled, the issuance of the units to the public will be cancelled and no monies will be collected in respect of them from the subscribers, and the provisions of Section 4.4 will apply.

4. Approval to List the Securities Offered for Trading on the Stock Exchange

- 4.1 Subsequent to the date of closing of the Subscription List, the Bank shall apply to the Stock Exchange within three trading days with an application to list for trading the securities offered under the Shelf Offering Report.
- 4.2 Trading in the securities offered shall commence immediately after their listing for trading.
- 4.3 The listing of the securities offered for trading is subject to the fulfilment of the Stock Exchange's requirements, including requirements regarding minimum distribution and minimum value of holdings by the public, as detailed in the Shelf Offering Report.
- 4.4 If it transpires that the prerequisites for listing for trading on the Stock Exchange as stated in Section 4.3 above have not been fulfilled, then the issue of the offered units and the securities offered will be cancelled and will not be listed for trading on the Stock Exchange and no monies will be collected in their respect from the subscribers. In the event of the cancellation of the offering of the securities offered, on the first trading day following the tender day, the Bank shall give notice thereof in an Immediate Report (in accordance with the dates prescribed by law), and within two additional trading days thereafter it shall publish an advertisement in two common daily newspapers in Israel in Hebrew, to the extent the law requires the publication of such an advertisement. The Bank will be entitled to issue the securities whose issue has been cancelled as stated, under future Shelf Offering Reports, to the extent they are published, subject to the provisions of any law, the directives of the Stock Exchange and the provisions of the Shelf Prospectus.

5. Certificates in Respect of the Securities

If the Bank has met an application, fully or partially, the Bank will issue certificates in respect of the securities included in the units for which the application for purchase was received by sending certificates in respect of the securities to the Nominee Company against the transfer of monies deposited in the Special Account by the Issuance Coordinator to the Bank as stated in Section 3 above, provided that the allocation is not made before the Issuance Coordinator saw that the Stock Exchange's requirements have been met in full, as stated in Section 4 above.

6. Tax Implications

As is customary when making decisions on an investment, the tax implications should be considered which relate to the investment in the securities offered. The provisions included in this Section regarding the taxation of the securities offered do not purport to constitute an authoritative interpretation of the provisions of the Law mentioned in this Section, and do not replace professional advice, in accordance with the special data and the unique circumstances of each investor. Therefore, any investor considering the purchase of the securities offered must seek professional advice tailored to the specific needs of the investor.

According to existing law, the securities offered to the public according to the Shelf Offering Report are subject to the provisions of the law and the tax arrangements described in the following summary:

