

## **Translation of Immediate Report**

T460  
Public

### **Bank Leumi Le-Israel B.M.**

Registration No. 520018078

Securities of the Corporation are listed on The Tel Aviv Stock Exchange

Abbreviated Name: Leumi

34 Yehuda Halevi Street, Tel Aviv 651316

Phone: 076-8858111, 076-889419; Facsimile: 076-8859732

Electronic Mail: Livnat.EinShay@bll.co.il

Transmission Date: November 10 2019

Reference: 2019-01-096531

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

### **Immediate Report on Meeting**

#### **Regulation 36B (a) and (d), and Regulation 36C to the Securities Regulations (Periodic and Immediate Reports), 1970**

Explanation: To the extent that one of the issues on the meeting's agenda is approval of a transaction with a controlling shareholder or approval of an extraordinary offering, one should first fill out Form T133 or Form T138, respectively, and then report using this form.

Is there an option to vote through the electronic voting system: *Yes*

Note: only foreign corporations (which are not registered in Israel) and corporations whose securities are not listed can select this field.

The use of the voting systems shall require the corporation to process all votes received through this system

The corporation announces:

The convening of a meeting

Note: In case that the meeting's date is changed (postponed or brought forward), one should select "postponement of meeting" or "postponement by a court" or "postponement to unknown date".

The reference number of the last notice of meeting is: \_\_\_\_\_, that was convened for the date \_\_\_\_\_

Reason for postponement or cancellation:

\_\_\_\_\_

Explanation: please refer to the reference number of the last notice on convening or postponement of the meeting.

1. Security type: *Share*

Name of entitling security: *BLL common stock NIS I*

Number with the stock exchange of the security entitling its holder to take part in the meeting  
604611

Record date for entitlement to participate and vote in the meeting 18/11/2019

Explanation: If a meeting is required in connection with more than one security, one should report each such security on a separate T460 form. Reports that will refer to other securities shall require sending an amending report.

2. On November 10 2019

It was decided to convene an *extraordinary meeting* \_\_\_\_\_,

To be convened on *December 23 2019* at: 14:00

At: *Beit Lin, 35 Yehuda Halevi St., Tel Aviv*

3. On the agenda:

Explanation: the numbering of issues on the agenda shall correspond to the order of their appearance in the report on convening the meeting, if it is attached as a file.

Issues/resolutions that will be put for discussion in the meeting:

1.

The issue/resolution and its details:

*To appoint Mr. Yitzhak Edelman as an external director pursuant to the provisions of the Companies Law, 1999 (hereinafter – “ED”) for a 3-year period subject to the approval or non-objection of the Banking Supervision Department, from the date of receipt of such approval or non-objection and not before February 2 2020 (the date on which his first tenure ends). In this general meeting, one (1) ED will be up for election for a three-year period from the list of candidates put forward by the Committee for the Appointment of Directors in Banking Corporations appointed pursuant to section 36A of the Banking Law (Licensing), 1981 (hereinafter- the “Banking Law”) and pursuant to the provisions of Section 11D(a)(1) and (2) of the Banking Ordinance, 1941 (hereinafter – the “Banking Ordinance”, the “Committee for the Appointment of Directors”); this list includes Mr. Edelman.*

*Mr. Edelman, a serving ED will finish his first tenure on February 1 2020 and is a candidate for reelection.*

*For further details regarding the appointment of directors in the Bank, see Sections 1.1 and 2.1 of the immediate report as well as the attached statement and CV of the candidate.*

***Appointment/ extension of the tenure of an outside director as set out in Sections 239(B) or 245 of the Companies Law.***

A value from this table determining the wording of a shareholder’s statement in the online voting system. To view the conversion table, click [here](#).

Reference no. of the latest report on the approval of a private offering (T138): \_\_\_\_\_

A transaction between the Company and a controlling shareholder thereof as set out in Sections 275 and 320(F) of the Companies Law *No*

Reference no. of the latest report on this issue (T133): \_\_\_\_\_

Explanation of the section in the Companies Law or in the Securities Law or another law for approving the resolution

Explanation: In a transaction with a controlling shareholder which does not match any of the fields in the table listing the sections of the laws, one should select the field: "Statement: there is no suitable field for classification" and select "Yes" for a transaction with a controlling shareholder.

It is only in the case of a bond holders' meeting, or if the transaction is not a transaction with a controlling shareholder, and a suitable field could not be found in the table, an explanation should be provided and the relevant sections of the law by virtue of which the resolution is required should be listed.

Does the issue require the disclosure of an interest or another characteristic of the voting shareholder? \_\_\_\_\_

Attention: These values can be selected only when the option "Statement: there is no suitable field for classification" was selected in the previous table and if the transaction is not a transaction between the Company and its controlling shareholder.

\_\_\_\_\_

In the case of a bondholders' meeting  
It was decided that another issue exists: \_\_\_\_\_

Details of the other issue

Attention: the details of the other issue determine the wording of a statement that will be included in the online voting system. One should word a Yes/No question. The question will appear in the voting system next to the resolution on the agenda, and the voter will have the option to select between "Yes" and "No" and will be able to add details if "Yes" was selected.

Request for additional details from holders:

It was decided to request additional details from the holders: *No*

Breakdown of the additional details requested from holders or the method of convening the meetings (in the case of a meeting pursuant to section 350):

Attention: This field determines the wording of the request for further details that will be included in the online voting system. The voter will have the option to add the details in a free-text field.

- ☐ Amending a disclosure
- ☐ A negligible change or a change that may only benefit the Company compared with the wording of a resolution described in the latest report
- ☐ Removed from the agenda
- ☐ The issue was discussed in a previous meeting.
- ☐ The issue was added to the agenda under court order
- ☐ The issue was added to the agenda pursuant to Regulation 5B of the Companies Regulations (Notice and Advertisement on General Meeting and Class Meeting in a Public Company and Adding an Item to the Agenda, 2000
- ☐ The issue was added to the agenda after the record date due to technical error, as explained:

Explanation: No amendment can be made to the resolution after the record date, except for amendment of terms of employment that works for the company's benefit or a negligible change. Furthermore, no new issues can be added to the agenda after the record date except under court order or pursuant to Regulation 5B to the Notice and Advertisement Regulations.

The resolution on the agenda is brought forward *for a vote*

The type of majority required for approval is a simple majority *No*

*Pursuant to Section 239(B) of the Companies Law and taking into account the fact that the Bank is a corporation without a control core, the majority required to pass the resolution is a simple majority of the total voting rights of eligible shareholders who voted in person, provided that one of the following is met:*

- (a) The majority vote count will include a majority of all vote participants who do not have a personal interest in the approval of the appointment; or,*
- (b) The total number of objecting votes out of the shareholders listed in subsection (a) above shall not exceed 2% of all voting rights of the Bank.*

*Abstaining votes shall not be taken into account in when counting shareholders' votes.*

Will the controlling shareholder's holdings in corporation's shares provide it with the majority required to pass a proposed resolution on the issue *No*

2.

The issue/resolution and its details:

*To appoint Mr. Mordechai Rozen as an external director pursuant to the provisions of the Companies Law, 1999 (hereinafter – "ED") for a 3-year period subject to the approval or non-objection of the Banking Supervision Department, from the date of receipt of such approval or non-objection and not before February 2 2020. In this general meeting, one (1) ED will be up for election for a three-year period from the list of candidates put forward by the Committee for the Appointment of Directors in Banking Corporations appointed pursuant to section 36A of the Banking Law (Licensing), 1981 (hereinafter- the "Banking Law") and pursuant to the provisions of Section 11D(a)(1) and (2) of the Banking Ordinance, 1941 (hereinafter – the "Banking Ordinance", the "Committee for the Appointment of Directors"); this list includes Mr. Mordechai Rozen.*

*For further details regarding the appointment of directors in the Bank, see Sections 1.1 and 2.1 of the immediate report as well as the attached statement and CV of the candidate.*

***Appointment/ extension of the tenure of an external director as set out in Sections 239(B) or 245 of the Companies Law.***

Attention: A value from this table determining the wording of a shareholder's statement in the online voting system. To view the conversion table, click [here](#).

Reference no. of the latest report on the approval of a private offering (T138): \_\_\_\_\_

A transaction between the Company and a controlling shareholder thereof as set out in Sections 275 and 320(F) of the Companies Law *No*

Reference no. of the latest report on this issue (T133): \_\_\_\_\_

Explanation of the section in the Companies Law or in the Securities Law or another law for approving the resolution

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Explanation: In a transaction with a controlling shareholder which does not match any of the fields in the table listing the sections of the laws, one should select the field: "Statement: there is no suitable field for classification" and select "Yes" for a transaction with a controlling shareholder.

It is only in the case of a bond holders' meeting, or if the transaction is not a transaction with a controlling shareholder, and a suitable field could not be found in the table, an explanation should be provided and the relevant sections of the law by virtue of which the resolution is required should be listed.

Does the issue require the disclosure of an interest or another characteristic of the voting shareholder? \_\_\_\_\_

Attention: These values can be selected only when the option "Statement: there is no suitable field for classification" was selected in the previous table and if the transaction is not a transaction between the Company and its controlling shareholder.

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In the case of a bondholders' meeting  
It was decided that another issue exists: \_\_\_\_\_

Details of the other issue

Attention: the details of the other issue determine the wording of a statement that will be included in the online voting system. One should word a Yes/No question. The question will appear in the voting system next to the resolution on the agenda, and the voter will have the option to select between "Yes" and "No" and will be able to add details if "Yes" was selected.

Request for additional details from holders:

It was decided to request additional details from the holders: *No*

Breakdown of the additional details requested from holders or the method of convening the meetings (in the case of a meeting pursuant to section 350):

Attention: This field determines the wording of the request for further details that will be included in the online voting system. The voter will have the option to add the details in a free-text field.

- ☐ Amending a disclosure
- ☐ A negligible change or a change that may only benefit the Company compared with the wording of a resolution described in the latest report
- ☐ Removed from the agenda
- ☐ The issue was discussed in a previous meeting.
- ☐ The issue was added to the agenda under court order
- ☐ The issue was added to the agenda pursuant to Regulation 5B of the Companies Regulations (Notice and Advertisement on General Meeting and Class Meeting in a Public Company and Adding an Item to the Agenda, 2000
- ☐ The issue was added to the agenda after the record date due to technical error, as explained:

Explanation: No amendment can be made to the resolution after the record date, except for amendment of terms of employment that works for the company's benefit or a negligible change. Furthermore, no new issues can be added to the agenda after the record date except under court order or pursuant to Regulation 5B to the Notice and Advertisement Regulations.

The resolution on the agenda is brought forward *for a vote*

The type of majority required for approval is a simple majority *No*

*Pursuant to Section 239(B) of the Companies Law and taking into account the fact that the Bank is a corporation without a control core, the majority required to pass the resolution is a simple majority of the total voting rights of eligible shareholders who voted in person, provided that one of the following is met:*

- (a) The majority vote count will include a majority of all vote participants who do not have a personal interest in the approval of the appointment; or,*
- (b) The total number of objecting votes out of the shareholders listed in subsection (a) above shall not exceed 2% of all voting rights of the Bank.*

*Abstaining votes shall not be taken into account in when counting shareholders' votes.*

Will the controlling shareholder's holdings in corporation's shares provide it with the majority required to pass a proposed resolution on the issue *No*

3.

The issue/resolution and its details:

*To appoint Ms. Esther Dominissini as a director having the status of "other director" (a director who is not an external director as stated in section 11D(a)(2) to the Banking Ordinance, 1941) (hereinafter – the "Banking Ordinance", "A Director Having the Status of Other Director") for a 3-year period subject to the approval or non-objection of the Banking Supervision Department, from the date of receipt of such approval or non-objection and not before January 17 2020 (the date on which her first tenure ends). In this general meeting, one (1) Other Director will be up for election for a three-year period from the list of candidates put forward by the Committee for the Appointment of Directors in Banking Corporations appointed pursuant to section 36A of the Banking Law (Licensing), 1981 (hereinafter- the "Banking Law") and pursuant to the provisions of Section 11D(a)(1) and (2) of the Banking Ordinance, 1941 (hereinafter –the "Committee for the Appointment of Directors"); this list includes Ms. Esther Dominissini.*

*Ms. Esther Dominissini, a serving director will finish his first tenure on February 16 2020 and is a candidate for reelection.*

*For further details regarding the appointment of directors in the Bank, see Sections 1.1 and 2.1 of the immediate report as well as the attached statement and CV of the candidate.*

***Appointment or dismissal a director as set out in Sections 59 and 239 of the Companies Law.***

Attention: A value from this table determining the wording of a shareholder's statement in the online voting system. To view the conversion table, click [here](#).

Reference no. of the latest report on the approval of a private offering (T138): \_\_\_\_\_

A transaction between the Company and a controlling shareholder thereof as set out in Sections 275 and 320(F) of the Companies Law *No*

Reference no. of the latest report on this issue (T133): \_\_\_\_\_

Explanation of the section in the Companies Law or in the Securities Law or another law for approving the resolution

Explanation: In a transaction with a controlling shareholder which does not match any of the fields in the table listing the sections of the laws, one should select the field: "Statement: there is no suitable field for classification" and select "Yes" for a transaction with a controlling shareholder.

It is only in the case of a bond holders' meeting, or if the transaction is not a transaction with a controlling shareholder, and a suitable field could not be found in the table, an explanation should be provided and the relevant sections of the law by virtue of which the resolution is required should be listed.

Does the issue require the disclosure of an interest or another characteristic of the voting shareholder? \_\_\_\_\_

Attention: These values can be selected only when the option "Statement: there is no suitable field for classification" was selected in the previous table and if the transaction is not a transaction between the Company and its controlling shareholder.

\_\_\_\_\_

In the case of a bondholders' meeting  
It was decided that another issue exists: \_\_\_\_\_

Details of the other issue

Attention: the details of the other issue determine the wording of a statement that will be included in the online voting system. One should word a Yes/No question. The question will appear in the voting system next to the resolution on the agenda, and the voter will have the option to select between "Yes" and "No" and will be able to add details if "Yes" was selected.

Request for additional details from holders:

It was decided to request additional details from the holders: *No*

Breakdown of the additional details requested from holders or the method of convening the meetings (in the case of a meeting pursuant to section 350):

Attention: This field determines the wording of the request for further details that will be included in the online voting system. The voter will have the option to add the details in a free-text field.

- ☐ Amending a disclosure
- ☐ A negligible change or a change that may only benefit the Company compared with the wording of a resolution described in the latest report
- ☐ Removed from the agenda
- ☐ The issue was discussed in a previous meeting.
- ☐ The issue was added to the agenda under court order
- ☐ The issue was added to the agenda pursuant to Regulation 5B of the Companies Regulations (Notice and Advertisement on General Meeting and Class Meeting in a Public Company and Adding an Item to the Agenda, 2000
- ☐ The issue was added to the agenda after the record date due to technical error, as explained:

Explanation: No amendment can be made to the resolution after the record date, except for amendment of terms of employment that works for the company's benefit or a negligible change. Furthermore, no new issues can be added to the agenda after the record date except under court order or pursuant to Regulation 5B to the Notice and Advertisement Regulations.

The resolution on the agenda is brought forward *for a vote*

The type of majority required for approval is a *simple majority* \_\_\_\_\_

Will the controlling shareholder's holdings in corporation's shares provide it with the majority required to pass a proposed resolution on the issue *No*

4.

The issue/resolution and its details:

*To appoint Ms. Ira Sobel as a director having the status of "other director" (a director who is not an external director as stated in section 11D(a)(2) to the Banking Ordinance, 1941) (hereinafter – the "Banking Ordinance", "A Director Having the Status of Other Director") for a 3-year period subject to the approval or non-objection of the Banking Supervision Department, from the date of receipt of such approval or non-objection and not before January 17 2020. In this general meeting, one (1) Other Director will be up for election for a three-year period from the list of candidates put forward by the Committee for the Appointment of Directors in Banking Corporations appointed pursuant to section 36A of the Banking Law (Licensing), 1981 (hereinafter- the "Banking Law") and pursuant to the provisions of Section 11D(a)(1) and (2) of the Banking Ordinance, 1941 (hereinafter –the "Committee for the Appointment of Directors"); this list includes Ms. Ira Sobel.*

*For further details regarding the appointment of directors in the Bank, see Sections 1.1 and 2.1 of the immediate report as well as the attached statement and CV of the candidate.*

***Appointment or dismissal a director as set out in Sections 59 and 230 of the Companies Law.***

Attention: A value from this table determining the wording of a shareholder's statement in the online voting system. To view the conversion table, [click here](#).

Reference no. of the latest report on the approval of a private offering (T138): \_\_\_\_\_

A transaction between the Company and a controlling shareholder thereof as set out in Sections 275 and 320(F) of the Companies Law *No*

Reference no. of the latest report on this issue (T133): \_\_\_\_\_

Explanation of the section in the Companies Law or in the Securities Law or another law for approving the resolution

Explanation: In a transaction with a controlling shareholder which does not match any of the fields in the table listing the sections of the laws, one should select the field: "Statement: there is no suitable field for classification" and select "Yes" for a transaction with a controlling shareholder.

It is only in the case of a bond holders' meeting, or if the transaction is not a transaction with a controlling shareholder, and a suitable field could not be found in the table, an explanation should be provided and the relevant sections of the law by virtue of which the resolution is required should be listed.



Does the issue require the disclosure of an interest or another characteristic of the voting shareholder? \_\_\_\_\_

Attention: These values can be selected only when the option “Statement: there is no suitable field for classification” was selected in the previous table and if the transaction is not a transaction between the Company and its controlling shareholder.

\_\_\_\_\_

In the case of a bondholders’ meeting  
It was decided that another issue exists: \_\_\_\_\_

Details of the other issue

Attention: the details of the other issue determine the wording of a statement that will be included in the online voting system. One should word a Yes/No question. The question will appear in the voting system next to the resolution on the agenda, and the voter will have the option to select between “Yes” and “No” and will be able to add details if “Yes” was selected.

Request for additional details from holders:

It was decided to request additional details from the holders: *No*

Breakdown of the additional details requested from holders or the method of convening the meetings (in the case of a meeting pursuant to section 350):

Attention: This field determines the wording of the request for further details that will be included in the online voting system. The voter will have the option to add the details in a free-text field.

- ☐ Amending a disclosure
- ☐ A negligible change or a change that may only benefit the Company compared with the wording of a resolution described in the latest report
- ☐ Removed from the agenda
- ☐ The issue was discussed in a previous meeting.
- ☐ The issue was added to the agenda under court order
- ☐ The issue was added to the agenda pursuant to Regulation 5B of the Companies Regulations (Notice and Advertisement on General Meeting and Class Meeting in a Public Company and Adding an Item to the Agenda, 2000
- ☐ The issue was added to the agenda after the record date due to technical error, as explained:  
Explanation: No amendment can be made to the resolution after the record date, except for amendment of terms of employment that works for the company’s benefit or a negligible change. Furthermore, no new issues can be added to the agenda after the record date except under court order or pursuant to Regulation 5B to the Notice and Advertisement Regulations.

The resolution on the agenda is brought forward *for a vote*

The type of majority required for approval is a *simple majority* \_\_\_\_\_

Will the controlling shareholder’s holdings in corporation’s shares provide it with the majority required to pass a proposed resolution on the issue *No*

5.

The issue/resolution and its details:

*To approve the updated compensation policy as set out in Appendix A to the immediate report; this policy will be in effect as from the beginning of 2020 and through the end of 2022, pursuant to provisions of Sections 267A and 267B of the Companies Law, 1999 (hereinafter – the “Companies Law”) and in accordance with the Banking Supervision Department’s directives on compensation policy of a banking corporation, and pursuant to the Law for Compensation of Office Holders in Financial Corporations (Special Approval and Disallowing the Deduction of Extraordinary Remuneration for Tax Purposes), 2016 (hereinafter -the “Compensation Limitation Law”). It is further suggested to approve, pursuant to Section 2 of the Compensation Limitation Law, that the compensation to the Bank’s office holders (including the Bank’s Chairman of the Board of Director and President and CEO) may exceed, in accordance with the resolution of the Audit Committee and the Board of Directors, the threshold set in Section 2(a) of the Compensation Limitation Law, in which case a portion of those office holders’ salary will not be recognized as an expense deductible for tax purposes, as set in Section 32(17) of the Income Tax Ordinance.*

*For details about the updated compensation policy, see section 1.3 and 2.2 of the immediate report.*

***Approval of compensation policy in accordance with Section 267A(a) of the Companies Law.***

Attention: A value from this table determining the wording of a shareholder’s statement in the online voting system. To view the conversion table, click [here](#).

Reference no. of the latest report on the approval of a private offering (T138): \_\_\_\_\_

A transaction between the Company and a controlling shareholder thereof as set out in Sections 275 and 320(F) of the Companies Law *No*

Reference no. of the latest report on this issue (T133): \_\_\_\_\_

Explanation of the section in the Companies Law or in the Securities Law or another law for approving the resolution

Explanation: In a transaction with a controlling shareholder which does not match any of the fields in the table listing the sections of the laws, one should select the field: “Statement: there is no suitable field for classification” and select “Yes” for a transaction with a controlling shareholder.

It is only in the case of a bond holders’ meeting, or if the transaction is not a transaction with a controlling shareholder, and a suitable field could not be found in the table, an explanation should be provided and the relevant sections of the law by virtue of which the resolution is required should be listed.

Does the issue require the disclosure of an interest or another characteristic of the voting shareholder? \_\_\_\_\_

Attention: These values can be selected only when the option “Statement: there is no suitable field for classification” was selected in the previous table and if the transaction is not a transaction between the Company and its controlling shareholder.

\_\_\_\_\_

In the case of a bondholders' meeting

It was decided that another issue exists: \_\_\_\_\_

Details of the other issue

Attention: the details of the other issue determine the wording of a statement that will be included in the online voting system. One should word a Yes/No question. The question will appear in the voting system next to the resolution on the agenda, and the voter will have the option to select between "Yes" and "No" and will be able to add details if "Yes" was selected.