6.1 General

- 6.1.1 On July 25, 2005, the Knesset passed the Income Tax Ordinance Amendment Law (No. 147), 5765-2005 (hereinafter in this section: "**the Amendment**"). The Amendment significantly changed the provisions of the Income Tax Ordinance [New Version] (hereinafter in this Section: "**the Ordinance**"), relating to the taxation of securities traded on the Stock Exchange. Furthermore, at the date of publication of this Shelf Offering Report, all of the new regulations expected to be published as a result of the Amendment have not yet been published. In addition, at the date of publication of this Shelf Offering Report, there is no accepted practice regarding some of the provisions of the Amendment, nor is there any ruling interpreting the new tax provisions in the Amendment.
- 6.1.2 In addition, on December 29, 2008, the Knesset approved Amendment 169 to the Ordinance, which was published in the Official Gazette on December 31, 2008 (and came into force on January 1, 2009), and caused additional changes in the taxation of securities.
- 6.1.3 On December 6, 2011, the Law for the Change of the Tax Burden (Legislative Amendments), 5772-2011 was published in the Official Gazette (hereinafter: "**the Law for the Change of the Tax Burden**"). Pursuant to the Law for the Change of the Tax Burden, which took effect as of 2012, tax rates on income by individuals in respect of capital gains, interest and dividends was increased from 20% to 25%, and to a material shareholder³ from 25% to 30% regarding income from dividends and capital gains.
- 6.1.4 On August 6, 2012, the Knesset passed Amendment 195 to the Ordinance, which was published in the Official Gazette on August 13, 2012 (and took effect on January 1, 2013), pursuant to which Section 121b of the Ordinance was added, stipulating that an individual will be liable as of 2013 to an additional tax on the part of his taxable income in excess of the aforesaid amount as stated in the Section. This Section was updated on December 29, 2016, when the Economic Efficiency Law (Legislative Amendments for the Implementation of the Economic Policy for the Budget Years 2017 and 2018), 5727 - 2016 (hereinafter: "**the Arrangements Law for the Years 2017-2018**") was published in the Official Gazette. An individual whose taxable income in the year 2018 exceeds NIS 641,880 will be liable to an additional tax on the part of his taxable income in excess of the aforesaid amount at an additional rate of 3% on the aforesaid (hereinafter: "**Surtax**"). Taxable income includes all types of income, including income from capital gains and land betterment (the sale of rights in real estate in a residential apartment will be included only if the value of its sale exceeds NIS 4 million and the sale is not exempt from tax under any law) excluding an inflationary amount as defined in Section 88 of the Ordinance and an inflationary amount as defined in Section 47 of the Real Estate Taxation Law.
- 6.1.5 In the Arrangements Law for the years 2017-2018, the Companies Tax rate set forth in Section 126 (a) of the Ordinance was reduced by 1% (to 24%) as of January 1, 2017 and by an additional 1% (to 23%) as of January 1, 2018.
- 6.1.6 It should be clarified that the following relates to the manner of taxation of Israeli resident investors. It should be noted that in relation to "an individual who became an Israeli resident for the first time" and a "veteran returning resident", as defined in the Ordinance, tax implications may differ from those described below, and it

³ An individual holding, directly or indirectly, alone or together with another person (as this term is defined in Section 88 of the Ordinance), at least 10% of one or more of any type of the means of control (as this term is defined in Section 88 of the Ordinance) in a company, on the date of sale of the security or on any date in the 12 months preceding the sale.

is suggested that such residents apply for individual counselling in order to examine their entitlement to tax benefits in Israel. It should also be noted that with respect to investors who are deemed to be "controlling shareholders"⁴ or as "material shareholders"⁵, as defined in the Ordinance, additional tax implications may apply to those described below.

6.2 **Capital Gains from the Sale of the Securities Offered**

- 6.2.1 Pursuant to Section 91 of the Income Tax Ordinance (New Version), 5721-1961 (hereinafter: "**the Ordinance**"), a real⁶ capital gain from the sale of securities by an individual resident of Israel is liable to tax at the marginal tax rate of the individual pursuant to Section 121 of the Ordinance, but at a rate not exceeding 25%, and the capital gain will be viewed as the highest level on the scale of his taxable income, provided that the sale of securities does not constitute income from a business held by the individual and he does not claim financing expenses. Regarding the sale of securities by an individual who is a "material shareholder" in the Company, i.e. the holder, directly or indirectly, alone or together with another⁷, of at least 10% of one or more of the types of means of control in the Company⁸ on the date of the sale of the securities or on such date in the 12 months prior to the aforesaid sale, the tax rate regarding his real capital gain shall not exceed 30%. In respect of an individual claiming real interest expenses and linkage differentials in respect of the securities, the real capital gain from the sale of the securities will be taxed at a rate of 30%, until the determination of the provisions and conditions under Section 101a(a)(9) and 101a(b) of the Ordinance. The tax rate reduced as stated above shall not apply to an individual whose income from the sale of securities is within the scope of income from a "business", in accordance with the provisions of Section 2(1) of the Ordinance, at which time marginal tax rates as set out in Section 121 of the Ordinance will apply, a marginal tax rate (as of 2018 - 47% at the top level). An individual whose taxable income in the tax year exceeds NIS 641,880 (as of 2018) will be liable for an additional tax on the part of his taxable income that exceeds this amount at an additional 3% of the above.
- 6.2.2 An individual shall be exempt from linkage differentials that he received in respect of an asset provided that all the following conditions are met:
- 6.2.2.1 The linkage differentials are not partial linkage differentials.
- 6.2.2.2 The individual did not claim a deduction of interest expenses or linkage differentials in respect of the asset.
- 6.2.2.3 The linkage differentials are not income under Section 2 (1) and are not recorded in the books of his accounts or are required to be recorded as aforesaid.
- 6.2.3 A body of persons shall be liable for tax on a real capital gain from the sale of securities at the corporate tax rate prescribed in Section 126 of the Ordinance.
- 6.2.4 In general, a foreign resident (an individual or a body of persons) is exempt from tax on capital gains from the sale of securities traded on a Stock Exchange in Israel, if the capital gain is not in his permanent factory in Israel and in accordance with the conditions and limitations of Section 97 of the Ordinance. The aforesaid shall not apply to a foreign resident body of persons if Israeli residents are its controlling shareholders or beneficiaries, or are entitled to 25% or more of the income or