Request for additional details from holders:

It was decided to request additional details from the holders: *No*

Breakdown of the additional details requested from holders or the method of convening the meetings (in the case of a meeting pursuant to section 350):

Attention: This field determines the wording of the request for further details that will be included in the online voting system. The voter will have the option to add the details in a free-text field.

- ☐ Amending a disclosure
- ☐ A negligible change or a change that may only benefit the Company compared with the wording of a resolution described in the latest report
- ☐ Removed from the agenda
- ☐ The issue was discussed in a previous meeting.
- ☐ The issue was added to the agenda under court order
- ☐ The issue was added to the agenda pursuant to Regulation 5B of the Companies Regulations (Notice and Advertisement on General Meeting and Class Meeting in a Public Company and Adding an Item to the Agenda, 2000
- ☐ The issue was added to the agenda after the record date due to technical error, as explained:  
Explanation: No amendment can be made to the resolution after the record date, except for amendment of terms of employment that works for the company's benefit or a negligible change. Furthermore, no new issues can be added to the agenda after the record date except under court order or pursuant to Regulation 5B to the Notice and Advertisement Regulations.

The resolution on the agenda is brought forward *for a vote*

The type of majority required for approval is a simple majority *No*

*Pursuant to Section 267A(b) of the Companies Law and taking into account the fact that the Bank is a corporation without a control core and is not a second-tier public company, the majority required to pass the resolution is a simple majority of the total voting rights of eligible shareholders who voted in person or by proxy, provided that one of the following is met:*

- (a) The majority vote count will include a majority of all vote participants who do not have a personal interest in the approval of the appointment, as applicable; or,*
- (b) The total number of objecting votes out of the shareholders listed in subsection (a) above shall not exceed 2% of all voting rights of the Bank.*

*Abstaining votes shall not be taken into account in when counting shareholders' votes.*

Will the controlling shareholder's holdings in corporation's shares provide it with the majority required to pass a proposed resolution on the issue *No*

6.

The issue/resolution and its details:

*To approve, in accordance with Section 273 of the Companies Law, 1999 (hereinafter – the “Companies Law”) and in accordance with Section 2 of the Law for Compensation of Office Holders in Financial Corporations (Special Approval and Disallowing the Deduction of Extraordinary Remuneration for Tax Purposes), 2016 (hereinafter -the “Compensation Limitation Law”), the service and employment terms of the Bank’s Chairman of Board of Directors, in accordance with the updated compensation policy which is attached as appendix A, and as set out in Appendix B to the immediate report, which will come into effect on the date of commencement of his tenure as the Chairman of the Bank’s Board of Directors (retroactively from July 22 2019), and they will remain in effect for as long as he serves as the Chairman of the Bank’s Board of Directors, or, to the extent that this will be required pursuant to the Banking Supervision Department’s directives on this matter, until the end of 2020 or another date that will be set in accordance with the provisions of the Banking Supervision Department.*

*For details about the Chairman of the Board of Directors’ service and employment terms, see section 1.4 and 2.3 of the immediate report.*

***Transaction with a director as to his/her terms of service and employment in accordance with Section 273(B) of the Companies Law.***

Attention: A value from this table determining the wording of a shareholder’s statement in the online voting system. To view the conversion table, click [here](#).

Reference no. of the latest report on the approval of a private offering (T138): \_\_\_\_\_

A transaction between the Company and a controlling shareholder thereof as set out in Sections 275 and 320(F) of the Companies Law *No*

Reference no. of the latest report on this issue (T133): \_\_\_\_\_

Explanation of the section in the Companies Law or in the Securities Law or another law for approving the resolution

Explanation: In a transaction with a controlling shareholder which does not match any of the fields in the table listing the sections of the laws, one should select the field: “Statement: there is no suitable field for classification” and select “Yes” for a transaction with a controlling shareholder.

It is only in the case of a bond holders’ meeting, or if the transaction is not a transaction with a controlling shareholder, and a suitable field could not be found in the table, an explanation should be provided and the relevant sections of the law by virtue of which the resolution is required should be listed.

Does the issue require the disclosure of an interest or another characteristic of the voting shareholder? \_\_\_\_\_

Attention: These values can be selected only when the option “Statement: there is no suitable field for classification” was selected in the previous table and if the transaction is not a transaction between the Company and its controlling shareholder.

\_\_\_\_\_

In the case of a bondholders' meeting  
It was decided that another issue exists: \_\_\_\_\_

Details of the other issue

Attention: the details of the other issue determine the wording of a statement that will be included in the online voting system. One should word a Yes/No question. The question will appear in the voting system next to the resolution on the agenda, and the voter will have the option to select between "Yes" and "No" and will be able to add details if "Yes" was selected.

Request for additional details from holders:

It was decided to request additional details from the holders: *No*

Breakdown of the additional details requested from holders or the method of convening the meetings (in the case of a meeting pursuant to section 350):

Attention: This field determines the wording of the request for further details that will be included in the online voting system. The voter will have the option to add the details in a free-text field.

- ☐ Amending a disclosure
- ☐ A negligible change or a change that may only benefit the Company compared with the wording of a resolution described in the latest report
- ☐ Removed from the agenda
- ☐ The issue was discussed in a previous meeting.
- ☐ The issue was added to the agenda under court order
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Explanation: No amendment can be made to the resolution after the record date, except for amendment of terms of employment that works for the company's benefit or a negligible change. Furthermore, no new issues can be added to the agenda after the record date except under court order or pursuant to Regulation 5B to the Notice and Advertisement Regulations.

The resolution on the agenda is brought forward *for a vote*

The type of majority required for approval is a simple majority *No*

*Pursuant to Section 273 of the Companies Law and Section 2(A) of the Compensation Limitation Law, the majority required to pass the resolution is a simple majority of the total voting rights of eligible shareholders who voted in person or by proxy, provided that one of the following is met:*

- (1) The majority vote count will include a majority of all vote participants who do not have a personal interest in the approval of the resolution, as applicable; or,*
- (2) The total number of objecting votes out of the shareholders listed in subsection (1) above shall not exceed 2% of all voting rights of the Bank.*

*Abstaining votes shall not be taken into account in when counting shareholders' votes.*

Will the controlling shareholder's holdings in corporation's shares provide it with the majority required to pass a proposed resolution on the issue *No*

7.

The issue/resolution and its details:

*To approve, in accordance with Section 272(C1) of the Companies Law, 1999 (hereinafter – the “Companies Law”) and in accordance with Section 2 of the Law for Compensation of Office Holders in Financial Corporations (Special Approval and Disallowing the Deduction of Extraordinary Remuneration for Tax Purposes), 2016 (hereinafter -the “Compensation Limitation Law”), the service and employment terms of the Bank’s newly appointed President and CEO, (including the award of an amended indemnification undertaking letter as described in item no. 8 on the meeting’s agenda and in accordance with the wording attached as Appendix D to the immediate report), in accordance with the updated compensation policy which is attached as appendix A, and as set out in Appendix C to the immediate report.*

*Subject to the approval of the general meeting of the Bank’s shareholders, the President and CEO’s service and employment terms will come into effect on the first day of his tenure as the Bank’s President and CEO.*

*For details about the President and CEO’s service and employment terms, see section 1.5 and 2.4 of the immediate report.*

***Transaction with a President and CEO as to his/her terms of service and employment in accordance with Section 272(C1)(1) of the Companies Law.***

Attention: A value from this table determining the wording of a shareholder’s statement in the online voting system. To view the conversion table, click [here](#).

Reference no. of the latest report on the approval of a private offering (T138): \_\_\_\_\_

A transaction between the Company and a controlling shareholder thereof as set out in Sections 275 and 320(F) of the Companies Law *No*

Reference no. of the latest report on this issue (T133): \_\_\_\_\_

Explanation of the section in the Companies Law or in the Securities Law or another law for approving the resolution

Explanation: In a transaction with a controlling shareholder which does not match any of the fields in the table listing the sections of the laws, one should select the field: “Statement: there is no suitable field for classification” and select “Yes” for a transaction with a controlling shareholder.

It is only in the case of a bond holders’ meeting, or if the transaction is not a transaction with a controlling shareholder, and a suitable field could not be found in the table, an explanation should be provided and the relevant sections of the law by virtue of which the resolution is required should be listed.

Does the issue require the disclosure of an interest or another characteristic of the voting shareholder? \_\_\_\_\_

Attention: These values can be selected only when the option “Statement: there is no suitable field for classification” was selected in the previous table and if the transaction is not a transaction between the Company and its controlling shareholder.

\_\_\_\_\_

In the case of a bondholders' meeting  
It was decided that another issue exists: \_\_\_\_\_

Details of the other issue

Attention: the details of the other issue determine the wording of a statement that will be included in the online voting system. One should word a Yes/No question. The question will appear in the voting system next to the resolution on the agenda, and the voter will have the option to select between "Yes" and "No" and will be able to add details if "Yes" was selected.

Request for additional details from holders:

It was decided to request additional details from the holders: *No*

Breakdown of the additional details requested from holders or the method of convening the meetings (in the case of a meeting pursuant to section 350):

Attention: This field determines the wording of the request for further details that will be included in the online voting system. The voter will have the option to add the details in a free-text field.

- ☐ Amending a disclosure
- ☐ A negligible change or a change that may only benefit the Company compared with the wording of a resolution described in the latest report
- ☐ Removed from the agenda
- ☐ The issue was discussed in a previous meeting.
- ☐ The issue was added to the agenda under court order
- ☐ The issue was added to the agenda pursuant to Regulation 5B of the Companies Regulations (Notice and Advertisement on General Meeting and Class Meeting in a Public Company and Adding an Item to the Agenda, 2000
- ☐ The issue was added to the agenda after the record date due to technical error, as explained:  
Explanation: No amendment can be made to the resolution after the record date, except for amendment of terms of employment that works for the company's benefit or a negligible change. Furthermore, no new issues can be added to the agenda after the record date except under court order or pursuant to Regulation 5B to the Notice and Advertisement Regulations.

The resolution on the agenda is brought forward *for a vote*

The type of majority required for approval is a simple majority *No*

*Pursuant to Section 267A(b) and 272(C1) of the Companies Law and Section 2(A) of the Compensation Limitation Law and taking into account the fact that the bank is a banking corporation without a control core and is not a second-tier public company, the majority required to pass the resolution is a simple majority of the total voting rights of eligible shareholders who voted in person or by proxy, provided that one of the following is met:*

- (a) The majority vote count will include a majority of all vote participants who do not have a personal interest in the approval of the resolution, as applicable; or,*
- (b) The total number of objecting votes out of the shareholders listed in subsection (a) above shall not exceed 2% of all voting rights of the Bank.*

*Abstaining votes shall not be taken into account in when counting shareholders' votes.*

Will the controlling shareholder's holdings in corporation's shares provide it with the majority required to pass a proposed resolution on the issue *No*

8.

The issue/resolution and its details:

*To approve, in accordance with Section 273 of the Companies Law, 1999 (hereinafter – the “Companies Law”) an amendment to the indemnification undertaking letters awarded to the Bank's serving directors, including those who will serve in the Bank from time to time; the amendment will include the updating of the list of indemnity events which, in the opinion of the Board of Directors, can be expected in view of the Company's activities at the time of issuing the indemnification undertaking letters in accordance with the wording of the indemnification undertaking letter which is attached as Appendix D of the immediate report. It should be clarified that this amendment does not impair the validity of the Bank's previous resolutions or undertakings to indemnify Bank directors and office holders.*

*For further details, see Sections 1.6 and 2.5 of the immediate report.*

***Transaction with a director as to his/her terms of service and employment in accordance with Section 273(A) of the Companies Law.***

Attention: A value from this table determining the wording of a shareholder's statement in the online voting system. To view the conversion table, click [here](#).

Reference no. of the latest report on the approval of a private offering (T138): \_\_\_\_\_

A transaction between the Company and a controlling shareholder thereof as set out in Sections 275 and 320(F) of the Companies Law *No*

Reference no. of the latest report on this issue (T133): \_\_\_\_\_

Explanation of the section in the Companies Law or in the Securities Law or another law for approving the resolution

Explanation: In a transaction with a controlling shareholder which does not match any of the fields in the table listing the sections of the laws, one should select the field: “Statement: there is no suitable field for classification” and select “Yes” for a transaction with a controlling shareholder.

It is only in the case of a bond holders' meeting, or if the transaction is not a transaction with a controlling shareholder, and a suitable field could not be found in the table, an explanation should be provided and the relevant sections of the law by virtue of which the resolution is required should be listed.

Does the issue require the disclosure of an interest or another characteristic of the voting shareholder? \_\_\_\_\_

Attention: These values can be selected only when the option “Statement: there is no suitable field for classification” was selected in the previous table and if the transaction is not a transaction between the Company and its controlling shareholder.

\_\_\_\_\_

In the case of a bondholders' meeting  
It was decided that another issue exists: \_\_\_\_\_



## Details of the other issue

Attention: the details of the other issue determine the wording of a statement that will be included in the online voting system. One should word a Yes/No question. The question will appear in the voting system next to the resolution on the agenda, and the voter will have the option to select between “Yes” and “No” and will be able to add details if “Yes” was selected.

Request for additional details from holders:

It was decided to request additional details from the holders: *No*

Breakdown of the additional details requested from holders or the method of convening the meetings (in the case of a meeting pursuant to section 350):

Attention: This field determines the wording of the request for further details that will be included in the online voting system. The voter will have the option to add the details in a free-text field.

- ☐ Amending a disclosure
- ☐ A negligible change or a change that may only benefit the Company compared with the wording of a resolution described in the latest report
- ☐ Removed from the agenda
- ☐ The issue was discussed in a previous meeting.
- ☐ The issue was added to the agenda under court order
- ☐ The issue was added to the agenda pursuant to Regulation 5B of the Companies Regulations (Notice and Advertisement on General Meeting and Class Meeting in a Public Company and Adding an Item to the Agenda, 2000
- ☐ The issue was added to the agenda after the record date due to technical error, as explained:

Explanation: No amendment can be made to the resolution after the record date, except for amendment of terms of employment that works for the company’s benefit or a negligible change. Furthermore, no new issues can be added to the agenda after the record date except under court order or pursuant to Regulation 5B to the Notice and Advertisement Regulations.

The resolution on the agenda is brought forward *for a vote*

The type of majority required for approval is a simple majority *No* \_\_\_\_\_

Will the controlling shareholder’s holdings in corporation’s shares provide it with the majority required to pass a proposed resolution on the issue *No*

Attachment of the report for the convening of the meeting: meetingconvening\_isa.pdf

## 4. Attachments

4.1 Attachment of a file that includes the wording of the voting ballot / position paper: votingbalot\_isa.pdf.

The wording of the voting ballot *Yes*

Position papers *No*

Explanation: If a voting ballot and/or position paper were attached, it should be verified that they are drawn up in accordance with Companies Regulations (Voting by Ballot and Position Papers), 2005. The Company is required to include all position papers (as defined in Section 88 of the

Companies Law) in a single file, which will note the date on which the position paper was published, who it was received from and a reference to the relevant page in the consolidated file.

4.2 Attaching a file that includes candidates' statements / other related documents:  
statements\_isa.pdf

Statement of a candidate for serving as a director in the corporation *Yes*

Statement of an independent director *Yes*

Statement of an external director *Yes*

\_\_\_\_\_ Statement of appointment of a representative to represent

\_\_\_\_\_ Amended deed of trust

\_\_\_\_\_ Application to approve a composition of creditors in accordance with Section 350

Other \_\_\_\_\_

A link to the voting system website through which votes can be cast: the voting system.

Explanation: shareholders who are eligible to vote through the system shall receive the system's access details from Stock Exchange Members.

5. The legal quorum for holding the meeting:

Pursuant to the Bank's Articles of Association, the legal quorum for holding the meeting is the presence of three or more shareholders, who shall be present in person or by proxy, within half an hour of the time set for the opening of the meeting.

6. In the absence of a legal quorum, the postponed meeting shall be held *on December 30 2019 at 14:30.*

In the address: *Beit Lin, 35 Yehuda Halevi St., Tel Aviv*

In the absence of a legal quorum the meeting will not take place.

7. The place and times for viewing any proposed resolution whose text has not been presented in full in the above details of the agenda.

*The Bank's registered address, at 34 Yehuda Halevi St. (Beit Leumi), 11<sup>th</sup> floor, Tel Aviv.  
Telephone: 076-8859419, Sunday to Thursday, between 08:00 to 15:00.*

Meeting ID: \_\_\_\_\_

Note: The meeting ID is the reference of the initial report. In the initial report on the meeting, the field is empty.

*The report was signed on behalf of the corporation's Board of Directors, in accordance with Regulation 5 of the Securities Regulations (Periodic and Immediate Reports), 1970, by Adv. Irit Roth, the Bank's Chief Legal Advisor and Adv. Livnat Ein-Shay Wilder, Secretary of the Bank and the Group.*

Reference numbers of previous documents on this subject (this reference does not constitute inclusion by way of reference): 2019-01-084369

Date on which the format of this form was updated: *October 29 2019*

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

**The original Hebrew version is available on the distribution website of the Israel Securities**

**Authority: <http://www.magna.isa.gov.il>**

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

**Bank Leumi Le-Israel B.M.**

November 10, 2019

To	To:
The Tel Aviv Stock Exchange	The Israel Securities
(TASE)	Authority (ISA)
2 Ahuzat Bayit Street	22 Kanfei Nesharim
<u>Tel Aviv 6525216</u>	Street
	<u>Jerusalem 95464</u>

Dear Sir/Madam,

**Re: Immediate Report on the Convening of an Extraordinary General Meeting**

Pursuant to the Companies Law, 1999 (hereinafter – the "**Companies Law**") and the regulations promulgated thereunder, the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter -the "**Reports Regulations**"), the Companies Regulations (Notice and Announcement of a General Meeting and a Class Meeting of a Public Company and the Addition of an Topic to the Agenda), 2000 (hereinafter – the "**Notice and Announcement Regulations**") and the Companies Regulations (Voting by Ballot and Position Papers), 2005 (hereinafter – "**Voting by Ballot Regulations**"), Bank Leumi Le-Israel B.M (hereinafter – "**the Bank**") hereby issues notice on the convening of an Extraordinary General Meeting of the Bank (hereinafter – the "**General Meeting**" or the "**Meeting**") to be held on Monday, December 23 2019 at 14:00 at the Bank's offices at Beit Lynn, 35 Yehuda Halevi St. Tel Aviv. The agenda of the Meeting will include the topics and resolutions listed in this immediate report.

**1. Topics on the agenda**

The General Meeting's agenda shall include the topics listed below:

**1.1. Topics 1 and 2 on the agenda – appointment of one (1) external director to the Bank's Board of Directors (in accordance with the provisions of the Companies Law)**

In this General Meeting, one (1) external director will be up for election pursuant to the provisions of the Companies Law (hereinafter – "**ED**") for a three-year period from a list of candidates nominated by the Committee for the Appointment of Directors in Banking Corporations appointed pursuant to Section 36A of the Banking Law (Licensing), 1981 (hereinafter- the "**Banking Law**") and pursuant to the provisions of Sections 11D(a)(1) and (2) of the Banking Ordinance, 1941 (hereinafter – the "**Banking Ordinance**" and the "**Committee for the Appointment of Directors**").

The candidates nominated for election as ED by the Committee for the Appointment of Directors are as follows:

1.1.1. Mr. Yitzhak Edelman, a serving ED who will finish his first tenure on February 1 2020 and is a candidate for reelection.

1.1.2. Mr. Mordechai Rosen

For further details in connection with the appointment of the directors to the Bank's Board of Directors, including proposed resolutions on Topics 1 and 2 on the Meeting's agenda, please see Section 2.1 of the report on the convening of this meeting.

The majority required to pass the resolutions:

Pursuant to the provisions of Section 239(b) of the Companies Law, and since the Bank is a corporation without a control core, the majority required to pass the resolutions in Topics 1 and 2 on the agenda is a simple majority of the total voting rights of eligible shareholders who voted in person, provided that one of the following is met:

- (a) The majority vote count will include a majority of all vote participants who do not have a vested interest in the approval of the appointment; or,
- (b) The total number of objecting votes out of the shareholders listed in subsection (a) above shall not exceed 2 percent of all voting rights of the Bank.

Abstaining votes shall not be taken into account in when counting shareholders' votes.

1.2. **Topics 3 and 4 on the agenda - appointment of one (1) director having the status of "Other Director" to the Bank's Board of Directors**

In this general meeting, one (1) Other Director will be up for election (a director who is not an external director as per Section 11D(a)(2) of the Banking Ordinance, 1941 (hereinafter: the "**Banking Ordinance**", "**A Director Having the Status of Other Director**") for a three-year period from a list of candidates put forward by the Committee for the Appointment of Directors.

The following candidates were put forward for election as A Director Having the Status of Other Director by the Committee for the Appointment of Directors:<sup>1</sup>

1.2.1. Ms. Esther Dominissini, a serving director who will finish her first tenure on February 16 2020 and is a candidate for reelection.

1.2.2. Ms. Ira Sobel

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<sup>1</sup>The list of candidates put forward for election as A Director Having the Status of Other Director by the Committee for the Appointment of Directors also included Dr. Yitzhak Sharir, who terminated his tenure in the Bank on November 7 2019 (for information regarding the decision of the Committee for the Appointment of Directors please see immediate report of May 5 2019 (Ref. No. 2019-01-043441), and for information in connection with the termination of Dr. Sharir's tenure, please see immediate report published on November 7 2019 (Ref. No. 2019-01-095424). Further to the termination of Dr. Sharir's tenure, on November 5 2019 the Board of Director decided to put up for election one director having the status of other director (in lieu of two directors having this status as published in the preliminary notice as defined in Section 2.1.3 below). For more information, please see Section 2.1.4 below.

For further information in connection with the appointment of the directors to the Bank's Board of Directors, including proposed resolutions on Topics 3 and 4 on the Meeting's agenda, please see Section 2.1 of the report on the convening of this meeting.

The majority required to pass the resolutions:

A simple majority of the total voting rights of eligible shareholders who voted in person or by proxy. Abstaining votes shall not be taken into account in when counting shareholders' votes.

1.3. **Topic No. 5 on the agenda – approval of the compensation policy**

The proposed resolution:

*To approve the updated compensation policy as set out in Appendix A to the report on the convening of this meeting; this policy will be in effect as from the beginning of 2020 and through the end of 2022, pursuant to provisions of Sections 267A and 267B of the Companies Law, 1999 (hereinafter – the "Companies Law") and in accordance with the Banking Supervision Department's directives on compensation policy of a banking corporation, and pursuant to the Law for Compensation of Officers in Financial Corporations (Special Approval and Disallowing the Deduction of Extraordinary Compensation for Tax Purposes), 2016 (hereinafter -the "Compensation Limitation Law"). It is further suggested to approve, pursuant to Section 2 of the Compensation Limitation Law, that the compensation to the Bank's officers may exceed, in accordance with the resolution of the Audit Committee and the Board of Directors, the threshold set in Section 2(A) of the Compensation Limitation Law, in which case a portion of those officers' salary will not be recognized as an expense deductible for tax purposes, as set out in Section 32(17) of the Income Tax Ordinance.*

For details about the updated compensation policy, please see Section 2.2 of the report on the convening of this meeting.

The majority required to pass the resolutions:

Pursuant to Section 267A(b) of the Companies Law and since the Bank is a banking corporation without a control core and is not a sub-subsidiary public company, the majority required to pass the resolution is as set out in Section 2.2.11 of the report on the convening of this meeting.

1.4. **Topic 6 on the agenda – approval of the employment terms and conditions of the Chairman of the Board of Directors**

The proposed resolution:

*To approve, in accordance with Section 273 of the Companies Law, 1999 (hereinafter – the "Companies Law") and in accordance with Section 2 of the Law for Compensation of Officers in Financial Corporations (Special Approval and Disallowing the Deduction of Extraordinary Compensation for Tax Purposes), 2016 (hereinafter -the "Compensation Limitation Law"), the service and employment terms of the Bank's Chairman of Board of Directors, in accordance with the updated compensation policy which is attached as appendix A, and as set out in Appendix B to the immediate report, which will come into effect on the date of commencement of his tenure as the Chairman of the Bank's Board of Directors (retroactively from July 22 2019), and will remain*

*in effect for as long as he serves as the Chairman of the Bank's Board of Directors, or, to the extent that this will be required pursuant to the Banking Supervision Department's directives on this matter, until the end of 2020 or another date that will be set in accordance with the directives of the Banking Supervision Department.*

For more information about the Chairman of the Board of Directors' service and employment terms, please see Section 2.3 of the report on the convening of this meeting.

The majority required to pass the resolutions:

In accordance with Section 273 of the Companies Law, and in accordance with Section 2(A) of the Compensation Limitation Law, the majority required to pass the resolution is as set out in Section 2.3.9 of the report on the convening of this meeting.

**1.5. Topic 7 on the agenda – approval of the service and employment terms and conditions of the President and CEO**

The proposed resolution:

*To approve, in accordance with Section 272(C1) of the Companies Law, 1999 (hereinafter – the "Companies Law") and in accordance with Section 2 of the Law for Compensation of Officers in Financial Corporations (Special Approval and Disallowing the Deduction of Extraordinary Compensation for Tax Purposes), 2016 (hereinafter –the "Compensation Limitation Law"), the service and employment terms of the Bank's newly appointed President and CEO, (including the award of an amended indemnification undertaking letter in the wording attached as Appendix D to the report on the convening of this meeting), in accordance with the updated compensation policy which is attached as appendix A, and as set out in Appendix C to the report on the convening of this meeting.*

*Subject to the approval of the general meeting of the Bank's shareholders, the President and CEO's service and employment terms will come into effect on the first day of his tenure as the Bank's President and CEO (retroactively as from November 1 2019).*

For more information about the President and CEO's service and employment terms, please see Section 2.4 of the report on the convening of this meeting.

The majority required to pass the resolution:

In accordance with Section 272(C1) of the Companies Law, and in accordance with Section 2(A) of the Compensation Limitation Law, the majority required to pass the resolution is as set out in Section 2.4.9 of the report on the convening of this meeting.

**1.6. Topic 8 on the agenda – amend the List of Indemnity Events for the Indemnification Undertaking Letter**

The proposed resolution:

*Subject to the approval of the updated compensation policy, as described in Topic No. 5 on the agenda, it is suggested to approve the amendment of the List of Indemnity Events for the Indemnification Undertaking Letters given to the Bank's serving directors, including those who will serve in the Bank from time to time, in accordance with the wording of the indemnity events*

*list for the indemnification undertaking letter attached as Appendix D to the report on the convening of this meeting.*

It should be clarified that this amendment does not impair the validity of the Bank's previous resolutions or undertakings to indemnify Bank directors and officers.

The majority required to pass the resolution:

A simple majority of the total voting rights of eligible shareholders who voted in person or by proxy. Abstaining votes shall not be taken into account in when counting shareholders' votes.

For further information about the amendment of the indemnification undertaking letters, please see Section 2.5 of the report on the convening of this meeting.

## **2. Further information about the topics on the agenda:**

### **2.1. Further information in connection with the appointment of directors to the Bank's Board of Directors (Topics 1 to 5 on the agenda)**

- 2.1.1. As of the date of publication of this report, 9 directors serve in Bank's Board of Directors in accordance with the amendment to the Proper Conduct of Banking Business Directive No. 301 as amended on July 5 2017 (hereinafter – "**Directive 301**"), prescribing that until July 1 2020 the number of directors in a banking corporation shall not exceed 10.
- 2.1.2. On November 6, 2018, the Banking Supervision Department issued an instruction whereby in order to comply with the provisions of Directive 301, and further to instructions given in previous years to a cut the number of directors, in 2019 the number of directors will be cut to 10, by means of directors whose third and last term is ending. Accordingly, it should be noted that Mr. David Brodet (the former Chairman of the Board of Directors) and Mr. Yoav Nardi (former director having the status of "Other Director") completed their third and last tenure at the Bank on July 21, 2019, and as from that date the number of members of the Board decreased to ten.
- 2.1.3. A preliminary notice pursuant to Sections 11C (a) (4) and 11E (a) (2) to the Banking Ordinance and pursuant to the Preliminary Notice Regulations was published on September 26 2019 (Ref. No.: 2019-01-084369) (above and hereinafter – the "**Preliminary Notice**") in which the Bank announced its intention to convene an extraordinary general meeting of the Bank's shareholders, whose agenda is expected to include, among other things, the following topics: (1) The appointment of two directors having the status of "Other Director" to serve on the Bank's Board of Directors; (2) The appointment of one external director in accordance with the provisions of the Companies Law, 1999 who also qualifies as an external director pursuant to the provisions of Directive 301, to serve on the Bank's Board of Directors.
- 2.1.4. On May 5 2019, the Bank received a notice from the Committee for the Appointment of Directors, which included a list of candidates to serve as directors in the Bank for election in the Bank's general meetings for the year 2019, including candidates for service as directors in the Bank to be elected in the Meeting which is the subject matter of this immediate report (for more information, please see immediate report published by the Bank on May 5 2019 (Ref. No.: 2019-01-043441).



The following were among the candidates put forward by the Committee for the Appointment of Directors:

For election as external director:

- 1) Mr. Yitzhak Edelman, a serving ED who will finish his first tenure on February 1 2020 and is a candidate for reelection.
- 2) Mr. Mordechai Rosen

For election as A Director Having the Status of Other Director.

- 1) Ms. Esther Dominissini, a serving director who will finish her first tenure on February 16 2020 and is a candidate for reelection.
- 2) Ms. Ira Sobel
- 3) Yitzhak Sharir, a director who terminated his tenure in the Bank on November 7 2019; for information in connection with the termination of Dr. Sharir's tenure, please see immediate report published on November 7 2019 (Ref. No. 2019-01-095424)

In view of the decision of the Bank's Audit Committee, whereby the appointment of Mr. Yitzhak Sharir as Chairman of the Board of Directors of Kafrit Industries Ltd. (hereinafter – "Kafrit") will give rise to an interest of Dr. Sharir, and such interest's being a forbidden interest pursuant to the Banking Ordinance could not be ruled out, then in the event that Dr. Sharir's is appointed as the Chairman of the Board of Directors of Kafrit, he will not be able to continue serving as a director in the Bank, and in view of Dr. Sharir's appointment as the Chairman of Kafrit's Board of Directors, he will not be allowed to stand up for election as a director in the Bank.

Further to the above, on November 7 2019, Dr. Sharir terminated his service in the Bank upon his appointment as the Chairman of Kafrit's Board of Directors/ Following the above, on November 5 2019, the Bank's Board of Directors decided to put up for election only one director having the status of "Other Director" (instead of 2 directors having this status as published in the preliminary notice issued on September 26 2019 (Ref. No. 2019-01-084369) (above and hereinafter – the "Preliminary Notice").

In view of the above, the General Meeting is to elect one (1) external director and one (1) director having the status of "Other Director".

- 2.1.5. Mr. Yitzhak Edelman, a serving external director who is a candidate for reelection in this Meeting is expected to finish his first tenure on February 1 2020. If he is elected by the Meeting and his appointment is approved by the Banking Supervision Department, his second tenure shall commence after the date on which his first tenure ends, i.e., on the later of February 2 2020 or the date of receipt of approval and/or non-objection of the Banking Supervision Department.
- 2.1.6. Ms. Esther Dominissini, a serving director having the status of "Other Director" and a candidate for reelection in this Meeting, is expected to finish her first tenure on January 16 2020. If Ms. Dominissini is elected by the Meeting and her appointment is approved by the Banking Supervision Department, her second tenure shall commence after the date on which her first tenure ends, i.e., on the later of January 17 2020 or the date of receipt of approval and/or non-objection of the Banking Supervision Department.

- 2.1.7. Candidates for election as per Sections 1 to 4 on the Meeting's agenda must meet all the conditions set in law for service as a director in a bank without a control core, as described in Sections 11E(b) – (e) of the Banking Ordinance. The statements of candidates for service as directors in the Bank, pursuant to Sections 224B and 241 of the Companies Law in the event of electing external directors (Topics 1 and 2 on the agenda) are attached to the report for the convening of this meeting.
- 2.1.8. The Bank must satisfy all the relevant statutory requirements regarding the composition and qualification of the Board of Directors, as prescribed by law, including Directive 301, including, among other things, regarding the requirement for a minimum number of directors with proven banking experience, professional qualifications, accounting and financial expertise, proven knowledge and experience in the area of information technology and other requirements as set out in Sections 25 and 26 of Directive 301.
- 2.1.9. It is emphasized that according to the Directives of the Bank of Israel, at least one-fifth of all members of the Board of Directors will be directors "having banking experience" as this term is defined in Directive 301. It should be noted that as of July 1 2020, the directive of the Banking Supervision Department will take effect as part of the new version of Directive 301, according to which, among other things, 1) The number of members of the board of directors of a banking corporation shall not exceed 10 directors (please see in this regard Section 2.1.1 above); 2) At least one third of the members of the Board of Directors shall be directors "having banking experience", as this term is defined in the new version of Directive 301; 3) At least one director will have proven knowledge and experience in information technology; 4) At least half of the members of the Board of Directors shall have "professional qualification" as defined in the Companies Regulations (Conditions and Tests for a Director with Accounting and Financial Expertise), 2005. 5) At least one fifth of the members of the Board of Directors shall have "accounting and financial expertise" as defined in Section 240 to the Companies Law.
- 2.1.10. The voting for each director will be done separately. The participants in the vote may vote for each of the candidates to serve as a director.
- 2.1.11. Attention is drawn to the provision in Section 34 (A1) of the Banking (Licensing) Law, 1981: "A person shall not agree with another person regarding their vote for the appointment of a director of a banking corporation or a banking holding corporation, including with respect to their vote to terminate his tenure, except pursuant to a permit issued by the Governor after consultation with the Licenses Committee; this provision shall not apply to a group of holders as defined in Section 11D (a) (3) (b) of the Ordinance, with regard to voting for the appointment of a director brought forward as a candidate pursuant to that section, as well as to a holder of means of control, who has agreed with another person, that the other person shall vote in his name and on his behalf without discretion, according to the instructions given to him by the holder of the means of control, provided that if the other person himself holds means of control in the banking corporation or in the banking holding corporation, as the case may be, he shall not vote on his behalf and on behalf of more than one other holder".\*

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i.e., shareholder.

Therefore, with regard to the election of a director having the status of “other director” (Topics 1 to 4 on the agenda), a proxy who is also a shareholder of the Bank may vote in the name and on behalf of only one additional shareholder. Regarding the other topics on the agenda of the General Meeting, there is no reason why a proxy should not represent more than one shareholder.

- 2.1.12. For details regarding the majority required to pass the resolutions on Topics 1 to 4 on the agenda, please see Section 1.1 and 1.2 above.
- 2.1.13. Pursuant to the provisions of the Banking Ordinance (and the Bank's Articles of Association), if the number of persons who were put up for election as directors at the General Meeting and received a majority of the total voting rights of shareholders entitled to vote and who voted (in person, by proxy, or through a proxy statement) at the general meeting exceeds the number of vacant directors' positions on the agenda of the General Meeting, then the director that shall be elected for the vacant position is the candidate who received a higher number of votes than the other candidate at the General Meeting. In addition, pursuant to Regulation 85B of the Bank's Articles of Association, if it will be required to choose between two candidates who received the same number of votes, the selection shall be made according to a raffle (in this section, the director having the status of "Other Director" shall be called the "**Elected**").
- 2.1.14. The service of the Elected is conditional upon the approval and/or non-objection of the Banking Supervision Department pursuant to Section 11A of the Banking Ordinance.
- 2.1.15. Regulation 85C of the Bank's Articles of Association states that: "If before the actual term in office of any of the elected directors has begun, it was determined that he shall not commence office for any reason whatsoever, one of the other candidates possessing the same type of qualifications (an external director pursuant to the Companies Law, an external director pursuant to the Proper Conduct of Banking Business Directives of the Banking Supervision Department -the Bank of Israel, Other Director) who has received the majority required for the election shall be deemed an elected director in his stead by the General Meeting. And if there are a number of candidates who have received the required majority as aforesaid, then the person who received the highest number of votes by the General Meeting shall be elected (the "**Next in Line**"). The provisions of this section shall also apply to the "Next in Line".

Accordingly, if it is determined that an elected candidate will not commence his term in office at the bank as aforesaid, then the next candidate with the same qualifications, who received the required majority for election as a Bank director during the General Meeting, will be considered as a candidate. The aforesaid shall apply, respectively, to every elected official according to the relevant category of qualification.

- 2.1.16. All directors in the Bank (excluding the Chairman of the Board of Directors, subject to the Meeting's approval of his terms of employment as set out in Section 1.4 above) are entitled to annual compensation and compensation for participating in meetings of the Board of Directors and its committees in the amount of the "maximum amount" for an external director or an expert external director, as the case may be, pursuant to the Companies Regulations (Rules Regarding Compensation and Expenses for an External director), 2000, according to the Bank's ranking, pursuant to a resolution of the Bank's Board of Directors of

May 15 2008 (please see immediate report dated May 15 2008, Ref. No.: 2008-01-134607), and the Bank's compensation policy.

- 2.1.17. On August 6, 2014, after approval by the Compensation Committee and the Board of Directors, the General Meeting approved the extension of the framework resolution that had been previously approved by the Bank's General Meeting on November 4, 2010, which pre-authorizes the Bank to purchase, from time to time, and without being required to seek further approval from the General Meeting, a directors and officers' liability insurance policy in respect of directors and other officers of the Bank and the Group (hereinafter – "**the Policy**"). The resolution period will end no later than the end of the term of the Policy, which will be renewed in 2020. For further details, please see the immediate report regarding the convening of the General Meeting of June 30, 2014 (Ref. No. 2014-01-103521) and regarding the results of the General and Extraordinary Meeting that was published on June 6, 2014 (Ref. No. 2014-01-128649). On August 13 2019, after approval by the Compensation Committee and the Board of Directors, the General Meeting approved the renewal of the directors' and officers' liability insurance policy in respect of directors and other officers of the Bank and the Group (D&O), which provides insurance coverage of USD 250 million per claim and per period and reinstatement right at the same amount, all under the terms of the framework resolution. The new policy period will be from September 1 2019 to February 28 2021. Those references constitute incorporation by way of reference of the information included in the aforementioned reports. A framework resolution for the purchase of professional liability insurance policy in respect of directors and other officers of the Bank and the Group is included in the new compensation policy for Bank's officers, which is brought for approval by this General Meeting. The new compensation policy also includes a framework resolution to purchase a run-off professional liability insurance policy in respect of directors and officers of the Bank and the Group. For information about the framework resolutions, please see Chapter F of the proposed compensation policy which is attached as **Appendix A** to this report.
- 2.1.18. For details regarding the resolutions concerning exemption and indemnification for the Bank's directors and officers, please see Regulation 29A and Note 26(f) of the Bank's Periodic Report for the year 2018 as published on March 7 2019 (Ref. No. 2019-01-019849)
- 2.1.19. For information about the approval of a new compensation policy and amendment of the List of Indemnity Events for the Indemnification Undertaking Letters given to Bank's directors, i.e., Topics 5 and 8 on the agenda, which are brought for approval by the General Meeting convened pursuant to this report, please see Sections 1.3 and 1.6 above.

Set forth below are details regarding candidates to serve as directors in the Bank's Board of Directors pursuant to Regulations 26 and 36B(a)(10) of the Reports Regulations:

Topic No. 1 on the agenda – election of Mr. Yitzhak Edelman as ED

Name of candidate	Yitzhak Edelman
ID Number	50066174
Date of Birth	July 1 1950
Address for serving court documents	Beit Leumi, 34 Yehuda Halevi St., Tel Aviv, 6513616
Citizenship	Israeli
Membership in Board of Directors Committees	Member of the Audit Committee (which also serves and the Compensation Committee and the Financial Statements Review Committee), Risk Management Committee, Prospectuses Committee, Procedure Committee, Investments Committee and the Information Technology and Technological Innovation Committee.
ED as defined in the Companies Law/ External director pursuant to Proper Conduct of Banking Business Directive No. 301	External director as defined in the Companies Law who also qualifies as an external director pursuant to the provisions of Directive 301, subject to election by the General Meeting and the Banking Supervision Department's approval and/or non-objection to the appointment.
Independent Director as defined in the Companies Law	Yes
Employee of the Bank, a subsidiary, related company or an interested party of the Bank	No
Date on which tenure in office as director commenced	February 2 2017
Date on which second tenure in office as director commenced	If he is elected by the Meeting and his appointment is approved by the Banking Supervision Department, his second tenure shall commence after the date on which his first tenure ends, i.e., on the later of February 2 2020 or the date of receipt of approval and/or non-objection of the Banking Supervision Department.(For more information, please see Section 2.1.5 above)
Education/professional qualifications	Please see the CV attached to this report
Employment in the last five years and list of corporations in which he served as director	Please see the CV attached to this report
A relative of another interested party in the corporation	No
Has accounting and financial expertise under Section 92 (a) (12) to the Companies Law.	Yes

#### Audit Committee's resolutions

On September 24 2019, the Audit Committee confirmed, based on the facts it was presented with and the candidate's statements, that the circumstances described below in connection with the candidate and/or anyone closely associated with him do not constitute an interest in accordance with the Banking Ordinance and in accordance with the position of the Banking Supervision Department, or alternatively that those circumstances constitute, at most, negligible interests. Furthermore, and after discussing the matter, the Audit Committee decided that the circumstances described below also do not constitute an interest pursuant to Section 240(b) to the Companies Law, or alternatively that those circumstances constitute, at most, negligible interests in accordance with the Companies Regulations (Matters that Do Not Constitute an Interest), 2006.

The circumstances include:

1. Retail relationship between a service provider and a client in the ordinary course of business, that may include management of a current account and securities, credit facility and/or credit, management of investment portfolios, investment in provident funds and/or other financial products, with Bank Leumi, a company controlled by Bank Leumi or a material shareholder of Bank Leumi.
2. Business relationships between any of his relatives and some of the Bank's material holders.

#### The proposed resolution

*To appoint Mr. Yitzhak Edelman as an ED pursuant to the provisions of the Companies Law, 1999 for a 3-year period subject to the approval or non-objection of the Banking Supervision Department, and not before February 2 2020 (the date on which his first tenure ends).*

Topic No. 2 on the agenda – election of Mr. Mordechai Rosen as ED

Name of candidate	Mordechai Rosen
ID Number	054664271
Date of Birth	November 26 1956
Address for serving court documents	75 HaPardes St. Hod Hasharon 4522575
Citizenship	Israeli
Membership in Board of Directors Committees	TBD  Subject to election as ED, he will also serve, in his capacity as ED, as a member of the Audit Committee (which also serves and the Compensation Committee and the Financial Statements Review Committee)
ED as defined in the Companies Law/ External director pursuant to Proper Conduct of Banking Business Directive No. 301	Yes, in accordance with the classification of the Committee for the Appointment of Directors and the candidate's statement, attached to this immediate report, and subject to election by the General Meeting and the Banking Supervision Department's approval and/or non-objection to the appointment.
Independent Director as defined in the Companies Law	Yes, in accordance with the candidate's statement, and subject to election by the General Meeting and the Banking Supervision Department's approval and/or non-objection to the appointment.
Employee of the Bank, a subsidiary, related company or an interested party of the Bank	No
Date on which tenure in office as director commenced	Subject to election by the General Meeting and receipt of the Banking Supervision Department's approval and/or non-objection to the appointment, and not before February 2 2020.
Education/professional qualifications	Please see the CV attached to this report
Employment in the last five years and list of corporations in which he served as director	Please see the CV attached to this report
A relative of another interested party in the corporation	No
Has accounting and financial expertise under Section 92 (a) (12) to the Companies Law.	Please see in accordance with the candidate's statement and subject to approval of the Bank's Board of Directors.