⁴ As this term is defined in Section 3(i) of the Ordinance.

⁵ As this term is defined in Section 88 of the Ordinance.

⁶ As defined in Section 88 of the Ordinance.

⁷ As this term is defined in Section 88 of the Ordinance.

⁸ As this term is defined in Section 88 of the Ordinance.

profits of the foreign resident body of persons, either directly or indirectly as stated under Section 68A of the Ordinance.

- 6.2.5 An exempt mutual fund, as well as provident funds and entities exempt from tax under Section 9(2) of the Ordinance, are exempt from tax in respect of capital gains from the sale of such securities. The tax rate applicable to the income of an individual whose income does not constitute income from a "business" or an "occupation" shall apply to the income of a mutual fund from the sale of such securities, unless otherwise expressly provided. If no special tax rate is set for the income, the income shall be taxed at the maximum rate specified in Section 121 of the Ordinance.
- 6.2.6 In general, if the securities offered under this Shelf Offering Report are delisted from trading on the Stock Exchange, the tax rate that will be withheld at the time of sale (after the delisting) will be thirty percent (30%) of the proceeds, if a certificate of the Assessing Officer has not been provided on the rate of withholding tax on another source (including an exemption from withholding tax).
- 6.2.7 With respect to withholding tax from the real capital gain on the sale of the securities offered, tax shall be deducted in accordance with the Income Tax Regulations (Deduction from Consideration, Payment or Capital Gain on Sale of a Security, Sale of a Mutual Fund Unit or a Future Transaction), 5763-2002. A debtor, (as this term is defined in the said Regulations), who pays consideration to a seller who is an individual for the sale of securities, shall deduct 25% of the real capital gain, and at the Companies Tax rate under Section 126 (a) of the Ordinance from the real capital gain when the seller is a body of persons. This is subject to certificates of exemption certificates from withholding tax produced by the Israel Tax Authority, and subject to offsetting losses that the withholder at source is permitted to perform. There will be no withholding tax for provident funds, mutual funds as well as other entities that are exempt from withholding tax at source according to the law, after the appropriate approvals have been issued by them. There will be no withholding tax by a banking corporation or Stock Exchange member to a foreign resident if certain conditions set forth in the regulations are met. It should be noted that if at the date of the sale the full amount of tax is not deducted as specified above from the real capital gain, the provisions of Section 91(d) of the Ordinance and the provisions by virtue thereof shall apply to reporting and payment of an advance payment in respect of such sale.

6.3 The tax rate applicable to interest income from the securities offered

- 6.3.1 In accordance with Section 125c(b) of the Ordinance, an individual shall be liable to tax at a rate not exceeding 25% on interest or discount fees, and originating in debentures fully linked to an index⁹, and this income shall be regarded as the highest level on his taxable income scale.¹⁰ According to Section 89(e) of the Ordinance, linkage differentials received from the redemption of debentures or commercial paper, where the income does not constitute income from a "business" or an "occupation", shall be deemed to be taxable under the provisions of Part E of the Ordinance. Linkage differentials accrued on the interest are equal to interest and will also be taxed at the same tax rate. It should be noted that the Consumer

⁹ As defined in Section 125c of the Ordinance - the Consumer Price Index last published by the Central Bureau of Statistics prior to the day in question, and in an asset whose value is linked to foreign currency or denominated in foreign currency - the exchange rate.

¹⁰ According to Section 89(e) of the Ordinance, linkage differentials obtained from the redemption of a debenture or commercial paper, where the income from which does not constitute income from a business or occupation, shall be deemed to be taxable under the provisions of Part E of the Ordinance.

Price Index published by the Central Bureau of Statistics will be considered as an index for the purpose of Section 125c of the Ordinance.

- 6.3.2 An individual shall be exempt from linkage differentials that he received in respect of an asset provided that all of the following conditions are met:
- 6.3.2.1 Linkage differentials are not partial linkage differentials.
- 6.3.2.2 The individual did not claim deduction of interest expenses or linkage differentials in respect of the asset.
- 6.3.2.3 Linkage differentials are not income under Section 2(1) and are not recorded in his books of account or are required to be recorded as such.
- 6.3.3 In accordance with Section 125c(d) of the Ordinance, the aforesaid tax rates will not apply if, inter alia, one of the following conditions is met: (1) The interest is income from a business under Section 2(1) of the Ordinance or is recorded in the individual's books of account or are required to be recorded as such; (2) the individual claimed the deduction of interest expenses and linkage differentials in respect of the debentures; (3) the individual is a material shareholder in the Company as defined in the said Section 88 of the Ordinance, which pays the interest; (4) the individual works for a body of persons who paid the interest, or he provides it with services or sells products to it, or has other special relations with it, unless it has been proven to the satisfaction of the assessment officer that the interest rate was determined in good faith and without being affected by the existence of such relations between the individual and the body of persons; (5) Another condition is met that was stipulated by the Minister of Finance with the approval of the Finance Committee of the Knesset. In such cases, the individual will be liable to tax on interest or discount fees at the marginal tax rate applicable to the individual in accordance with the provisions of Section 121 of the Ordinance, as detailed above.
- 6.3.4 The rate of the tax applicable to interest income (including linkage differentials) or discount fees of a body of persons resident in Israel that is not a body of persons to which the provisions of Section 9(2) of the Ordinance apply in determining its income, except for the purpose of Section 3(h) of the Ordinance regarding accrued interest originating in debentures traded on the Stock Exchange, is the Companies Tax rate as detailed above.
- 6.3.5 In accordance with the provisions of Section 9(15d) of the Ordinance, a foreign resident¹¹ is exempt from tax on income from interest, discount fees or linkage differentials paid to a foreign resident for a debenture traded on the Stock Exchange in Israel issued by a body of persons resident in Israel provided that the income is not a permanent establishment of a foreign resident in Israel.¹²

The exemption shall not apply in the following cases:

- (a) A foreign resident is a material shareholder in the issuing company; or

¹¹ Foreign resident - a person who is a foreign resident on the date of receipt of the interest, discount fees or linkage differentials, as the case may be, except for one of the following: (1) a material shareholder in the issuing body of persons; (2) a relative, as this term is defined in paragraph 3 of the definition of a relative in Section 88 of the Ordinance, of the issuing body of persons; (3) a person who works for the issuing body of persons, provides services to it, sells its products or has special relations with it unless it is proved to the satisfaction of the assessment officer that the interest rate or the discount fees were determined in good faith and without being affected by the existence of such relations; (4) A foreign resident company held by residents of Israel, in accordance with the provisions of Section 68A of the Ordinance.

¹² A foreign resident is a person who is a foreign resident on the date of receipt of the interest, discount fees or linkage differentials, as the case may be.

- (b) A foreign resident who is a relative as defined in paragraph (3) of the definition of a relative in Section 88 of the Ordinance, of an issuing body of persons issuing; or
- (c) A foreign resident is an employee, service provider, or seller of products to an issuing body of persons or has special relations with it (unless it is proved that the interest rate or discount fees, as the case may be, were determined in good faith and without being affected by the existence of special relations between a foreign resident and an issuing body of persons).

The above shall not apply to a foreign resident company, if Israeli residents are its controlling shareholders or beneficiaries or entitled to 25% or more of the income or profits of a foreign resident body of persons, directly or indirectly, in accordance with the provisions of Section 68A of the Ordinance.

In the event that the aforesaid exemption does not apply, the tax rate applicable to non-residents' interest income (an individual and a body of persons) originating in the securities will be charged in accordance with the provisions of the Ordinance, as detailed above.