### Audit Committee's resolutions

On September 24 2019, the Audit Committee confirmed, based on the facts it was presented with and the candidate's statements, that the relationships described below between the candidate and/or anyone closely associated with him and the Bank or a material holder thereof do not constitute an interest in accordance with the Banking Ordinance and subject to the position of the Banking Supervision Department. Furthermore, and after discussing the matter, the Audit Committee decided that the relationships described below also do not constitute an interest pursuant to Section 240(b) to the Companies Law, and alternatively that those relationships are negligible relationships and therefore do not constitute an interest in accordance with the Companies Regulations (Matters that Do Not Constitute an Interest), 2006.

- (1) Relationships between the Bank/ a company controlled by the Bank and the candidate, his relatives or entities associated with him which are retail relationships in the ordinary course of business, that may include also instances of management of an account and/or a credit facility with Bank Leumi and/or trust and/or securities with a company controlled by Bank Leumi or with a material holder of Bank Leumi, in the ordinary course of business, by the director or any of his relatives or anyone closely associated with him or other companies and entities in which the director or anyone closely associated with him serve in positions considered as maintaining a business relationship with the Bank. Furthermore, these circumstances include the holding, by the director or anyone closely associated with him, of investment portfolios and/or pensions and/or provident funds and/or other financial products, with material holders of Bank Leumi.
- (2) Business and professional relationships between the Bank and companies in the Menora Group – a material holder of the Bank where the candidate previously served as President and CEO. As of the date of approval of the appointment, more than two year have elapsed since the candidate ended his service as President and CEO of Menora Mivtachim and his other roles in the Menora Group, and more than a year and five months have elapsed since his employer-employee relationship with Menora Mivtachim was discontinued.
- (3) After considering the circumstances, the Audit Committee reached the conclusion that although the relationship between the Menorah Group and the Bank are not negligible from the Bank's perspective, it is negligible from the candidate's perspective and also from the Bank's perspective; having regard to the entirety of the circumstances of the case, the candidate's relationship with the Menora Group, which has ended as described above, does not give rise to a concern that his independent judgment might be influenced; therefore, the said relationship does not constitute an interest.
- (4) The aforesaid is subject to the condition whereby during a 7-month period from Mr. Rosen's appointment as director, to the extent that he is appointed, he will not participate in discussions and votes that will be held in the Board of Directors and its committees in connection with the Menora Group, and will not receive from the Bank any information and data pertaining to the Menora Group, until he completes, for the sake of caution, a two-year cooling-off period from the date on which his employer-employee relationship with Menora Mivtachim has ended.



The proposed resolution

*To appoint Mr. Mordechai Rosen as an External director pursuant to the provisions of the Companies Law, 1999 for a 3-year period subject to the approval or non-objection of the Banking Supervision Department, and not before February 2 2020.*

Topic No. 3 on the agenda – election of Ms. Esther Dominissini as a director having the status of “Other Director”

Name of candidate	Esther Dominissini
ID Number	060525441
Date of Birth	April 22 1950
Address for serving court documents	Beit Leumi, 34 Yehuda Halevi St., Tel Aviv, 6513616
Citizenship	Israeli
Membership in Board of Directors Committees	Member of the Credit Committee, Procedure Committee, Strategy Committee.
ED as defined in the Companies Law/ External director pursuant to Proper Conduct of Banking Business Directive No. 301	No
Independent Director as defined in the Companies Law	No
Employee of the Bank, a subsidiary, related company or an interested party of the Bank	No
Date on which tenure in office as director commenced	January 17 2017
Date on which second tenure in office as director commenced	If Ms. Dominissini is elected by the Meeting and her appointment is approved by the Banking Supervision Department, her second tenure shall commence after the date on which her first tenure ends, i.e., on the later of January 17 2020 or the date of receipt of approval and/or non-objection of the Banking Supervision Department.(For more information, please see Section 2.1.6 above)
Education/professional qualifications	Please see the CV attached to this report
Employment in the last five years and list of corporations in which he served as director	Please see the CV attached to this report
A relative of another interested party in the corporation	No
Has accounting and financial expertise under Section 92 (a) (12) to the Companies Law.	Yes

#### Audit Committee's resolutions

On September 24 2019, the Audit Committee confirmed, based on the facts it was presented with and the candidate's statements, that the circumstances described below in connection with the candidate and/or anyone closely associated with her do not constitute an interest in accordance with the Banking Ordinance and in accordance with the Banking Supervision Department, or alternatively that those circumstances constitute, at most, negligible relationships and therefore do not constitute an interest:

Relationships between the Bank/ a company controlled by the Bank and the candidate, her relatives or entities associated with her which are retail relationships in the ordinary course of business. For the avoidance of doubt, it is hereby clarified that these circumstances also include management of an account and/or a credit facility and/or trust and/or securities with a company controlled by Bank Leumi or with a material holder of Bank Leumi, in the ordinary course of business, by the candidate or any of her relatives or anyone closely associated with her or other companies and entities in which the candidate or anyone closely associated with her serve in positions considered as maintaining a business relationship with the Bank. Furthermore, these circumstances include the holding, by the candidate or anyone closely associated with her, of investment portfolios and/or pensions and/or provident funds and/or other financial products, with material holders of Bank Leumi.

#### The proposed resolution:

*To appoint Ms. Esther Dominissini as a director having the status of "Other Director" for a 3-year period subject to the approval or non-objection of the Banking Supervision Department, and not before January 17 2020 (the date on which her first tenure ends).*

Topic No. 4 on the agenda – election of Ms. Ira Sobel as a director having the status of “Other Director”

Name of candidate	Ira Sobel
ID Number	027811546
Date of Birth	July 15 1970
Address for serving court documents	6 Bat Iftach St. Tel Aviv 6993213
Citizenship	Israeli
Membership in Board of Directors Committees	TBD
ED as defined in the Companies Law/ External director pursuant to Proper Conduct of Banking Business Directive No. 301	No
Independent Director as defined in the Companies Law	No
Employee of the Bank, a subsidiary, related company or an interested party of the Bank	No
Date on which tenure in office as director commenced	Subject to election by the General Meeting and the Banking Supervision Department's approval and/or non-objection to the appointment and not before January 1 2020.
Education/professional qualifications	Please see the CV attached to this report
Employment in the last five years and list of corporations in which she served as director	Please see the CV attached to this report
A relative of another interested party in the corporation	No
Has accounting and financial expertise under Section 92 (a) (12) to the Companies Law.	Please see in accordance with the candidate's statement and subject to approval of the Bank's Board of Directors.

Audit Committee's resolutions

On November 5 2019, the Audit Committee confirmed, based, among other things, on the facts and legal opinions it was presented with and based on the candidate's statements, that the circumstances described below in connection with the candidate and/or anyone closely associated with her do not constitute an interest in accordance with the Banking Ordinance and in accordance with the Banking Supervision Department's position, or alternatively that those circumstances constitute, at most, negligible relationships and therefore do not constitute an interest:

- (1) Relationships between the Bank/ a company controlled by the Bank and the candidate, her relatives or entities associated with her which are retail relationships in the ordinary course of business. For the avoidance of doubt, it is hereby clarified that these circumstances also include management of an account and/or a credit facility and/or trust and/or securities with a company controlled by Bank Leumi or with a material holder of Bank Leumi, in the ordinary course of business, by the candidate or any of her relatives or anyone closely associated with her or other companies and entities in which the candidate or anyone closely associated with her serve as owner and/or in positions

considered as maintaining a business relationship with the Bank. Furthermore, these circumstances include the holding, by the candidate or anyone closely associated with her, of investment portfolios and/or pensions and/or provident funds and/or other financial products, with material holders of Bank Leumi.

- (2) Business relationships between the candidate's husband and corporations, which are part of a public company group, in which the candidate's husband serves as owner (directly or indirectly) and officer, and the Bank and/or a material holder thereof.
- (3) Business relationships between various corporations in which the candidate's brother serves as owner (directly or indirectly) and/or officer, and the Bank.

The proposed resolution:

*To appoint Ms. Ira Sobel as a director having the status of "Other Director" for a 3-year period. Ms. Sobel's tenure will commence on the date of receipt of the Banking Supervision Department's approval and/or non-objection to the appointment, and not before January 17 2020.*

2.2. Additional information in connection with the approval of a compensation policy (details regarding Topic No. 5 on the agenda)

2.2.1 General

- a. The Companies Law (Amendment No. 20), 2012 (hereinafter – "**Amendment 20**") came into effect on December 12 2012. Further to the provisions of Amendment 20, public companies are required to put in place a policy regarding the service and employment terms of officers; such a policy will be put forward for approval at least once every three years pursuant to Sections 267A and 267B of the Companies Law. In its capacity as a banking corporation, the Bank is also subject to the provisions of the Proper Conduct of Banking Business Directive 301A regarding the compensation policy in a banking corporation (hereinafter – "**Directive 301A**"). Directive 301A adds to the provisions of Amendment 20 with regard to, among other things, the manner of award and payment of service and employment terms of the Bank's officers.
- b. The Compensation Limitation Law was published on the official gazette on April 12 2016. The Compensation Limitation Law prescribes, among other things, that the compensation to a bank's employee (including an officer thereof), the projected expense in respect of whom (in accordance with generally accepted accounting principles) is expected to exceed NIS 2.5 million per year, is subject to the approval of the Bank's competent organs (in accordance with the statutory approval mechanisms). The law further prescribes that in such a case the Bank shall not approve the compensation to an employee thereof if the ratio between the projected expense in respect of that employee as described above and the expense in respect of the lowest compensation paid to a Bank employee (including contractors employed by the Bank) in the year prior to the date of approval of the engagement is 35 or higher.
- c. On November 3 2016, the Bank's General Meeting approved the compensation policy for the Bank's officers through 2019, after approval of the policy by the Board of Directors in

accordance with the approval and recommendations of the Compensation Committee (hereinafter – the **“Previous Compensation Policy”**). The Previous Compensation Policy was set pursuant to provisions prescribed in Amendment 20, Directive 301A and the Compensation Limitation Law.

- d. The proposed compensation policy was discussed in 5 meetings of the Board of Directors’ Audit Committee (which also serves as the Compensation Committee) and in 2 meetings of the Board of Directors’ plenum. In its meeting of October 29 2019, the Bank’s Board of Directors, having considered the Audit Committee’s recommendations, approved the updated compensation policy, as worded in **Appendix A** attached to the report on the convening of this meeting, and recommended that the Bank’s General Meeting approves the said compensation policy that will apply to the years 2020 to 2022 (above and hereinafter – the **“Updated Compensation Policy”**).
- e. The Updated Compensation Policy put up for approval by the Bank’s General Meeting, is similar to the Previous Compensation Policy since it combines the provisions of Directive 301A and those of the Compensation Limitation Law. The process of revising the Previous Compensation Policy included an examination of cross-organizational principles which the Bank’s Board of Directors, at the recommendation of its Audit Committee, deemed right to adopt regarding compensation to the Bank’s officers. As part of this process, the Bank’s Board of Directors took into consideration, among other things, the experience gained as a result of the adoption of the Previous Compensation Policy and the assessment of actual application and effectiveness of the Previous Compensation Policy, with an emphasis on the application of the legislative changes in the business sector regarding compensation to senior officers in financial institutions.

The main issues to which changes were made in the new compensation policy compared with the Previous Compensation Policy: (1) The variable bonus a Bank officer may be entitled to in a certain year is capped at 9 salaries (compared with 7 salaries in the Previous Compensation Policy); (2) the bonus component based on the Bank’s return on capital shall not exceed 2.5 salaries; at the beginning of each year, the Audit Committee and the Board of Directors shall set the range of return targets that entitle employees to a bonus, provided that the minimum return on capital target shall not be less than 7 percent and the maximum return on capital target shall not exceed 11 percent (compared with maximum return on capital bonus of 2.1 salaries and a return on capital range of 6 percent to 11 percent in the Previous Compensation Policy); (3) the bonus component based on the difference between the return on Bank’s share compared with the annual return of the Tel Aviv Banks index,<sup>2</sup> to be measured over a 3-year period (compared with only one year in the Previous Compensation Policy. The bonus in respect of this component will not exceed 1.5 salaries (compared with 0.9 salaries in the Previous Compensation Policy), and the range of return on Bank’s share will be between 0 percent and 1 percent or more (compared with a range of between 1.5 percent and 1 percent or more in the Previous Compensation Policy); (4)

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<sup>2</sup> (after excluding the Bank’s share).

Adding a new bonus component based on the Bank's efficiency ratio. (5) It was clarified that the compensation to the Bank's officers reporting the President and CEO of the Bank<sup>3</sup> may exceed, in accordance with the resolution of the Audit Committee and the Board of Directors (without recourse to the General Meeting), the threshold set in Section 2(A) of the Compensation Limitation Law, in which case a portion of those officers' salary will not be recognized as an expense deductible for tax purposes, as set out in Section 32(17) of the Income Tax Ordinance.

For further information regarding all changes in the new compensation policy compared with the Previous Compensation Policy, please see Appendix A to the report on the convening of this Meeting.

- f. The updated compensation policy is subject to the approval of the General Meeting, which is the subject matter of this report, by the majority described in Section 2.2.11 of the report on the convening of this Meeting

#### 2.2.2 The structure of the updated compensation policy

- a. The updated compensation policy includes, among other things, a reference to matters listed in Part A of the First Addendum A of the Companies Law, and it prescribes, among other things, the provisions listed in Part B of the said Addendum.
- b. The updated compensation policy was formulated with the aim of adjusting the existing compensation mechanisms to the Bank's size, the nature of its businesses and the goals and targets the Bank's compensation policy is designed to fulfill, despite the strict restrictions set in the Compensation Limitation Law.
- c. As described in detail in the updated compensation policy and subject to what is stated therein, the updated compensation policy has set the framework for compensation of the Bank's officers, and it refers, among other things, to the fixed compensation component, which is the main compensation paid to officers (where according to the updated compensation policy members of the Board of Directors, including the Chairman of the Board of Directors, will not be entitled to a variable annual bonus); the fixed compensation includes a fixed salary, social benefits and relating benefits, retirement and termination-of-employment terms (excluding retirement terms classified as a variable compensation component as described below), and to variable bonus components that include any compensation which is not fixed, including: annual performance-based bonus, which is composed of a bonus component based on the Bank's return on capital, a bonus component based on the difference between the return on Bank's share compared with the annual return of the Tel-Aviv-Banks index, and a bonus component based on the Bank's efficiency ratio, a personal qualitative bonus based on meeting personal goals and qualitative criteria in accordance with the relevant office holder's areas of responsibility, and a special bonus in respect of extraordinary events.

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<sup>3</sup> Directly or indirectly



- d. The total amount of variable bonuses payable to an officer was capped at 9 monthly salaries per year, and the Company's Board of Director may reduce the performance-based bonus at its discretion. The updated compensation policy also sets, in accordance with Directive 301A, a recovery mechanism relating to the variable bonuses, including recovery criteria, the circumstances under which the recovery mechanism will be activated and the repayment period.
- e. The updated compensation policy also puts in place arrangements for deferral of variable bonus payments to officers, whose payment is subject to the Bank's meeting the capital adequacy ratios shortly before each of the vesting dates as required under the Banking Supervision Department's directives.
- f. The updated compensation policy sets various mechanisms and arrangements designed to allow the Audit Committee and the Bank's Board of Directors the approval of changes in the updated compensation policy or the compensation components, the terms of service of officers to whom the updated compensation policy applies, during the period of the updated compensation policy, without being required to obtain again the approval of the General Meeting on the date of such approval. Such revisions to the policy shall be applied whenever the circumstances as of the revision date will justify, in the opinion of the Bank's Audit Committee and Board of Directors, the application of such revisions.
- g. Thus, for example, according to the updated compensation policy the Audit Committee and Board of Directors may link the Bank's lowest compensation for purposes of Section 2(B) of the Compensation Limitation Law<sup>4</sup> to the compensation ceiling of the Bank's officers, such that total compensation components to officers (excluding a compensation the expense in respect of which is not projected in accordance with generally accepted accounting principles), will increase at the same rate as that of the Bank's lowest compensation at that time.
- h. The updated compensation policy further prescribes that the compensation of any of the Bank's officers reporting the President and CEO of the Bank<sup>5</sup> may exceed, in accordance with the resolution of the Audit Committee and the Board of Directors (without recourse to the General Meeting), the threshold set in Section 2(A) of the Compensation Limitation Law, in which case a portion of those officers' salary will not be recognized as an expense deductible for tax purposes, as set out in Section 32(17) of the Income Tax Ordinance.

2.2.3 The goals, principles and parameters on which the Bank's Audit Committee and Board of Directors when formulating the updated compensation policy are based, among other things, on the following data, materials and considerations:

- a. The Audit Committee and Board of Directors took into account the considerations and matters required for the purpose of formulating a compensation policy as per Section 267B

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<sup>4</sup> The Bank's lowest compensation for purposes of Section 2(B) of the Compensation Limitation Law was NIS 83 thousand per year (excluding the statutory provisions for severance pay and pension) during the year preceding the date of approval of the updated compensation policy.

<sup>5</sup> Directly or indirectly



of the Companies Law and the First Addendum A to the Companies Law, in Part A (issues that must be addressed in a compensation policy) and in Part B (provisions that must be set in a compensation policy).

- b. The background material presented to the Audit Committee and Board of Directors included, among other things, the following: Amendment No. 20 to the Companies Law, Proper Conduct of Banking Business Directive 301A regarding the compensation policy in a banking corporation, the Compensation Limitation Law, the Previous Compensation Policy and the experience gained by the Bank as a result of adopting and applying the Previous Compensation Policy. The Audit Committee and Board of Directors were presented with comparative data regarding compensation components to which senior officers in the Israeli banking sector are entitled, based on compensation policy documents; they were also presented with comparative data regarding generally accepted performance metrics used in compensation plans of Israeli and foreign banks, etc.
- c. The discussions of the Board of Directors and its committees were supported by an external advisory team that assisted in formulating the compensation policy
- d. The Audit Committee and Board of Directors also assessed, in accordance with the provisions of Amendment 20, the ratio between the cost of service and employment terms of Bank's officers and the cost of average and median salary in the Bank,<sup>6</sup> as described below: (a) the ratio between the cost of salary of the Bank's Chairman of the Board of Directors and President and CEO and the cost of the average and median salary of Bank's employees is 9.8 and 10.5, respectively; (b) the ratio between the cost of salary of all other officers<sup>7</sup> of the Company and the cost of average and median salary of Bank's employees is 8.3 and 8.9, respectively.

#### 2.2.4 The service and employment terms of Bank's officers as of the date of determining the compensation policy

- a. The table of the highest earners in the Bank's group, as presented in the Bank's 2018 Periodic Report in the chapter "Payroll of Senior Officers", which is included in the Corporate Governance and Additional Details Chapter of the Bank's 2018 Periodic Report, includes (as prescribed in the Reporting to the Public Directive of the Banking Supervision Department) the Bank's serving officers to whom the updated compensation policy shall apply. Furthermore, the table includes managers of Bank's subsidiaries in Israel and abroad, to whom the compensation policy does not apply. As to the compensation of the newly appointed Chairman of the Board of Directors and President and CEO, please see the compensation table presented in the final section of Appendices B and C to this report, respectively, and subject to the approval of compensation to the newly appointed Chairman

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<sup>6</sup> The calculation included all employees employed in standard positions in the Bank, including those who are not employed directly by the Bank, but rather through contractors and manpower or outsourcing companies. The cost of salary used for purposes of the calculation is the overall cost of salary (i.e., including variable compensation paid and excluding payroll tax).

<sup>7</sup> The calculation is based on the salary of the highest earning officer in the Bank other than the Bank's President and CEO or Chairman of the Board of Directors.

of the Board of Directors as set out in Topic 1.4 on the agenda, and subject to the approval of compensation to the newly appointed President and CEO as set out in Topic 1.5 on the agenda.

- b. Accordingly, Topics 6 and 7 on the Extraordinary General Meeting's agenda bring up for approval of the General Meeting the service and employment terms of the Bank's Chairman of the Board of Directors and President and CEO, which reflect the provisions of the updated compensation policy.

For more information, please see Appendices B and C, respectively.

2.2.5 The Bank is a banking corporation without a controlling core (it does not have a controlling shareholder).

2.2.6 The Bank is not a sub-subsidiary public company.<sup>8</sup>

2.2.7 Directors who participated in meetings of the Bank's Audit Committee and Board of Directors

- a. The members of the Audit Committee are: Ms. Tamar Gottlieb (Chairman of the Committee), Mr. Yitzhak Edelman, Prof. Shmuel (Muli) Ben Zvi, Mr. Yoram Gabbay, Mr. Ohad Marani and Ms. Zipporah Samet. All members of the Compensation Committee participated in the meeting in which the updated compensation policy was approved.
- b. All members of the Board of Directors took part in Board of Directors' meetings in which the updated compensation policy was approved, including in the meeting in which final approval of the updated compensation policy was carried out, excluding Ms. Irit Shlomi (due to personal reasons) and the Chairman of the Board of Directors, who did not participate in the meetings (apart for the purpose of presenting his position) due to his vested interest in the approval of the compensation policy (as described below).

2.2.8 Directors who have vested interest in the approval of the compensation policy

- a. All members of the Board of Directors may have a vested interest in approving the updated compensation policy, which also pertains to their terms of service as directors in the Bank.
- b. The Chairman of the Board of Directors may have a vested interest in approving the updated compensation policy since it includes specific provisions pertaining to his service and employment terms.