- 6.3.6 An exempt mutual fund, as well as provident funds and entities exempt from tax under Section 9(2) of the Ordinance, are exempt from tax in respect of such interest income or deduction fees, subject to the provisions of Section 3 (h) of the Ordinance regarding interest or from discount fees that were accrued during the holding period of another. The tax rate applicable to the income of an individual who does not have income from a "business" or an "occupation" shall not apply to the income of a mutual fund from interest or from discount fees unless otherwise expressly provided. If no special tax rate is set for the income, the income shall be taxed at the maximum rate prescribed in Section 121 of the Ordinance.
- 6.3.7 In accordance with the Income Tax (Deduction from Interest, Dividends and Certain Profits) Regulations, 5766-2005, and the provisions of Sections 164 and 170 of the Ordinance, the rate of tax to be deducted at source on interest (as defined in the aforesaid regulations)¹³, linkage differentials that are not exempt from tax under any law, including partial linkage differentials under Section 9(13) of the Ordinance, that is paid on the securities offered is as follows:
 - (a) In respect of index-linked securities - 25% in the case of an individual (including a foreign resident) who is not a material shareholder in the body of persons paying the interest. In the case of an individual who is a material shareholder or an individual who works for the body of persons or provides services to it or sells it products, the maximum tax rate prescribed in Section 121 of the Ordinance, as set forth above, shall apply.
 - (b) In respect of a body of persons (a resident of Israel and a foreign resident), a tax shall be deducted at the Companies Tax rate determined in Section 126 (a) of the Ordinance.
 - (c) It should be noted that for interest, to which the provisions of Section 9(15d) of the Ordinance as aforesaid apply, no tax shall be withheld at source.
 - (d) The regulations of deduction from interest shall not apply to an entity defined as a "mutual fund" pursuant to Section 88 of the Ordinance, and

¹³ Interest - interest, linkage differentials that are not exempt by law, including partial linkage differentials, as defined in Section 9(13) of the Ordinance and discount fees.

therefore no tax withholding shall be made in respect of interest distributed to a mutual fund.

- (e) It should be noted that under the Tax Authority's directive of December 27, 2010, withholding tax from interest paid in respect of a security quoted on the Tel Aviv Stock Exchange, as stated, and its transfer to the Israel Tax Authority will generally be made by the Stock Exchange member instead of the issuing companies.

6.4 Issuance of Additional Debentures as part of an Expansion of a Series

In the event that the Bank issues additional Debentures (Series 179) in the future, as part of an expansion of the Series, at a discount rate that is different from the discount rate of the Series (including the absence of a discount), the Bank will apply to the Israel Tax Authority shortly before the expansion of the Series in order to obtain its approval that regarding tax at source on discount fees in respect of the Debentures (Series 179), a uniform discount rate will be determined for the Debentures (Series 179) according to a formula that weights the various discount rates, insofar as they will be (hereinafter: "**the weighted discount rate**"). In the event that such approval is received, the Bank will calculate the weighted discount rate for each Debenture (Series 179) immediately after the date of expansion of the Series, and submit an Immediate Report giving notice of the weighted discount rate for the whole Series and on the redemption dates of the Debentures (Series 179) will deduct tax according to the weighted discount rate as aforesaid and in accordance with the provisions of the law. In such a case, all other provisions of the law relating to the taxation of discount fees shall apply. If such approval is not received from the Israel Tax Authority, the Bank will withhold tax at source from the discount fees for the series of Debentures (Series 179), in accordance with the higher discount rate created in respect of the Series. In such a case, the Bank shall submit an Immediate Report immediately after the expansion of the Series in which it shall give notice of the discount rate prescribed for each such Series and all other provisions of the law relating to the taxation of discount fees shall apply. The Bank will withhold tax at source upon redemption of the Series, according to the rate to be reported as aforesaid.