2.2.9 Summary of Audit Committee and Board of Directors' reasons for approval of the updated compensation policy

- a. The updated compensation policy is in line with the provisions of Amendment 20 to the Companies Law, Directive 301A and the Compensation Limitation Law. The updated compensation policy was formulated bearing in mind the restrictions set in the

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<sup>8</sup> Pursuant to Section 267A(c) of the Companies Law, a "sub-subsidiary public company" is defined as "a public company controlled by a public company or by a private company which is a bonds company controlled by a public company or by a private company that is another bonds company controlled by a controlling shareholder."

Compensation Limitation Law; it is designed to retain the Bank's officers and to enable the recruitment of employees possessing the experience and skills required to run a large and complex financial entity, despite the restrictions placed under the aforesaid law.

- b. Furthermore, in the opinion of the Audit Committee and Board of Directors, these mechanisms and arrangements create a reasonable, appropriate and fair balance between the Bank's wish to compensate its senior officer in a manner that will reflect and be in line with the characteristics of their job, the level of responsibility they bear, the scope of their role and their personal traits, and the obligation to comply with the restrictions set in the Compensation Limitation Law. The objective of those mechanisms and arrangements is to provide management with the flexibility that will allow to update the compensation components of the service and employment terms of the Bank's officers, when needed or when circumstances change, subject to the approval of the Audit Committee and Board of Directors, without being required to obtain again the approval of the General Meeting.
- c. Accordingly, the updated compensation policy includes a mechanism that will enable linking the rate of increase of the Bank's lowest compensation (as per the Compensation Limitation Law) to the terms of service and employment of the Bank's officers, such that the compensation paid to Bank's officers may exceed, in accordance with the resolution of the Audit Committee and the Board of Directors, the threshold set in Section 2(A) of the Compensation Limitation Law, in which case a portion of those officers' salary will not be recognized as an expense deductible for tax purposes, as set out in Section 32(17) of the Income Tax Ordinance. The updated compensation policy also prescribes that the compensation to the Bank's officers reporting the Bank's President and CEO may exceed, in accordance with the resolution of the Audit Committee and the Board of Directors (without recourse to the General Meeting), the threshold set in Section 2(A) of the Compensation Limitation Law, in which case a portion of those officers' salary will not be recognized as an expense deductible for tax purposes, as set out in Section 32(17) of the Income Tax Ordinance.
- d. The updated compensation policy and the bonus scheme set as part thereof ensure that the compensation awarded to the Bank's senior managers pursuant to the compensation policy will not encourage management to take risks beyond the Bank's risk appetite and in a manner that might weaken the Bank's capital base.
- e. As part of the Audit Committee and Board of Director meetings during which the updated compensation policy was discussed, certain data were presented which assisted in the formulation of the updated compensation policy; these data included a comparison between the different compensation components of the current compensation policy and the updated policy, in light of the ratio between the service and employment terms of those senior officers and the salaries of all bank employees, noting, among other things, the ratio between those terms and the average and median salary of the employees.
- f. The service and employment terms set in the updated compensation policy for Bank's officers were set bearing in mind the restrictions placed by the Compensation Limitation Law.

- g. The variable components of the updated compensation policy, including the manner in which they are set and their rate out of total compensation as compared to the fixed component, were assessed and set bearing in mind the role of that senior officer and his areas of responsibility. Accordingly, and in accordance with the provisions of Directive 301A of the Banking Supervision Department and Amendment 20, the variable annual bonus was capped such that the maximum variable annual bonus to an officer in a certain year shall not exceed 9 average monthly salaries of that officer.
- h. The decision to base a portion of the variable bonus on the Bank's financial performance, including the adding of a component based on the Bank's efficiency ratio and the option to reduce this component, as well as the decision to put in place arrangements for deferral of the annual bonuses reflect a balance between targets that ensure an established and effective risk management and revising the compensation to officers such that it reflects the realization of the risks over time.
- i. The arrangements listed in the updated compensation policy with regard to compensation in respect of termination of employment beyond the compensation set in the employment terms of all Bank employees, take into consideration the reason for the termination of employment; those arrangements ensure that serious failures or taking extraordinary risks are not compensated for, and that the eligibility for those bonuses shall depend on the officer's role, areas of responsibility and performance, both throughout his service in the Bank and over the course of an appropriate period of time after the termination of his employment; this is done through ex-post facto performance alignment mechanisms, in order to ensure that taking excessive risk is not encouraged.
- j. Since the updated compensation policy was formulated bearing in mind the restrictions and requirements of the Compensation Limitation Law, the Audit Committee and Board of Directors believe that the mechanisms set in the updated compensation policy regarding the compensation components included in the service and employment terms of the officers to whom the updated compensation policy applies are appropriate and fair under the circumstances.

#### 2.2.10 The wording of the resolution

*To approve the updated compensation policy as set out in Appendix A to the report on the convening of this meeting; this policy will be in effect as from the beginning of 2020 and through the end of 2022, pursuant to provisions of Sections 267A and 267B of the Companies Law, 1999 (hereinafter – the “Companies Law”) and in accordance with the Banking Supervision Department's directives on compensation policy of a banking corporation, and pursuant to the Law for Compensation of Officers in Financial Corporations (Special Approval and Disallowing the Deduction of Extraordinary Compensation for Tax Purposes), 2016 (hereinafter -the “Compensation Limitation Law”). It is further suggested to approve, pursuant to Section 2 of the Compensation Limitation Law, that the compensation to the Bank's officers (including the Bank's Chairman of the Board of Director and President and CEO) may exceed, in accordance with the resolution of the Audit Committee and the Board of Directors, the threshold set in Section 2(a) of the Compensation Limitation Law, in which case a portion of*

*those officers' salary will not be recognized as an expense deductible for tax purposes, as set out in Section 32(17) of the Income Tax Ordinance.*

#### 2.2.11 The majority required to pass the proposed resolution

Pursuant to Section 267A(b) of the Companies Law and since the Bank is a banking corporation without a control core and is not a sub-subsidiary public company, the majority required to pass the resolution in the aforementioned topic (approval of the updated compensation policy) is a simple majority of the total voting rights of eligible shareholders who voted in person or by proxy, provided that one of the following is met:

- a. The majority vote count will include a majority of all vote participants who do not have a vested interest in the approval of the resolution on the agenda, as applicable; or,
- b. The total number of objecting votes out of the shareholders listed in subsection (a) above shall not exceed 2 percent of all voting rights of the Bank.

Abstaining votes shall not be taken into account in when counting shareholders' votes.

It is hereby clarified that pursuant to Section 267(A)(c) of the Companies Law, the Board of Directors may approve and set the updated compensation policy even if the General Meeting objects to its approval, to the extent that the Audit Committee and thereafter the Board of Directors decide, based on detailed reasons, and after re-discussing the updated compensation policy, that the Bank will benefit from the approval of the updated compensation policy despite the objection of the General Meeting.

#### 2.3. Additional details in connection with the approval of the Chairman of the Board of Directors' employment terms (details regarding Topic No. 6 on the agenda)

##### 2.3.1 General

- a. A General Meeting of the Bank that convened on October 3 2017 passed a resolution to appoint Dr. Samer Haj Yehia as a director having the status of "Other Director" (as set out in Section 11D(a)(2) of the Banking Ordinance) for a further 3-year period (for more information, please see supplementary report for the convening of the meeting of September 28 2017 and the immediate report on the results of the meeting of October 3 2017 (reference numbers: 2017-01-086014 and 2017-01-087916, respectively. On June 30 2019, the Bank's Board of Directors approved the election of Dr. Samer Haj Yehia as Chairman of the Bank's Board of Directors (for more information please see immediate report of June 30 2019 (reference number: 2019-01-066019)). On July 22 2019, the Bank received the Banking Supervision Department's notice to the effect that it does not object to the appointment of Dr. Haj Yehia as the Bank's Chairman of Board of Directors (please see immediate report of July 22 2019 (Ref. No.: 2019-01-075631). It should be clarified that the service terms offered as part of the General Meeting convened pursuant to this immediate report shall come into effect retroactively, subject to the General Meeting's approval, on the date of commencement of Dr. Haj Yehia's tenure on July 22 2019 (hereafter - the "**Effective Date**"), and will remain in effect for as long as he serves as the Chairman of the Bank's Board of Directors, or until the end of 2020, subject to and in accordance with the provisions of the Banking Supervision Department on this matter. For details regarding Dr. Haj Yehia, including

his education, qualifications, expertise and professional experience in the last five years, please see Appendix B to the report on the convening of this meeting.

- b. A meeting of the Audit Committee held on November 5 2019, and thereafter a Board of Directors' meeting held on November 10 2019 approved the proposed terms of service and employment of Dr. Haj Yehia, as set out in Appendix B of the report on the convening of this meeting (hereinafter in this section – the **"Proposed Terms of Service"**), effective as from the above mentioned Effective Date.
- c. The Proposed Terms of Service were approved pursuant to Directive 301A, which prescribes that a chairman of a board of directors will not be entitled to variable compensation, and in accordance with the provisions of the Compensation Limitation Law. The Proposed Terms of Service are in line with the terms of the updated compensation policy described in Topic No. 5 on the General Meeting's agenda.
- d. As described above, the updated compensation policy sets mechanisms allowing the Bank's Audit Committee and Board of Directors to revise the different components over the term of the updated policy, whenever the circumstances as of the revision date will justify, in the opinion of the Bank's Audit Committee and Board of Directors, the application of such revisions.

Accordingly, subject to approval of the Bank's Audit Committee and Board of Directors, the Chairman of the Board of Directors may become entitled to an additional fixed compensation component (without being required to obtain again the approval of the General Meeting). For further details, please see the updated compensation policy attached as Appendix B to the report on the convening of this meeting.

- e. The Proposed Terms of Service are subject to the approval of the General Meeting, which is the subject matter of this report, by the majority described in Section 2.3.9 of the report on the convening of this Meeting.

Since the cost of employment of the Chairman of the Board of Directors shall exceed NIS 2.5 million, pursuant to Appendix B of the report on the convening of this Meeting, it is put up for the General Meeting's approval by the majority described in Section 2(A) of the Compensation Limitation Law and in Section 267(A)(b) of the Companies Law.<sup>9</sup>

- f. The Chairman of the Board of Directors' service and employment terms were approved and accepted by the Bank's Audit Committee and Board of Directors in accordance with the Banking Supervision Department's letter of August 1 2019 regarding the "principles for determining the service terms of a Chairman of the Board of Directors of a bank without a controlling core", including: (1) the Board of Directors confirmed the Chairman of the Board's duties and powers; it also confirmed that those powers and duties are in line with the roles of a Chairman of a Board of Directors as the officer charged with the effective functioning of the Board of Directors, and that they do not go beyond the duties and powers

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<sup>9</sup>Therefore, a portion of the Chairman of the Board of Directors' salary will not be recognized as an expense deductible for tax purposes, as set out in Section 32(17) of the Income Tax Ordinance.

conferred upon the Chairman by law; (2) The independence of the Chairman of the Board of Directors as the director serving in a bank without a controlling core is maintained; (3) there is no "affiliation" (as defined in the Banking Ordinance) between the Chairman of the Board of Directors and the Bank (i.e., they do not meet the definition of regular work relationship or business relationship or professional relationship with the Bank.

2.3.2 Details regarding the terms of service and employment of the Chairman of the Board of Directors

- a. For details regarding the Proposed Terms of Service of the Chairman of the Board of Directors, please see **Appendix B** to the report for the convening of this meeting.
- b. The proposed terms of service will come into effect as from the Effective Date.

2.3.3 A disclosure in a table format in accordance with the Sixth Addendum to the Reports Regulations

Please see **Appendix B** to the report for the convening of this meeting.

2.3.4 Manner of determining the Proposed Terms of Service and the information brought before the organs that approved the Proposed Terms of Service

In order to take the decision on the agenda, members of the Bank's Audit Committee and Board of Directors took into consideration the following data, materials and considerations:

- a. Aligning the Proposed Terms of Service to the Bank's updated compensation policy, as described in Topic No. 5 on the agenda.
- b. Generally accepted terms of service of a Chairman of the Board of Directors of the Bank, compensation paid to the other members of the Board of Directors of the Bank, the size of the Bank, the complexity of its activities and the scope of employment of the Chairman of the Board of Directors (full-time).
- c. The Chairman of the Board of Directors' education, qualifications, expertise and professional experience.
- d. The Compensation Limitation Law and Directive 301A, including data regarding the implications of the application thereof for the Bank with respect to the compensation proposed to the Chairman of the Board of Directors.
- e. Data regarding the ratio between the Proposed Terms of Service as aforesaid and the salaries of other Bank employees and contractors employed by the Bank, and the ratio between those terms and the average and median salary in the Bank and the impact of the gaps on work relations in the Company. For details regarding those data, please see Section 2.2.3 above.

2.3.5 Identity of the directors who participated in the discussions of the Audit Committee and the Board of Directors, where the Proposed Terms of Service were discussed



- a. All members of the Audit Committee whose names are listed in Section 2.2.7 above participated in the meetings where the Proposed Terms of Service were discussed.
- b. All members of the Board of Directors took part in Board of Directors' meetings in which the Proposed Terms of Services were discussed and approved, excluding the Chairman of the Board of Directors, who did not participate in the meetings (apart for the purpose of presenting his position) due to his vested interest in the transaction (as described below).

2.3.6 Directors who have a vested interest in the approval of the Proposed Terms of Employment:

Dr. Samer Haj Yehia, who serves as the Chairman of the Board of Directors, has a vested interest in the transaction since he is a party thereto.

2.3.7 Summary of Audit Committee and Board of Directors' reasons for approval of the Proposed Terms of Service

Set forth below is a summary of the Audit Committee and Board of Directors' reasons for approval of the Proposed Terms of Service of the Chairman of the Board of Directors:

- a. The Proposed Terms of Service were assessed in relation to Amendment 20 to the Companies Law, Directive 301A and the Compensation Limitation Law and are in line with the different requirements of those laws and directives, which reflect, in the opinion of legislature and the Banking Supervision Department, the composition, nature and scope of reasonable and fair terms of compensation to officers in financial corporations, including a Chairman of the Board of Directors.
- b. The Proposed Terms of Service of the Chairman of the Board of Directors are in line with the Bank's updated compensation policy.
- c. When discussing the Proposed Terms of Service of the Chairman of the Board of Directors, members of the Audit Committee and the Board of Directors addressed and assessed, among other things, his education, qualifications, expertise, achievements and professional and managerial experience, bearing in mind the scope of the Bank's activities, its complexity and the complexity of the role of an active Chairman of the Board of Directors of a Bank.
- d. The Chairman of the Board of Directors' terms of service are in line with the provisions of the Compensation Limitation Law and Directive 301A, and include only fixed compensation, social rights and related expenses, as is generally accepted in employment terms of the Bank's officers, as approved by the Audit Committee; the Chairman is not entitled to variable annual bonus. Although the Proposed Terms of Service are higher than the compensation paid to other directors, taking into account, among other things, the size of the Bank, the complexity of its activities and the great responsibility borne by the Chairman of the Board of Directors by virtue of his position, and considering the scope of employment of the Chairman of the Board of Directors (100 percent), the scope of the actions required for the performance of his job and the manner of performing his job, the Audit Committee and the Board of Directors are of



the opinion that the Bank benefits from the ratio between the Proposed Terms of Compensation and the compensation paid to other directors of the Bank, in view of the reasons listed above.

- e. The Audit Committee and Board of Directors were presented with comparative data regarding compensation components to which senior officers in the Israeli banking sector are entitled, based on compensation policy documents. However, it should be noted that in accordance with the Compensation Limitation Law, the legislature has set compensation ranges that can be awarded to senior officers, which are identical to all Israeli financial corporations.
- f. The Chairman of the Board of Directors' service and employment terms were approved and accepted by the Bank's Audit Committee and Board of Directors in accordance with the Banking Supervision Department's letter of August 1 2019 regarding the "principles for determining the service terms of a Chairman of the Board of Directors of a bank without a controlling core".
- g. In view of the above, the Bank's Audit Committee and Board of Directors approved and recommended that the Bank's General Meeting approves the Proposed Service Terms as set out in **Appendix B** below.

#### 2.3.8 The wording of the resolution

*To approve, in accordance with Section 273 of the Companies Law, 1999 (hereinafter – the "Companies Law") and in accordance with Section 2 of the Law for Compensation of Officers in Financial Corporations (Special Approval and Disallowing the Deduction of Extraordinary Compensation for Tax Purposes), 2016 (hereinafter -the "Compensation Limitation Law"), the service and employment terms of the Bank's Chairman of Board of Directors, in accordance with the updated compensation policy which is attached as appendix A, and as set out in Appendix B to the immediate report, which will come into effect on the date of commencement of his tenure as the Chairman of the Bank's Board of Directors (retroactively from July 22 2019), and will remain in effect for as long as he serves as the Chairman of the Bank's Board of Directors, or, to the extent that this will be required pursuant to the Banking Supervision Department's directives on this matter, until the end of 2020 or another date that will be set in accordance with the provisions of the Banking Supervision Department.*

#### 2.3.9 The majority required to pass the proposed resolution

Pursuant to Section 273 of the Companies Law and Section 2(A) of the Compensation Limitation Law,<sup>10</sup> the majority required to pass the resolution in Topic No. 6 on the agenda (approval of the service and employment terms of the Chairman of the Board of Directors) is a simple majority of the total voting rights of eligible shareholders who voted in person or by proxy, provided that one of the following is met:

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<sup>10</sup>Since the Chairman of the Board of Directors' cost of employment exceeds NIS 2.5 million, it is brought for approval by the General Meeting at the majority set in Section 2(A) of the Compensation Limitation Law.

(1) The majority vote count will include a majority of all vote participants who do not have a vested interest in the approval of the resolution on the agenda, as applicable; or,

(2) The total number of objecting votes out of the shareholders listed in subsection (1) above shall not exceed 2 percent of all voting rights of the Bank.

Abstaining votes shall not be taken into account in when counting shareholders' votes.

## **2.4. Additional information in connection with the approval of the President and CEO's terms of service and employment (details regarding Topic No. 7 on the agenda)**

### **2.4.1 Overview**

- a. On August 27 2019, the Bank's Board of Directors elected Mr. Hanan Friedman to serve as the Company's President and CEO (please see the Bank's immediate report of August 27 2019, Ref. No. 2019-01-089152) On October 3 2019, the Bank received the Banking Supervision Department's notice to the effect that it does not object to the appointment of Mr. Friedman as the Bank's President and CEO (please see immediate report of October 3 2019 (Ref. No.: 2019-01-085869).
- b. For details regarding the President and CEO, including his education, qualifications, expertise and professional experience in the last five years, please see **Appendix C** to the report convening this meeting
- c. A meeting of the Bank's Audit Committee held on November 5 2019, and thereafter a Board of Directors' meeting held on November 10 2019 approved the proposed terms of service and employment of the President and CEO, as set out in **Appendix C** to the report on the convening of this meeting (hereinafter in this section – the **"Proposed Terms of Service"**), effective as from the date of commencement as his service as President and CEO (November 1 2019) (hereinafter – the **"Effective Date"**).
- d. The Proposed Terms of Service were approved pursuant to Directive 301A and the Compensation Limitation Law, which places various restrictions on the award of compensation to senior officers in financial corporations as set out above. The Proposed Terms of Service are in line with the terms of the updated compensation policy described above in Topic No. 5 on the General Meeting's agenda.
- e. Pursuant to the provisions of the Bank's Compensation Policy, subject to approval of the Bank's Audit Committee and Board of Directors, the President and CEO may become entitled to an additional fixed compensation component (without being required to obtain again the approval of the General Meeting).
- f. The Proposed Terms of Service are subject to the approval of the General Meeting, which is the subject matter of this report, by the majority described in Section 2.4.9 of the report on the convening of this Meeting.

Since the cost of employment of the President and CEO exceeds NIS 2.5 million, pursuant to Appendix B of the report on the convening of this Meeting, it is put up for the General

Meeting's approval by the majority described in Section 2(A) of the Compensation Limitation Law.<sup>11</sup>

2.4.2 Details regarding the terms of service and employment of the President and CEO

- a. For details regarding the Proposed Terms of Service of the President and CEO, please see Appendix C to the report for the convening of this meeting.
- b. The Proposed Terms of Service will come into effect as from the Commencement Date.

2.4.3 A disclosure in a table format in accordance with the Sixth Addendum to the Reports Regulations

Please see Appendix C to the report for the convening of this meeting.

2.4.4 Manner of determining the Proposed Terms of Service and the information brought before the organs that approved the Proposed Terms of Service

In order to take the decision on the agenda, members of the Bank's Audit Committee and Board of Directors took into consideration the following data, materials and considerations:

- a. Aligning the Proposed Terms of Service to the Bank's updated compensation policy, as described in Topic No. 5 on the agenda.
- b. The terms of service of the exiting President and CEO, the size of the Bank, the nature and complexity of its activities and the scope of employment of the President and CEO (full-time).
- c. The President and CEO's education, qualifications, expertise and professional experience.
- d. The Compensation Limitation Law and Directive 301A, including data regarding the implications of the application thereof for the Bank with respect to the compensation proposed to the President and CEO.
- e. Data regarding the ratio between the Proposed Terms of Service as aforesaid and the salaries of other Bank employees and contractors employed by the Bank, and the ratio between those terms and the average and median salary in the Bank and the impact of the gaps on work relations in the Company. For details regarding those data, please see Section 2.2.3 above.

2.4.5 Identity of the directors who participated in the discussions of the Audit Committee and the Board of Directors, where the Proposed Terms of Service were discussed

- a. All members of the Audit Committee whose names are listed in Section 2.2.7 above participated in the meetings where the Proposed Terms of Service were discussed.

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<sup>11</sup>Therefore, a portion of the President and CEO's salary will not be recognized as an expense deductible for tax purposes, as set out in Section 32(17) of the Income Tax Ordinance.

- b. All members of the Board of Directors took part in Board of Directors' meetings in which the Proposed Terms of Services were discussed and approved.

2.4.6 Directors who have a vested interest in the approval of the Proposed Terms of Employment:

The Bank's directors have no vested interest in the approval of the President and CEO's terms of service.

2.4.7 Summary of Audit Committee and Board of Directors' reasons for approval of the Proposed Terms of Service

Set forth below is a summary of the Audit Committee and Board of Directors' reasons for approval of the Proposed Terms of Service of the President and CEO:

- a. The Proposed Terms of Service were assessed in relation to Amendment 20 to the Companies Law, Directive 301A and the Compensation Limitation Law and are in line with the different requirements of those laws and directives, which reflect the composition, nature and scope of reasonable and fair terms of compensation to officers in financial corporations, including a President and CEO.
- b. When discussing the Proposed Terms of Service of the President and CEO, members of the Audit Committee and the Board of Directors addressed and assessed, among other things, his education, qualifications, expertise, professional and managerial experience (including the extensive experience he gained during the course of his service in the Bank), and the scope of the Bank's activities, its complexity and the complexity of the role of a Bank's President and CEO.
- c. The Audit Committee and Board of Directors were presented with comparative data regarding compensation components to which senior officers in the Israeli banking sector are entitled, based on compensation policy documents. However, it should be noted that in accordance with the Compensation Limitation Law, the legislature has set compensation ranges that can be awarded to senior officers, which are identical to all Israeli financial corporations.
- d. In view of the above, the Bank's Audit Committee and Board of Directors approved and recommended that the Bank's General Meeting approves the Proposed Service Terms as set out in **Appendix C** below.

2.4.8 The wording of the resolution

*To approve, in accordance with Section 272(C1) of the Companies Law, 1999 (hereinafter – the "Companies Law") and in accordance with Section 2 of the Law for Compensation of Officers in Financial Corporations (Special Approval and Disallowing the Deduction of Extraordinary Compensation for Tax Purposes), 2016 (hereinafter -the "Compensation Limitation Law"), the service and employment terms of the Bank's newly appointed President and CEO, (including the award of an amended indemnification undertaking letter as described in Topic No. 8 on the Meeting's agenda and in accordance with the wording attached as Appendix D to the report on the convening of this meeting), in accordance with the updated compensation policy which*

*is attached as appendix A, and as set out in Appendix C to the report on the convening of this meeting.*

*Subject to the approval of the general meeting of the Bank's shareholders, the President and CEO's service and employment terms will come into effect on the first day of his tenure as the Bank's President and CEO.*

2.4.9 The majority required to pass the proposed resolution

Pursuant to Section 267A(b) and 272(C1) of the Companies Law and Section 2(A) of the Compensation Limitation Law and taking into account the fact that the Bank is a banking corporation without a controlling core and is not a sub-subsidiary public company, the majority required to pass the resolution on Topic 7 on the Meeting's agenda (approval of the terms of service and employment of the Bank's President and CEO) is a simple majority of the total voting rights of eligible shareholders who voted in person or by proxy, provided that one of the following is met:

- a. The majority vote count will include a majority of all vote participants who do not have a vested interest in the approval of the resolution on the agenda, as applicable; or,
- b. The total number of objecting votes out of the shareholders listed in subsection (a) above shall not exceed 2 percent of all voting rights of the Bank.

Abstaining votes shall not be taken into account in when counting shareholders' votes.

It is further clarified that pursuant to Section 272(C1)(1)(c) of the Companies Law, in special cases the Audit Committee (that also serves as the Compensation Committee) and thereafter Board of Directors may approve the resolution proposed in Topic No. 7 on the agenda (approval of the terms of service and employment of the Bank's President and CEO) even if the General Meeting objects to its approval provided that the Audit Committee and thereafter the Board of Directors reach such a decision based on detailed reasons, and review in such a discussion the General Meeting's objection.

2.5. **Additional details in connection with the proposed resolution to amend the List of Indemnity Events for the Indemnification Undertaking Letters to Bank's directors (details regarding Topic No. 8 on the agenda)**

2.5.1. The Bank's existing indemnification undertaking letter

For details regarding the Bank's existing indemnification undertaking letters, please see Note 26 of the Bank's 2018 financial statements, which were attached to the Bank's 2018 Periodic Report (hereinafter – the **"Existing Indemnification Undertaking Letter"**).

2.5.2. Set forth below is a summary of the key amendments to the indemnification undertaking letter:

Amendment of the list of indemnity events, which, in the opinion of the Bank, can be expected in view of the Bank's activities at the time of issuing the indemnification undertaking letter and are listed in Appendix A to the indemnification undertaking letter. To

view the amendments made to the list of indemnity events included in indemnification undertaking letter, please see Appendix D to the report convening this meeting.

A meeting of the Bank's Audit Committee held on September 24 2019, and thereafter a Board of Directors' meeting held on October 29 2019 approved and recommended the approval by the Bank's General Meeting of the amendment of the indemnification undertaking letters given to directors (and to all other serving officers of the Bank), including those who will serve in the Bank from time to time, in accordance with the wording attached as Appendix D to the report convening this meeting. The wording is in a track changes format reflecting the changes compared to the Bank's existing indemnification undertaking letter.

All members of the Audit Committee whose names are listed in Section 2.2.7 above participated in the meetings where the amendment of the List of Indemnity Events for the Indemnification Undertaking Letters for the directors in the Bank was discussed.

All of the Bank's directors have a vested interest in Topic No. 8 on the agenda, since the indemnification undertaking letter constitutes an integral part of their employment and service terms by the Bank.

2.5.3. Audit Committee and Board of Directors' reasons for approval of Topic No. 8 on the agenda of the meeting, which is the subject matter of this immediate report:

- a. The amendment of the List of Indemnity Events for the Indemnification Undertaking Letters to Bank's directors and officers is in line with the Bank's Articles of Association and its updated compensation policy.
- b. The indemnity undertaking is limited to indemnity events, which, in the opinion of the Audit Committee and Board of Directors, can be expected in view of the Bank's activities and the circumstances of the matter; furthermore, the indemnity undertaking is capped at an amount which, in the opinion of the Audit Committee, is reasonable and generally accepted in the market, in respect of each separate event and issue.
- c. The amendment of the List of Indemnity Events for the Indemnification Undertaking Letter given to Bank's directors and officers is reasonable under the circumstances of the matter, taking into consideration the Bank's size, the scope and complexity of its activities and noting the business, legal and regulatory environment in which the Bank operates, and the risks to which it is exposed.
- d. The undertaking to indemnify directors and officers is a generally acceptable form of protection used by public companies, alongside a professional liability insurance covering directors and officers, as well as letters of exemption, and they were designed to allow officers to act freely and to properly carry out their duties for the benefit of the Company, considering the risks involved therein and their statutory liability, and subject to the restrictions of the Companies Law. In view of all the above reasons, the Bank will benefit from revising the List of Indemnity Events for the Indemnification Undertaking Letter.

2.5.4. The wording of the resolution

*To approve, in accordance with Section 273 of the Companies Law, 1999 (hereinafter – the “Companies Law”) an amendment to the indemnification undertaking letters awarded to the Bank’s serving directors, including those who will serve in the Bank from time to time; the amendment will include the updating of the list of indemnity events which, in the opinion of the Board of Directors, can be expected in view of the Company’s activities at the time of issuing the indemnification undertaking letter in accordance with the wording of the indemnification undertaking letter which is attached as Appendix D to the report convening this meeting.*

In should be clarified that this amendment does not impair the validity of the Bank’s previous resolutions or undertakings to indemnify Bank’s directors and officers.

2.5.5. The majority required to pass the resolution:

A simple majority of the total voting rights of eligible shareholders who voted in person or by proxy. Abstaining votes shall not be taken into account in when counting shareholders’ votes.

3. Voting in the meeting

3.1. The record date and proof of ownership

3.1.1. The record date fixed for determining a shareholder’s entitlement to vote at the aforementioned General Meeting pursuant to Section 182 of the Companies Law and Regulation 3 to the Voting by Ballot Regulations is the end of the trading day on the Stock Exchange on Monday, November 18, 2019.

3.1.2. Pursuant to the Companies Regulations (Proof of Ownership of a Share for the Purpose of Voting at the General Meeting), 2000 (hereinafter – the “**Proof of Ownership Regulations**”), a shareholder in whose favor a share is registered with a Member of the Stock Exchange and that share is included among the Bank’s shares which are registered in the shareholders’ register in the name of a nominee company (hereinafter – an “**Unregistered Shareholder**”) and who wishes to vote in the General Meeting, shall present to the Bank a confirmation of the Member of the Stock Exchange with whom his right to the share is registered regarding his ownership of the share as of the record date, pursuant to Form 1 set out in the Addendum to the Proof of Ownership Regulations (hereinafter – the “**Ownership Confirmation**”).

3.1.3. An unregistered shareholder is entitled to receive the Ownership Confirmation from the Member of the Stock Exchange with whom his right to the share is registered at a branch of the Member of the Stock Exchange or delivered by post at his request (for postage fees). Such a request shall be submitted in advance to a specific securities account.

3.1.4. Furthermore, an unregistered shareholder may instruct the Member of the Stock Exchange to deliver his Ownership Confirmation to the Bank via the Electronic Voting System. Registration. Registration with the Electronic Voting System, which operates pursuant to Article B of Chapter G2 of the Securities Law, 1968 (hereinafter – the “**Electronic Voting System**”), is tantamount to Ownership Confirmation in accordance with the Proof of Ownership Regulations.

3.2. Legal quorum and the date of an adjourned meeting



- 3.2.1. Pursuant to the Bank's Articles of Association, three or more shareholders, present in person or by proxy within half an hour from the time appointed for the opening of the Meeting, shall constitute a legal quorum for holding the Meeting.
  - 3.2.2. If within half an hour from the time appointed for the opening of the Meeting a legal quorum is not present, the Meeting shall stand adjourned to December 30 2019, at the same time (14:30) and place.
  - 3.2.3. If a legal quorum is not present at the said adjourned Meeting, two shareholders who are present in person shall constitute a legal quorum, and they shall be entitled to engage with the matters in respect of which the Meeting was convened.
  - 3.2.4. Votes of shareholders who voted using a proxy statement, as defined in Section 87 to the Companies Law, shall also be included in determining the legal quorum and so will be the votes of Unregistered Shareholders, who voted using the Electronic Voting System.
- 3.3. sManner of voting in the Meeting
- 3.3.1. Shareholder, who are entitled to participate in the Meeting and vote, may do so, by using a method of their choosing from the following options: (1) To arrive at the Meeting and vote in person or to appoint a proxy that will arrive at the Meeting and vote in their stead, in accordance with an appointment letter and a power of attorney as set out in Section 3.4 below; (2) to vote using a proxy statement as set out in Section 3.5 below; (3) an Unregistered Shareholder may also vote via the Electronic Voting System as set out in Section 3.7 below.
  - 3.3.2. Pursuant to Section 83(d) of the Companies Law, if the shareholder voted in more than one way, his latest vote shall count. In that regard, the shareholder's vote in person or by proxy shall be considered as a vote that was cast later than a vote that was cast through a proxy statement or through the Electronic Voting System.
- 3.4. Participation in the Meeting and casting a vote by the shareholder in person or by proxy
- a. An Unregistered Shareholder who wishes to arrive at the Meeting and cast his vote in person, shall provide the Ownership Confirmation form to the Bank in the manner set out in Sections 3.1.2 above and 3.9 below, until the time on which the system is locked, as defined in Section 3.7 below. A shareholder whose shares are registered in his name in the Bank's shareholders' register is not required to present such an Ownership Confirmation.
  - b. A shareholder who is entitled to be present and vote in the General Meeting may appoint a proxy or proxies who will be present and vote in his stead. A proxy does not have to be a shareholder of the Bank. In order for the appointment of a proxy to be valid, the appointment letter and the power of attorney according to which the appointment letter has been signed (where the appointment letter was signed according to a power of attorney) must arrive at the Bank's registered office at least 48 hours before the time of the General Meeting. In the case of an Unregistered Shareholder, an Ownership Confirmation from the Member of the Stock Exchange, as set out in Section 3.1 above, must be attached to the letter of appointment, unless such Ownership Confirmation was delivered to the Bank via the Electronic Voting System.
  - c. A shareholder or proxy who wishes to attend and/or cast a vote in the General Meeting will be required to identify themselves upon arrival to the General Meeting by presenting an ID



document (valid ID card, or passport or driving license). An Unregistered Shareholder (or his proxy) shall also be required to present the Ownership Confirmation form, as aforementioned, unless his Ownership Confirmation was delivered to the Bank via the Electronic Voting System. A proxy of a shareholder whose shares are registered in his name in the Bank's shareholders' register, is not required to present such Ownership Confirmation.

- d. Anyone who is not a shareholder or his proxy, or a shareholder or his proxy who will fail to present a valid ID document and Ownership Confirmation as of Monday, November 18, 2019, shall not be allowed to attend and cast a vote in the General Meeting.
- e. The letter of appointment shall also be valid with regard to an adjourned meeting of the meeting to which the letter of appointment applies, unless otherwise specified in the appointment letter, provided that the adjourned meeting convenes on the date specified in Section 3.2.2 above.

### 3.5. Proxy statement

- a. Shareholders (including Unregistered Shareholders) of the Bank who wish to vote in the Meeting without attending it and without using a proxy, may cast a vote on the topics on the agenda using a proxy statement.
- b. A shareholder (including an Unregistered Shareholder), who is entitled to be present and vote in the Meeting, may vote regarding all topics on the agenda of the Meeting by using a proxy statement, in accordance with the Companies Law and the Voting by Ballot Regulations.
- c. The vote via a proxy statement shall be carried out using the second part of the proxy statement as published on the distribution website of the Israel Securities Authority.
- d. Set forth below are the addresses of the distribution website of the Securities' Authority and the website of the Tel Aviv Stock Exchange, in which one can find the wording of the proxy statement.

The distribution website of the Israel Securities Authority: <http://www.magna.isa.gov.il>.

The notices website of the Stock Exchange: <http://maya.tase.co.il>.

- e. A shareholder may contact the Bank directly and receive from the Bank the wording of the proxy statement.
- f. The vote that was cast by a shareholder via a proxy statement shall be considered as if he was present at and participated in the General Meeting, both for the purpose of the legal quorum required for the Meeting and for the purpose of calculating the results of the vote.

### 3.6. The last date for delivering a proxy statement to the Bank

- a. A shareholder (including an Unregistered Shareholder), who wishes to vote via a proxy statement, shall deliver the proxy statement to the Bank in the manner set out in Section 3.3.1 above, no later than 4 hours prior to the time of the convening of the Meeting (i.e. – Monday, December 23, 2019, at 10:00 o'clock). The proxy statement will be valid only if the shareholder attaches to it the Ownership Confirmation that was sent through the date on which the system was locked (or if the Ownership Confirmation was sent via the Electronic Voting System); the proxy statement of a shareholder, who is registered with the register of the Bank's shareholders, shall be valid only if the shareholder attaches to it a photocopy of his ID card, passport or certificate of incorporation.

- b. The Member of the Stock Exchange shall email, free of charge, a link to the texts of the proxy statement and the position papers at the distribution website of the Israel Securities Authority, to every shareholder who is not registered with the register of the Bank's shareholders, unless the shareholder has informed the Member of the Stock Exchange that he does not wish to receive such a link, and provided that such notice was issued in respect of a specific securities account and prior to the record date.
- c. A shareholder may contact the registered office of the Bank – no later than 24 hours before the date on which the General Meeting is to convene – and withdraw his proxy statement and Ownership Confirmation after he has proven his identity. Once he has done so, the shareholder will only be able to vote during the course of the General Meeting itself (regardless of whether he is a shareholder who is registered with the shareholders' register of the Bank or if he is an Unregistered Shareholder) as well as via the Electronic Voting System, and the provisions set out in Section 3.3.2 above shall apply *mutatis mutandis* and the latest vote he had cast shall be counted.

### 3.7. The Electronic Voting System

- a. Unregistered shareholders may also vote with respect to all of the topics on the agenda of the General Meeting via an electronic proxy statement that will be sent to the Bank through the Electronic Voting System.
- b. An Unregistered Shareholder may give the Member of the Stock Exchange written notice to the effect that he does not wish to be included in the list of shareholders who are entitled to vote via the Electronic Voting System, which shall be delivered to the Bank by the Member of the Stock Exchange via the Electronic Voting System; such written notice shall be given no later than 12:00 o'clock on the record date.
- c. The Member of the Stock Exchange shall deliver to each of the Unregistered Shareholders the details required for casting a vote via the Electronic Voting System, including an access and identification code for the purpose of casting a vote via the Electronic Voting System.
- d. As from the end of the record date and up to 6 hours prior to the time of the convening of the General Meeting (i.e., up to Monday, December 23, 2019 at 08:00) (hereinafter – the **"time on which the system is locked"**), Unregistered Shareholders will be able to access the electronic system by identifying themselves and using the unique access code that was issued by the Member of the Stock Exchange, and cast their vote or change or cancel their previous votes in respect of the General Meeting, which is convened according to this report for convening of a Meeting.
- e. The electronic vote can be changed or cancelled until the time on which the system is locked in respect of the General Meeting, which is convened according to this report for convening of a Meeting, and it will not be possible to change it through the system after that time. The aforesaid does not derogate from an Unregistered Shareholder's right to change his vote by participating in the Meeting and casting a vote in the Meeting (including by proxy) and in such a case the provisions of Section 3.3.2 above shall apply *mutatis mutandis* and the latest vote he had cast shall be counted.
- f. If the General Meeting is adjourned after the time on which the system is locked or if a continuing meeting was set, the Electronic Voting System shall be reactivated and it will be possible to use it to vote in the adjourned meeting or in the continuing meeting, and

accordingly, an Unregistered Shareholder, who had cast his vote via the Electronic Voting System will be able to change his vote via the Electronic Voting System after the time on which the system is locked.

- g. An Unregistered Shareholder, who transferred to the Bank an Ownership Confirmation via the Electronic Voting System and wishes to vote via other means of voting, is not required to transfer to the Bank a new Ownership Confirmation for the purpose of voting in the adjourned meeting or in the continuing meeting.
- h. The votes that were cast via the Electronic Voting System through the time on which the system is locked shall be counted as part of the results of the Meeting (including the adjourned or the continuing meeting) (provided that they are not altered later on by the voter), both for the purpose of the legal quorum required for the Meeting and for the purpose of calculating the results of the vote.

### 3.8. Position papers

- a. The deadline for submission of position papers to the Bank, as defined in Section 88 to the Companies Law, is Friday, December 13, 2019 (inclusive). A position paper that will include the reply of the Bank's Board of Directors shall be published (if it is decided to publish it) until Wednesday, December 18, 2019 (inclusive).
- b. A shareholder may contact the Bank directly and receive from it the wording of the position papers (to the extent that there are any such papers).
- c. One may peruse the position papers on the distribution website of the Israel Securities Authority and on the notices website of the Stock Exchange, as described in Section 3.5 above.

### 3.9. Manner of providing documents to the Bank

The documents which the shareholders are required to provide to the Bank pursuant to the above provisions (including power of attorney, appointment letter, Ownership Confirmations, proxy statements, position papers, etc.), may be delivered, by courier or by registered mail, through the dates specified above, to the Bank's offices at 34 Yehuda Halevi St. Tel Aviv.

### 3.10. Vested interest, interested party in the Bank, senior officer and institutional investor

- a. The provisions of Section 276 of the Companies Law shall apply, *mutatis mutandis*, to anyone who has a vested interest in the approval of Topics 1, 2, 5, 6 and 7 on the agenda. Section 276 to the Companies Law stipulates that: "If a shareholder participates in a vote under Section 275, then he shall inform the company before the vote – and if the vote is by proxy statement, on the proxy statement – whether or not he has a vested interest in the approval of the transaction; if the shareholder failed to inform as aforesaid, then he shall not vote and his vote shall not be counted."
- b. It is hereby clarified that Section 1 to the Companies Law stipulates that a vested interest is also "a vested interest of a person who votes according to a power of attorney given to him by another person, even if that other person has no vested interest, and the vote of a person who was given a power of attorney to vote on behalf of a person with a vested interest shall also be considered as the vote of a person with a vested interest, regardless of whether the voter can exercise discretion regarding the vote or not".

- c. Therefore, a shareholder participating in a vote, is required to inform the Bank before casting his vote in the Meeting or, if he votes via a proxy statement, on the proxy statement, or in the electronic proxy statement (if he votes in this manner) if he has vested interest in the approval of Topics 1, 2, 5, 6 and 7 on the agenda of the General Meeting – (the appointment of Mr. Yitzhak Edelman or Mr. Mordechai Rosen as EDs, approval of the compensation policy, approval of the service and employment terms of the Chairman of the Board of Directors and approval of the President and CEO's terms of service and employment). **A shareholder that fails to give such notice shall not be regarded as having voted on that topic, and his vote shall not be counted.**
- d. Furthermore, pursuant to the provisions of Regulation 36D to the Reports Regulations and pursuant to the Voting by Ballot Regulations, a shareholder participating in a vote is required to inform the Bank before casting his vote in the Meeting or, if he votes via a proxy statement, on the proxy statement, if he is an interested party of the bank (as the term "interested party" is defined in Section 1 of the Securities Law, 1968), a senior officer in the Bank (as the term "senior officer" is defined in Section 37(D) of the said law), an institutional investor as defined in Regulation 1 to the Supervision of Financial Services Law (Provident Funds) (Participation of a Managing Company in a General Meeting, 2009, or a manager of a joint investment trust fund as defined in the Joint Investment in Trust Law, 1994. If the participating shareholder is an interested party, senior officer, institutional entity or a manager of a joint investment trust fund, he is required to provide details regarding other relationships he has with the Bank or senior officers of the Bank and regarding the nature of those relationships. If the vote is cast under power of attorney, such details shall also be given to the grantor and the recipient of the power of attorney.

### 3.11. Perusal of documents

Documents relating to the topics on the agenda of the General Meeting may be perused at the Bank's secretariat, at the Bank's registered office at 34 Yehuda Halevi St. (Beit Leumi) 11th floor, Tel Aviv, Tel: 076-8859419, on Sunday to Thursday between 08:00 to 15:00.