In any case of expansion of the Series of Debentures (Series 179), if the discount rate to be determined in the framework of the issuance of the Debentures (Series 179) is higher than the discount rate of the Series prior to the expansion of the Series (including the absence of discount), there may be instances in which the Bank deducts tax at source for discount fees at the rate higher than the discount fees determined for the holder of the Debentures (Series 179) before the expansion of the Series (hereinafter: "**the excess discounting fees**"), regardless of whether or not approval was received from the Israel Tax Authority to determine a uniform discount rate for the series. A taxpayer who held the Debentures (Series 179) prior to the expansion of the Series until the redemption of the Debentures (Series 179) held by him shall be entitled to submit a tax return to the Israel Tax Authority and to receive a tax refund at the tax level deducted from the excess discount fees, under the law.

It should be emphasized that such approval for the determination of a weighted discount rate by the Israel Tax Authority is given on a one-time basis for any future issue, insofar as it occurs for the series of Debentures (Series 179).

6.5 Offsetting Losses

- 6.5.1 In general, losses in the tax year from the sale of the securities offered shall be allowed for offsetting only in cases where capital gains would be taxable. A capital loss from the sale of securities by an individual or a company may be offset against a real capital gain according to the principles set out in Section 92 of the Ordinance, whether the loss / profit was created from an asset (including

quoted securities) in Israel, or outside of Israel (excluding an inflationary capital gain which will be offset by a ratio of 1 to 3.5).

- 6.5.2 On August 31, 2011, an amendment was published in the Official Gazette of the Income Tax Regulations (Deduction from Consideration, Payment or Capital Gain from the Sale of a Security, Sale of a Mutual Fund Unit or a Future Transaction), 5771-2011. As part of the said amendment, it was determined that regarding calculating a capital gain for the purpose of deducting tax at source from the sale of quoted securities, units of mutual funds and futures transactions (hereinafter: "**quoted securities**"), the debtor shall offset from the tax withholding the capital loss arising from the sale of quoted securities that were under his management and subject to the profit that was created in that tax year in which the loss was created, whether prior to generating the loss or after the said date. The application of the amendment as aforesaid is effective from January 1, 2012.
- 6.5.3 A capital loss that was in the tax year from the sale of the securities will also be available for offsetting against dividend income or interest from that security. A capital loss that was in the tax year from the sale of the securities will also be available for offsetting against dividend income or interest from other securities, provided that the tax rate applicable to the interest or dividend does not exceed the Companies Tax rate if it is a body of persons and the rate prescribed in Sections 125b(1) or 125c(b), as the case may be, if he is an individual. The offsetting of the losses shall be made by way of offsetting a capital loss against capital gains or against such interest or dividend income. It should be noted that following the law to change the tax burden as aforesaid, the tax that will apply to a dividend to an individual who is a material shareholder is 30%. Therefore, the capital loss that occurred during the tax year from the sale of securities will not be offset against dividend income or interest from other securities by an individual defined as a material shareholder.
- 6.5.4 A loss that cannot be offset as stated above will be offset against capital gains and real estate gains only as stated in Section 92(b) of the Ordinance in the following tax years, one after the other, after the year in which the loss was created, provided that a report was submitted to the assessment officer for the tax year in which the loss was incurred.

Appendix C to the Shelf Offering Report
Consents for the Inclusion of Rating Reports

Appendix D to the Shelf Offering Report
Letter of Consent of the External Auditors

Appendix E to the Shelf Offering Report

Letter of Consent of the Actuary



June 19, 2018

Bank Leumi Le-Israel B.M.

Dear Sirs,

**Re: Shelf Offering Report of Bank Leumi le-Israel B.M. (hereinafter: "the Bank")
which is due to be published in June 2018**

I, the undersigned, hereby agree that the opinion signed by me on February 26, 2018 regarding an actuarial valuation of pension rights, bonuses and special vacations for employees as of December 31, 2017, which was attached to the financial statements of the Bank as at December 31, 2017, and the opinion signed by me on May 21, 2018, regarding an actuarial valuation of pension rights, bonuses and special vacations for employees as at March 31, 2018, which was attached to the financial statements of the Bank as at March 31, 2018, will be included (including by way of reference) in the Bank's Shelf Offering Report, which is due to be published in May 2018.

Sincerely,

Alan Dubin FSA, FILA**Consultant Actuary**

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>**