This report was signed in the name of the Bank on November 10 2019.

Respectfully,

Bank Leumi Le-Israel B.M.

Names and positions of the signatories of the report:

Irit Roth (Adv.), Chief Legal Counsel

Livnat Ein-Shay Wilder, Adv., Secretary of the Bank and Group and Deputy Head of the Legal Counsel Division

**Appendix A**

**Compensation Policy for Officers  
of Bank Leumi Le-Israel B.M. (hereinafter – the  
“Bank”)**

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## **Chapter A - Definitions**

In this policy paper, the following terms shall have the meaning specified alongside them, unless it is explicitly stated otherwise.

<b>“Senior Executives” or “Management Members” -</b>	The Bank’s President and CEO and members of its management.
<b>“Directive 301A” -</b>	Proper Conduct of Banking Business Directive 301A (“compensation policy in a banking corporation”).
<b><u>“Compensation Committee”</u></b>	<u>The Board of Directors’ Audit Committee sitting as a Compensation Committee, or a Compensation Committee, to the extent that it serves separately from the Audit Committee.</u>
<b>The “Companies Law” -</b>	The Companies Law, 1999.
<b>“Compensation Limitation Law” -</b>	The Law for Compensation of Officers in Financial Corporations (Special Approval and Disallowing the Deduction of Extraordinary Compensation for Tax Purposes), 2016.
<b>“Monthly Salary” -</b>	Basic (gross) salary for social contributions, in accordance with an annual calendar average.
<b>“Officer” -</b>	Members of Bank’s management, the Bank’s Secretary and other officials whom the Board of Directors will determine, from time to time, to be <del>Officers</del> <u>officers</u> , noting the provisions of the Companies Law (excluding directors). <sup>1</sup>
<b>“Bonus Year” -</b>	The calendar year in respect of which any of the variable annual bonuses was awarded, as described in Chapter E of this Policy.
<b>“Fixed Compensation” and “Variable Compensation” -</b>	As these terms are defined in Directive 301A.
<b>“Return on Equity”</b>	The Return on Equity in respect of the net income to the Bank’s shareholders as per the Bank’s financial statements for the relevant year.

## **Chapter B – Background, objectives and scope**

1. This policy paper is drawn up in accordance with ~~Amendment 20 to the~~ provisions set in the Companies Law regarding service and employment terms of company’s ~~Officers~~officers, the requirements set in Directive 301A, and subject to the limits set out in the Compensation Limitation Law.
2. This document constitutes the Bank’s policy with regard to the terms of service and employment of ~~Bank Officers as of October 12 2016 (the date of the End of the Transition Period set out in the Compensation Limitation Law) and shall be in effect for a period of three years.~~<sup>2</sup>the Bank Officers for the three-year period: 2020, 2021 and 2022.

<sup>1</sup>As to the service and employment terms of the directors – see Chapter H of the Policy.

<sup>2</sup>~~Until the end of 2019.~~

3. The Compensation Policy establishes the framework for compensation of Bank Officers; among other things, it addresses salary components, related benefits, retirement benefits, variable bonuses to Bank Officers and the transitional provisions applicable to benefits previously accumulated by ~~Officers,~~ officers, including until the effective date of the Compensation Limitation Law.
4. ~~The compensation policy is primarily~~ Among other things, the Compensation Policy is designed to retain the Bank Officers and ~~to~~ recruit Senior Executives possessing the experience and ~~skills required~~ capabilities to run a large and complex financial entity, ~~despite the restrictions placed under~~ by paying a proper and fair consideration, subject to the limitations set in the Compensation Limitation Law, as well as to incentivize Bank Officers to achieve adequate performances over time without exceeding the Bank's risk appetite.

## **Chapter C – General Provisions**

5. Upon entering into engagement with an Officer regarding the terms of his service and employment by the Bank, the Compensation Committee and the Board of Directors shall take into consideration the qualification data set out in the Companies Law and Directive 301A, the restrictions set hereunder in this policy and in the Compensation Limitation Law; the Compensation Committee and the Board of Directors shall also consider, among other things, the following: the job to which the Officer is appointed and his compensation in his previous job; the scope and areas of responsibility of the Officer in the Leumi Group, his expertise, skills, achievements and education, professional experience, roles that he previously held, including in the Bank, and his experience in the field relevant to the job he is appointed to.

The compensation payable to the Bank's Chairman of the Board of Directors, President and CEO and other Senior Executives thereof shall be composed of fixed and variable compensation. Nevertheless, the Bank's Chairman of the Board of Directors is not entitled to variable annual bonus, and the President and CEO may be entitled to variable annual bonus based on the composition of his compensation as approved by the Bank's Compensation Committee and the Bank's Board of Directors.

6. In accordance with the provisions of the Companies Law, upon approval of the Compensation Policy, the Board of Directors and Compensation Committee assessed the ratio between the cost of Officers' service and employment terms and the cost of compensation of other Bank employees (including contractors employed at the Bank) and the Compensation Policy's impact on work relations at the Bank.
7. All compensation to Bank Officers<sup>3</sup> will be paid directly thereto and not through any other corporation or entity.
8. The Board of Directors will assess, from time to time, the Compensation Policy and monitor, on an ongoing basis, including through the Compensation Committee, the implementation of the policy's provisions in order to ensure that it does not encourage taking extraordinary risks and allows the maintenance of a robust equity base.

## **Chapter D – Salary and Related Benefits**

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<sup>3</sup>Except for directors (including the Chairman of the Board of Directors).



## Monthly Salary

9. The ~~Monthly Salary~~monthly salary of each of the Bank Officers will be determined based on his position in the Bank, the considerations set out in Section 5 above, and according to the following:
  - 9.1. ~~The Monthly Salary payable to the President and CEO shall total NIS 195,400 and~~The President and CEO's monthly salary shall be determined such that the total compensation to the President and CEO (including the salary and Variable Compensation<sup>4</sup>) shall be in line<sup>5</sup> with the provisions set in the Compensation Limitation Law,<sup>6</sup> and shall not exceed the potential maximum compensation as per the Compensation Limitation Law. The compensation payable to the President and CEO may be updated to an immaterial extent pursuant to the provisions of Section 272(d) of the Companies Law. The President and CEO may convert compensation components to current wages, provided that such conversion shall not increase the cost of employment.<sup>7</sup>
  - 9.2. The monthly salary of all other Senior Executives (separately) will be determined such that the total amount of the compensation payable to that Senior Executive (including salary and Variable Compensation) will be in line<sup>8</sup> with the provisions of the Compensation Limitation Law.<sup>9</sup> The compensation of any of the Senior Executives may exceed, in accordance with the resolution of the Audit Committee and the Board of Directors, the threshold set in Section 2(A) of the Compensation Limitation Law, in which case a portion of those officers' salary will not be recognized as an expense deductible for tax purposes, as set out in Section 32(17) of the Income Tax Ordinance.
  - 9.3. The monthly salary of non-senior executives (separately) will be determined such that the total amount of the compensation payable to each of those non-senior Executives will not exceed 90 percent of the ~~lowest salary~~cost of employment of any of the Bank's Senior Executives as aforesaid.

The abovementioned amounts ~~shall~~may be linked to the rate of increase of the Bank's lowest compensation as set out in the Compensation Limitation Law, ~~(according to the cost of a full-time position the Bank paid to said employee (including an employee of a manpower contractor whose actual employee is the Bank and an employee of a service contractor employed in providing~~

<sup>4</sup>The President and CEO may be entitled to a Fixed Compensation only, with no entitlement to variable annual bonus.

<sup>5</sup>Reducing the total amount of compensation in order to meet the provisions of the Compensation Limitation Law, to the extent required, shall be carried out by reducing the amount of the variable bonus for that relevant calendar year, if any.

<sup>6</sup>For the avoidance of doubt, it is hereby clarified that for the purpose of calculating the total amount of compensation as aforesaid, the Bank will not take into account any compensation, the expense in respect of which is not projected in accordance with generally accepted accounting principles, and statutory contributions for pension and severance pay. It should further be noted that if as a result of the aforesaid calculation the total cost of compensation exceeds the ceiling set in the Compensation Limitation Law, then a portion of the wage will not be recognized as an expense deductible for tax purposes, as set out in Section 32(17) of the Income Tax Ordinance.

<sup>7</sup>Except for an increase stemming from statutory contributions for severance pay and pension.

<sup>8</sup> Reducing the total amount of compensation payable to a Senior Executive in the Bank in order to meet the provisions of the Compensation Limitation Law, to the extent required, shall be carried out by reducing the amount of the variable bonus payable to that Senior Executive for that relevant calendar year.

<sup>9</sup>For the avoidance of doubt, it is hereby clarified that for the purpose of calculating the total amount of compensation as aforesaid, the Bank will not take into account any compensation, the expense in respect of which is not projected in accordance with generally accepted accounting principles, and statutory contributions for pension and severance pay. It should further be noted that if as a result of the aforesaid calculation the total cost of compensation exceeds the ceiling set in the Compensation Limitation Law, then a portion of the wage will not be recognized as an expense deductible for tax purposes, as set out in Section 32(17) of the Income Tax Ordinance.

~~service to the Bank~~)<sup>10</sup> and also in the event where it turns out that other components (apart from statutory contributions for pension and severance pay) are not included in the compensation ceiling set in the Compensation Limitation Law including compensation for overtime) (hereinafter – the “**Wage Ceiling**”), or if it turns out, as a result of the manner of the calculating the product of the minimum wage set in the Compensation Limitation Law, that the Wage Ceiling that may be paid by the Bank is higher than the ceiling set in the Compensation Limitation Law (hereinafter – the “**Updated Wage Ceiling**”), then the current wage shall as aforesaid may be updated according to the ratio between the Updated Wage Ceiling and the Wage Ceiling, at the approval of the Compensation Committee and the Board of Directors.<sup>11</sup>

It is hereby clarified that a material change<sup>12</sup> in Senior Executives’ salaries as set out above in this Section as a result of revisions to the Compensation Limitation Law or revocation thereof, such that the total cost of employing the Senior Executives will be materially higher<sup>12</sup> as compared to the restrictions applicable to the Bank by virtue of Section 2(B) of the Compensation Limitation Law as of the date of publication of this Compensation Policy<sup>10</sup> – shall also be subject to approval of the Bank’s General Meeting.

It is hereby clarified that reducing the total amount of compensation in order to meet the provisions of the Compensation Limitation Law, to the extent required, shall be carried out by reducing the amount of the variable bonus for that relevant calendar year, if any.

10. The ~~Monthly Salary~~ monthly salary of such Officers shall be linked to the Consumer Price Index.<sup>13</sup>

### **Social benefits and related benefits**

11. Officers shall be entitled to related benefits that include social benefits such as contributions for provident and severance pay funds,<sup>14</sup> contributions for workers’ compensation insurance policy and contributions for a study fund.<sup>15</sup>
12. Officers will be entitled to other related benefits, such as annual leave,<sup>16</sup> sick leave,<sup>16</sup> recreation pay, car and telephone, reimbursement of expenses in accordance with the Bank’s procedures,

<sup>10</sup> Based on the cost of a full-time job paid by the Bank to an employee thereof as aforesaid (including a manpower contractor employee who is, in effect, employed by the Bank, and a service contractor employee who is employed as a service provider of the Bank). The lowest compensation ~~at paid by~~ the Bank for ~~the purpose~~ purposes of Section 2(~~b~~B) of the Compensation Limitation Law, ~~in the year preceding the approval date of this compensation policy was approx. is~~ NIS-~~67~~ 83 thousand (~~not including contribution~~ excluding statutory contributions for severance pay and pension ~~according to the law~~). The linkage as set out in this Section is subject to compliance with the provisions of the Compensation Limitation Law.

<sup>11</sup> This will be the case even if the total cost of compensation exceeds the ceiling set in the Compensation Limitation Law, and a portion of the salary will not be recognized as an expense deductible for tax purposes, as set out in Section 32(17) of the Income Tax Ordinance.

<sup>12</sup> Material change of more than 30 percent.

<sup>13</sup> It is hereby clarified that in the event of a decrease in the index, there will be no corresponding reduction of the salary (subject to the provisions of the Compensation Limitation Law).

<sup>14</sup> Including managers’ insurance, pension fund, etc. It should be noted that the statutory contributions for pension and severance pay shall not be included in the calculation of the limitations set in the Compensation Limitation Law. It should further be noted that if as a result of the aforesaid calculation the total cost of compensation exceeds the ceiling set in the Compensation Limitation Law, then a portion of the salary will not be recognized as an expense deductible for tax purposes, as set out in Section 32(17) of the Income Tax Ordinance.

<sup>15</sup> Provisions for study fund may be up to the entitling ceiling for tax purposes.

<sup>16</sup> ~~Following the End of the Transition Period of the Compensation Limitation Law, the Bank Officers will no longer be entitled to~~ may not redeem sick leave ~~and or vacation. Bank Officers may not accumulate annual leave (if they are entitled to such redemption). The Bank~~ days, and the Bank will redeem and pay the ~~sick leave~~ value of

professional and medical insurance, training and courses, membership fees to professional bodies, discounts and benefits relating to banking services as is generally accepted to Bank's employees, grossing-up of the tax value of any of the related and/or social benefits, etc. The Officer may, at his own discretion, waive any of the aforesaid related benefits, subject to the provisions of the law, and receive their monetary value.

### **Fixed compensation to the President and CEO and the Chairman of the Board of Directors in line with the Compensation Limitation Law**

13. ~~Most of the changes in the Compensation Policy, compared to the previous compensation policy, were made due to the need to adapt the Compensation Policy to the requirements of the Compensation Limitation Law.~~ In view of the requirements and restrictions set in the Compensation Limitation Law, upon the coming into effect of the Compensation Limitation Law the Bank ~~is required to adjust~~ revised and ~~reduce~~ reduced the ~~terms~~ wage levels and ~~conditions of office service~~ and employment ~~of most terms~~ of the Bank's serving Officers ~~in the Bank.~~ ~~In addition, since this policy was developed in accordance with evolving arrangements.~~ Therefore, the Compensation Policy sets mechanisms allowing the Bank's Audit Committee and Board of Directors to revise the different components over the term of the policy, whenever the circumstances as of the revision date will justify, in the opinion of the Bank's Compensation Committee and Board of Directors, the application of such revisions.

Accordingly, subject to approval of the Compensation Committee and Board of Directors, the President and CEO and Chairman of the Board of Directors may become entitled to an additional Fixed Compensation component. The amount of this component shall be determined such that total compensation components to the President and CEO and/or Chairman of the Board of Directors (excluding a compensation the expense in respect of which is not projected in accordance with generally accepted accounting principles), will be in line with the limitation set in Section 2(B) of the Compensation Limitation Law.<sup>17</sup>

No contributions for social benefits will be made in respect of this component, apart from statutory contributions for pension and severance pay.

### **Fixed compensation to other Officers (other than the President and CEO)**

14. Upon entering into engagement with an Officer,<sup>18</sup> the Compensation Committee and Board of Directors may determine, for purposes of his service and employment terms pursuant to this Compensation Policy, that the engagement period will be fixed,<sup>19</sup> in which case the Compensation Committee and Board of Directors may approve a fixed monthly or annual payment to that Officer at an overall amount of up to 6 salaries for the entire engagement period. No contributions for social benefits will be made in respect of this fixed payment.

such days that were not used in a certain calendar year, subject to the provisions of the law and ~~vacation leave accrued until the Commencement Date,~~ the restrictions set out in the Compensation Limitation Law (Section 2(B) of the Compensation Limitation Law).

<sup>17</sup>It should be noted that the statutory contributions for pension and severance pay shall not be included in the calculation of the limitations set in the Compensation Limitation Law. It should further be noted that if as a result of the aforesaid calculation the total cost of compensation exceeds the ceiling set in the Compensation Limitation Law, then a portion of the salary will not be recognized as an expense deductible for tax purposes, as set out in Section 32(17) of the Income Tax Ordinance.

<sup>18</sup>Apart from the President and CEO.

<sup>19</sup>It is clarified that the employer-employee relations between the parties may also be terminated during the course of the aforesaid engagement period by giving advance notice pursuant to the provisions of Section 48 below.

## Chapter E – the Bonus Scheme

### Overview

15. The bonus scheme and/or bonuses awarded in accordance therewith or any other bonuses (including all bonuses listed in this chapter hereunder) shall not be and are not part of the wages paid to any of the Officers,<sup>20</sup> and will not be taken into account for purposes of contributions for social benefits, severance pay or pension, nor will they be considered as a related term of any kind and type whatsoever of any of the Bank Officers.
16. Bank Officers will not create private hedge arrangements that may offset the impact of the risk sensitivity inherent in the bonus scheme.
17. In any event, the total amount of variable bonuses a Bank Officer may be entitled to in a certain year (other than the Chairman of the Board of Directors ~~and the President and CEO~~),<sup>21</sup> shall not exceed ~~7~~9 monthly salaries.

### Measurable Annual Bonus

18. Bank Officers (other than the Chairman of the Board of Directors ~~and the President and CEO~~)<sup>22</sup> (hereinafter in this Chapter- the "Officers") ~~will~~may be entitled to an annual bonus based on measurable criteria, at a total amount of up to ~~3~~5 monthly salaries per Officer.
19. Officers' entitlement to each of the components of the measurable annual bonus will be subject to the Bank's meeting the capital adequacy ratios in the Bonus Year as required under the Banking Supervision Department's directives.
20. The measurable annual bonus shall be composed of the amounts of the ~~two~~three bonus components listed below:

#### 20.1. Bonus component based on the Bank's return on equity

The amount of this component will be determined based on the Bank's weighted return on equity, ~~as follows:~~ in no case will it exceed a ceiling of 2.5 monthly salaries. At the beginning of each Bonus Year, the Compensation Committee and Board of Directors will set and approve the range of return on equity targets for that Bonus Year and the number of bonus salary payable in respect of each such return on equity target, provided that: (1) The minimum return on equity target will not be less than 7 percent, and the maximum return on equity target will not exceed 11 percent; (2) The total amount of bonus payable in respect of this bonus component shall not exceed 2.5 monthly salaries.

<del>Weighted return on equity</del>	<del>Bonus in terms of monthly salaries</del>
<del>6%</del>	<del>4</del>
<del>7.5%</del>	<del>4.5</del>
<del>9%</del>	<del>4.8</del>

<sup>20</sup>Except for purposes of tax withholding as required by law.

<sup>21</sup>The Chairman of the Board of Directors is not entitled to a variable annual bonus. The President and CEO may not be entitled to variable annual bonus, noting the service terms set by the Bank's Compensation Committee and Board of Directors.

<sup>22</sup>The Chairman of the Board of Directors ~~and the President and CEO are~~is not entitled to a variable annual bonus. The President and CEO may not be entitled to variable annual bonus, or he may be entitled to some of the variable annual bonus (measurable, qualitative and/or special), noting the service terms set by the Bank's Compensation Committee and Board of Directors.

11% or higher

2.1

The weighted return on equity for purposes of this bonus component shall be calculated over three years as follows: 50 percent in accordance with the Bank's return on equity in the Bonus Year, 30 percent in accordance with the Bank's return on equity in the year preceding the Bonus Year (hereinafter – the “**Previous Year**”), and 20 percent in accordance with the Bank's return on equity in the year preceding the Previous Year.

~~If the weighted return on equity is less than 6%, the Officers will not be entitled to a bonus in respect of this component.~~ To the extent that the weighed return on equity will be at a rate within the range of values ~~detailed to be set~~ as aforesaid, the amount of such bonus component, for each of the Officers, will be determined linearly between the two nearest values. ~~(For example, for a 7% ROE, a bonus of 1.33 salary will be granted).~~

## 20.2. Bonus component based on the return of the Bank's share

This bonus shall be determined based on the weighted difference between the annual return on the Bank's share listed on the Tel Aviv Stock Exchange in the Bonus Year (including dividend), ~~and in the two years prior to the Bonus Year~~, and the annual return of the Tel Aviv-Banks index after excluding the Bank's share (including dividend) in the Bonus Year and in the two years prior to the Bonus Year (hereinafter – the “**Share Return Difference**”), as follows:

<u>Weighted Share Return Difference</u>	Bonus in terms of monthly salaries
<del>1.5%–</del>	<del>0</del>
0%	0.5
0.5%	<del>0.8</del>
1% or higher	<del>0.9</del> 1.5

The weighted Share Return Difference for purposes of this bonus component shall be calculated over three years as follows: 50 percent in accordance with the Share Return Difference in the Bonus Year, 30 percent in accordance with the Share Return Difference in the year preceding the Bonus Year (hereinafter – the “**Previous Year**”), and 20 percent in accordance with the Share Return Difference in the year preceding the Previous Year.

To the extent that the Share Return Difference will be at a rate within the range of values listed above, the amount of such bonus component, for each of the Officers, will be determined linearly between the two nearest values.

## 20.3. Bonus component based on the Bank's efficiency ratio

The amount of this component will be determined based on the Bank's weighted efficiency ratio as calculated based on the Bank's financial statements; in no event will this component exceed one (1) monthly salary. At the beginning of each Bonus Year the Compensation Committee and Board of Directors shall set and approve the range of the efficiency ratio targets for that Bonus Year and the number of salaries to be paid as bonus in respect of each achievement of such efficiency ratio, provided that: (1) The minimum efficiency ratio target will not exceed 62 percent, and the maximum efficiency ratio target will not be less than 52 percent (2) The total amount of bonus payable in respect of this bonus component shall not exceed one (1) monthly salary.

The efficiency ratio for purposes of this bonus component shall be calculated over three years as follows: 50 percent in accordance with the Bank's efficiency ratio in the Bonus Year, 30 percent in accordance with the Bank's efficiency ratio in the year preceding the Bonus Year (hereinafter – the “**Previous Year**”), and 20 percent in accordance with the Bank's efficiency ratio in the year preceding the Previous Year.

To the extent that the weighted efficiency ratio will be at a rate within the range of values listed above, the amount of such bonus component, for each of the Officers, will be determined linearly between the two nearest values.

21. The calculation of the measurable annual bonus will be carried out by the Bank and reviewed by an external entity possessing expertise in this field, whose identity has been approved by the Compensation Committee. The opinion of the said external expert regarding the appropriateness of the calculations will be presented to the Compensation Committee and the Board of Directors.
22. After receiving the Compensation Committee's approval to that effect, the Bank's Board of Directors will be allowed to decide, for special considerations, to reduce the measurable annual bonus amount (in whole or in part) of all or some of the Bank Officers.



### **Personal Annual Bonus (Qualitative)**

23. The Compensation Committee<sup>23</sup> and Board of Directors may approve a qualitative personal bonus in respect of the Bonus Year for any of the Officers; such bonus shall not exceed 3 monthly salaries for each of the Officers.
24. The personal bonus will be based on personal measurement and qualitative criteria, including criteria that cannot be measured quantitatively, in accordance with the relevant Officer's areas of responsibility, such as: contribution to the Bank's strategic planning, implementation, performance and promotion of strategic plans and targets; streamlining; initiating, leading and promoting the Bank's business, structural or ethical projects and processes; compliance with laws and regulations, compliance with the Bank's procedures and ~~non-compliance with~~ compliance with material ~~non-deviation from~~ provisions of policy papers set by the Board of Directors, including compliance with the Bank's risk management policy and risk appetite; audit reports issued in connection with the Officer's area of responsibility.

As part of the annual discussion on awarding a personal annual (qualitative) bonus to an Officer, the Board of Directors shall consider those of the abovementioned issues which are relevant to that Officer.

### **Special Bonus**

25. The Compensation Committee and the Board of Directors may, in exceptional ~~and unusual~~ cases, approve the award of an additional variable bonus in respect of special events to any of the Officers; the amount of such bonus shall not exceed one monthly salary for each Officer.
26. The Special Bonus may be approved and awarded to any of the Officers during the calendar year in respect of an extraordinary event, such as the completion of a one-off project, material structural change and/or an extraordinary transaction in terms of its scope and nature.

### **Deferral of Payment of Variable Bonuses**

27. In the event that the total amount of the variable bonuses listed above in this chapter, to which the Bank's Officer will be entitled in the calendar year, exceeds 40 percent<sup>24</sup> of the Fixed Compensation of that Officer for that year, then half (50 percent) of the said variable bonuses shall be paid to the relevant Officer in cash, and half (50 percent) of the said variable bonuses shall be paid subject to the terms listed in Section 28 below, in three equal installments: at the end of one, two and three years from the date of award of the variable bonuses to the Officers, respectively (hereinafter – the “**Deferred Bonus**”). The Variable Compensation may be paid, in whole or in part, in the form of shares and/or share-based instruments, the entitlement to which vests over several years, subject to the terms listed in Section 28 below or any other terms that will be determined upon allocation of the equity instrument.
28. The vesting of the relevant portion of the Deferred Bonus on each of the vesting dates is conditional upon the Bank's meeting the required capital adequacy ratio as per the directives of the Banking Supervision Department in accordance with the latest financial statements published by the Bank shortly before each of the vesting dates. In the event that the Bank did not meet such ratio, the vesting of the relevant portion of the Deferred Bonus shall be deferred to the next date

<sup>23</sup>With regard to the Internal Auditor - this bonus shall be determined by the Compensation Committee and Board of Directors at the recommendation of the Audit Committee.

<sup>24</sup>Provided that the compensation to the Officer complies with the compensation ceiling requirements of the Compensation Limitation Law.

on which the Bank will meet such capital adequacy ratio pursuant to the financial statements it will publish as stated above.

~~The above provisions regarding the vesting conditions of the deferred bonus portion, respectively, will also apply to share-based instruments allocated (and allocated, if allocated) to Bank Officers<sup>25</sup> by virtue of the compensation policy approved by the Bank's General Meeting on February 11 2014, and notwithstanding the provisions on this matter in the said compensation policy.~~

#### **Transitional provision for calculating the variable bonus for 2016**

~~29. Since the transition period of the Compensation Limitation Law ends on October 12 2016, the eligibility of Officers in the Bank to a variable bonus for 2016 shall not be calculated based on the calendar year, but rather pro-rata, as follows:~~

~~29.1. For the first three quarters of 2016 the eligibility of Officers in the Bank to a variable bonus shall be in accordance with the current compensation policy of the Bank<sup>26</sup> and which ends on the effective date of this compensation policy.~~

~~29.2. For the last quarter of 2016 the eligibility of Officers in the Bank to a variable bonus shall be in accordance with the this compensation policy.~~

~~29.3. For this purpose, the Bank will make a calculation regarding eligibility for the variable bonuses as stated in Sections 29.1 and 29.2 above, shortly after the publication of the Bank's 2016 Periodic Report and based on the Bank's results for the first three quarters and the Bank's results for the last quarter of 2016, mutatis mutandis.~~

~~The variable bonuses for 2016 (both for the first three quarters of 2016, as stated in Section 29.1 above, and for the last quarter of 2016, as stated in Section 29.2 above) will be paid to the Officers, to the extent that the Officers are eligible to receive them, in whole or in part, immediately following the publication of the Bank's 2016 Periodic Report. The provisions and conditions for payment of each variable bonus shall be in accordance with the compensation policy according to which the same variable bonus is calculated.~~

#### **Recovery of Variable Bonuses**

~~30.~~29. Pursuant to the Companies Law, an Officer shall repay the Bank bonus amounts paid thereto, if any, based on data that turned out to be erroneous and which were restated in the Bank's financial statements; repayment shall take place in the manner set by the Board of Directors' Compensation Committee.

~~31.~~30. Without derogating from the aforesaid, every variable annual bonus to a Bank Officer will be awarded and paid thereto, subject to the condition that the Bank can recover the bonus from the Officer, as described below, in whole or in part, upon fulfillment of any of the following criteria:

~~31.1.~~30.1. The Officer was involved in actions that caused extraordinary damage to the Bank, including: unlawful activity, breach of fiduciary duty, deliberate breach or grossly negligent disregard of the Bank's policy, rules and procedures.

For that purpose, "Extraordinary Damage" – a significant financial expense due to fines or sanctions imposed on the Bank by legally competent authorities, or pursuant to a

<sup>25</sup> ~~Including the Chairman of the Board of Directors and the President and CEO.~~

<sup>26</sup> ~~The compensation policy which was approved by the general meeting of the Bank held on February 11 2014.~~



peremptory ruling, a final arbitrator's ruling, compromise settlement, etc. that exceed ~~40~~<sup>3</sup> percent of the Bank's equity as of the date on which the Extraordinary Damage was caused.

It is hereby clarified that the expense relating to the Extraordinary Damage, if any, shall be attributed to the relevant year/s in which the action or failure to act due to which the Extraordinary Damage was caused occurred, rather than to the current year in which the expense was actually recorded, all as determined by the Compensation Committee.

~~31.2.~~<sup>30.2.</sup> Fraud or intentional misconduct of the Officer, due to which data turned out to be erroneous and therefore the Bank was required to carry out a material restatement in its financial statements.

~~31.3.~~<sup>30.3.</sup> Circumstances under which the Bank may dismiss the Officer without paying severance pay in accordance with the applicable law.

A variable annual bonus to a Bank Officer as aforesaid shall be recoverable up to the full amount of the variable annual bonus upon fulfillment of one of the ~~criteria outlined in Sections 31.2 or 31.3 above and up to half the amounts of the variable annual bonus subject to the criterion in Section 31.1 above being met.~~<sup>abovementioned criteria.</sup>

~~32.~~<sup>31.</sup> The variable annual bonus shall be recoverable as aforesaid for a 5-year period from the date of award thereof to the Officer; (the period during which the bonus will be recoverable includes the deferral period of the variable annual bonus).

Despite the above, the recovery period in respect of an Officer shall be extended by two further years, subject to the fulfilment of all of the following conditions:

~~32.1.~~<sup>31.1.</sup> During the recovery period, the Board of Directors approved the conducting of an internal investigation, or alternatively, a regulatory authority (including a foreign regulatory authority) issued the Bank with a notice to the effect that an investigation is being conducted.

~~32.2.~~<sup>31.2.</sup> The Compensation Committee and the Board of Directors believed that during the course of the investigation it might transpire that the criteria for recovery, as set out in Section ~~31~~<sup>30</sup> above, have been fulfilled.

~~32.3.~~<sup>31.3.</sup> The Compensation Committee and the Board of Directors decided that the circumstances for extending the recovery period for the Officer as aforesaid have been met. When making this decision, the Compensation Committee and Board of Directors will take into account, among other things, the level of the Officer's responsibility and the extent of his involvement in the matter. The extension period will expire when the relevant investigation ends and the level of the Officer's responsibility transpires.

~~33.~~<sup>32.</sup> The activation of the recovery mechanism in connection with any of the Bank Officers is subject to Compensation Committee and Board of Directors' confirmation that the criteria for recovery, as aforesaid in Section ~~31~~<sup>30</sup> above, have been met.

~~34.~~ To the extent that the Compensation Committee and Board of Directors confirm that the recovery criteria have been met as aforesaid in Section 30 above, they will set the amount to be recovered, bearing in mind, among other things, all relevant considerations of the matter, including the extent of the Officer's contribution to the Extraordinary Damage caused to the Bank, the level of the Officer's responsibility and the extent of his involvement in the matter, in respect of which the recovery mechanism has been activated; the scope and implications of the Extraordinary Damage caused to the Bank, the Officer's intentions, the dates on which the events

and circumstances that led to the Extraordinary Damage have taken place, etc. In order to consider the above, the Board of Directors may appoint a committee that will discuss the issue and consider the circumstances of the case and the evidence for fulfillment of the criteria; such a committee will deliver its recommendations on the matter to the Compensation Committee and Board of Directors. The Board of Directors shall determine the committee's composition; such committee may include members who do not serve on the Bank's Board of Directors.

~~35.33.~~ The Compensation Committee and Board of Directors' decision as aforesaid shall be made after the Officer has been given a reasonable opportunity to lay out his position before the committee and the Board of Directors.

~~36.34.~~ Once the Compensation Committee and Board of Directors confirmed the aforesaid ~~in Sections 33 and 34~~, the Bank will take all possible measures (subject to any law) including legal measures, in order to recover the amount decided upon.

~~37.35.~~ It is hereby clarified that the Officer will not be required to repay the Bank that portion of the bonus that was deducted and paid as tax to the Tax Authorities.

~~38.36.~~ Notwithstanding the provisions of this Chapter above, where the total amount of the Variable Compensation awarded to an Officer in respect of a certain calendar year did not exceed 1/6 of the Fixed Compensation of that Officer in that year, the variable bonus recovery mechanism as aforesaid will not be activated with regard to that Officer.

### **Officer's Retirement and Joining of a New Officer**

~~39.37.~~ Officer who retired from the Bank

~~37.1.~~ A Bank Officer who will retire during a calendar year<sup>27</sup> (whether on his own accord or at the Bank's initiative), may be entitled to a partial variable bonus in respect of his service during the calendar year in which he retired (hereinafter – the “**Retirement Year**”), to the extent that he will be entitled to such variable bonus in respect of that year ~~-, all subject to the discretion of the Compensation Committee and Board of Directors. Nevertheless, in special cases the Compensation Committee and Board of Directors may approve a higher variable annual bonus.~~

~~39.1.~~

~~39.2.37.2.~~ In order to calculate the variable annual bonus payable to such Officer, who retired, the variable annual bonus will be first calculated as if the Officer has worked throughout the entire Bonus Year; the result of this calculation will then be multiplied by the percentage of the period of his service during the Retirement Year out of the entire year.

~~39.3.37.3.~~ The partial variable annual bonus shall be paid on the dates and terms set above in this policy. It is hereby clarified that such Officer shall receive the remaining balance of the annual bonus pertaining to previous years (prior to the Retirement Year), to the extent that he was entitled to variable annual bonus for those years; this remaining balance shall be paid on the dates and terms set in Sections 27 and 28 above.

~~40.38.~~ An Officer who was dismissed following an event that allows the Bank to dismiss him without payment of severance pay

<sup>27</sup>Date of actual termination of employment.

An Officer who was dismissed following an event that allows the Bank to dismiss him without payment of severance pay during a calendar year<sup>28</sup> shall not be entitled to variable annual bonus for the Retirement Year, nor will he be entitled to payment of the remaining balance of the annual bonus for previous years (prior to the Retirement Year).

#### 41.39. Bank employee who was promoted and appointed as Officer in the Bank

41.1.39.1. A Bank employee who was promoted and appointed as Officer in the Bank during a calendar year, will be entitled to partial variable annual bonus in respect of his actual service period during the calendar year in which he was appointed as Officer (hereinafter – the “**Appointment Year**”), to the extent that he will be entitled to such a bonus in respect of that year. The Officer shall be entitled to a proportionate share of the compensation in respect of the period preceding his appointment as an Officer, during which he worked in another position in the Bank; such compensation shall be paid in accordance with the terms set for that position, noting the period during which he served in this other position.

41.2.39.2. In order to calculate the variable annual bonus payable to such Officer, who was appointed as aforesaid, the variable annual bonus will be first calculated as if the Officer has worked throughout the entire Bonus Year; the result of this calculation will then be multiplied by the percentage of the period of his service during the Appointment Year out of the entire year.

#### 42.40. A new employee appointed as Officer in the Bank

42.1.40.1. ~~A~~The Compensation Committee and Board of Directors may decide that a person appointed as Bank Officer during a calendar year, and was not a Bank employee prior to that, will be entitled to partial variable annual bonus, to the extent that he will be entitled to such variable annual bonus in respect of that year.

42.2.40.2. In order to calculate the variable annual bonus payable to such Officer, who was appointed as aforesaid, the variable annual bonus will be first calculated as if the Officer has worked throughout the entire Bonus Year; the result of this calculation will then be multiplied by the percentage of the period of his service during the Appointment Year out of the entire year.

#### ~~Sign-On~~ Bonus to New Officer

41. ~~A~~The Compensation Committee and subsequently the Bank’s Board of Directors may decide that a new bank employee appointed as Bank Officer in the Bank may will be eligible for awarded a sign-on bonus for his first year of employment~~only~~, amounting to up to 12 monthly salaries. ~~The Compensation Committee and afterwards the Board of Directors, shall consider, in~~In order to reach a decision on the award of such sign-on bonus and its amount, the ~~recommendation of the President~~Compensation Committee and ~~CEO, as well as~~Board of Directors shall consider, ~~for this purpose among other things,~~ the circumstances of his appointment, the nature of the role he is appointed to, the areas and scope of his responsibility, etc.<sup>29</sup> The award of a sign-on bonus to the new Officer may cause the exceeding of the overall compensation approved for that Officer, all subject to the Compensation Limitation Law.

~~43.~~

<sup>28</sup>Date of actual termination of employment.

<sup>29</sup>The provisions of this section regarding a sign-on bonus are subject to the condition that the Variable Compensation in a calendar year shall not exceed 100 percent of that Officer’s Fixed Compensation during that calendar year.

## **Chapter F – Insurance, Exemption and Indemnification**

~~44.~~<sup>42.</sup> The Bank will provide insurance, indemnification and exemption to its Officers for their work as Officers in the Bank and/or subsidiaries and other companies on behalf of the Bank, subject to the limitations set in the law and in the Bank's Articles of Association.

~~45.~~<sup>43.</sup> Subject to the approval of the Compensation Committee, the Board of Directors and/or the General Meeting, as the case may be, the Bank updates its Articles of Association and its advance undertaking to indemnify Officers, such that they reflect changes in the law. Furthermore, the advance indemnification undertaking is limited to indemnity events that, in the opinion of the Board of Directors, can be expected in view of the Bank's activities. The Bank updates the list of indemnity events for which advance indemnity undertaking is given in accordance with and subject to the resolutions of the Compensation Committee, the Board of Directors and/or the General Meeting, noting the changes and developments in the nature and scope of the legal risks the Bank faces from time to time.

Without derogating from the aforesaid, the maximum amount that the Bank will pay in respect of actual indemnity payable in connection with one of the expected events as aforesaid, shall not exceed, at any given time, 25 percent of the Bank's equity as per its latest (annual or quarterly) financial statements published prior to actual payment of indemnity.

~~46.~~<sup>44.</sup> The Bank purchases a professional liability policy covering directors and other Officers in the Bank and the Group<sup>30</sup> in accordance with a framework resolution that was approved by the Bank's General Meeting on August 6 2014, and which pre-authorized the Bank to purchase such a policy, from time to time and for a number of insurance periods until no later than the end of the policy period to be renewed in 2020 (without being required to seek further approval from the General Meeting), subject to the conditions set in the aforesaid framework resolution.

Without derogating from the aforesaid and in addition thereto, the Bank is hereby authorized<sup>31</sup> to purchase, from time to time, professional liability insurance in respect of directors and other Officers in the Bank and the Group<sup>301</sup> (hereinafter in this section – the “Policy”) without being required to seek further approval from the General Meeting, subject to the following conditions:

44.1. The resolution period – the Bank will enter into professional liability insurance policies in respect of directors and other Officers for a number of insurance periods until no later than the end of the policy period to be renewed during the Compensation Policy period, i.e., the one that will be renewed by the end of 2022, even if it will end in subsequent years.

44.2. The policies may be purchased by extending or renewing the Policy and/or by purchasing another Policy, where necessary.

44.3. For each purchased Policy, the Compensation Committee will confirm that its terms are reasonable, bearing in mind Officers and Bank's exposures, the scope of coverage and market conditions; the Compensation Committee will also confirm that the Policy is purchased under market conditions and that it will not have a material impact on the Bank's earnings, assets or undertakings, provided that: (1) The Group Policy's liability cap will not be less than USD 200 million or more than USD 350 million per claim and per period (with reinstatement right of no more than USD 350 million), all with the addition of the annual devaluation rate of the dollar compared to the NIS (if any), as from the date of approval of this Compensation Policy. (2) Premium in respect of the Policy: The annual

<sup>30</sup>The insurance policy also covers directors and other Officers who previously served in the Bank.

<sup>31</sup>In accordance with Section 1B1 of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000.

premium in respect of the Policy shall not exceed USD 2.6 million, plus up to 20 percent per year and up to a maximum annual premium of no more than USD 4 million.

45. Furthermore, the Bank is authorized to purchase a run-off professional liability insurance policy in respect of directors and other Officers of the Bank and the Group (hereinafter in this section – the “Policy”), including pursuant to the approval of the Bank’s General Meeting of August 1 2012 (without being required to seek further approval from the General Meeting), before transfer, purchase or formation of control in the Bank by any entity or person in any way whatsoever, subject to the ~~conditions as outlined in the resolution passed in the said General Meeting following~~ conditions:

45.1. The Policy’s purchase date – the Bank will purchase the Policy, at its own discretion and pursuant to what is stated below, before transfer, acquisition or formation of control<sup>32</sup> in the Bank by any entity or person in any way whatsoever.

45.2. The Policy period – the policy period will be up to 10 years.

45.3. Policy’s cost – the cost of premium in respect of the policy shall not exceed 4.5 times the annual cost of the existing D&O policy in respect of the professional liability of Board of Directors and other Officers in the Bank and the Group, as set in the latest renewal prior to the Policy’s purchase date.

45.4. The Policy is taken in addition to the professional liability insurance policy in respect of directors and other Officers of the Bank and the Group, and it does not detract from the current insurance of Officers that will serve in the Bank and the Group after transfer or purchase of control in the Bank.

45.5. The Compensation Committee and thereafter the Board of Directors will approve the purchase of the policy and confirm that its terms are reasonable, bearing in mind Officers and Bank’s exposures, the scope of coverage and market conditions; they will also confirm that the Policy is purchased under market conditions and that it will not have a material impact on the Bank’s earnings, assets or undertakings.

45.6. It is hereby clarified that the option to purchase the Policy in accordance with what is stated above does not detract from the option to include run-off coverage within the current insurance policy.

~~47.~~46. Subject to the provisions of the Companies Law and any other law, the Bank may exempt an Officer-Officers therein, in advance and/or retroactively, from his responsibility, in whole or in part, for liability toward the Bank due to any damage due to of any type that was caused and/or will be caused, directly or indirectly, to the Bank, its subsidiaries, related companies and/or any other corporations, whose securities the Bank holds and/or will hold, from time to time (hereinafter – the “Company’s Related Corporations”), due to any act or failure to act (including any decision, failure to make a decision or any derivative thereof), which constitutes breach of duty of care towards him, except for breach of a director’s duty of care in “distribution” (as the term is defined in the Companies Law). Accordingly, the Bank previously granted by the Officers. The aforesaid will also apply to the exemption from liability to the Bank’s Officers and the Bank’s personal contract holders of a Bank Officer in his capacity as an Officer in the Bank’s Related Corporations.

## **Chapter G – Term of Agreement and Retirement Benefits**

<sup>32</sup>Control – seeking a control permit pursuant to provisions of the Banking (Licensing) Law, 1981.



~~48.~~47. When determining the retirement benefits of a Bank's Officer, the Compensation Committee and the Bank's Board of Directors will take into account, among other considerations, the Officer's role in the Bank, his areas of responsibility, experience, period of service in the Bank and his terms of service and employment during that period, including his entitlement to some or all of the Bank's Generation A retirement benefits (in whole or in part).

~~49.~~48. Term of agreement and advance notice -

Officers' employment agreements with the Bank may be fixed-term agreements or non-fixed term agreements, as decided by the Compensation Committee and Board of Directors. The termination of employer-employee relations between the Bank and Officers shall be done by giving advance notice of up to 6 months, and in special cases up to 9 months, as decided by the Compensation Committee and Board of Directors; during the notice period, there shall be employer-employee relations between the Officer and the Bank, and the Officer shall be entitled to his salary and all other related benefits during that period. The duration of the notice period may also be determined having noted the Officer's number of service years in the Bank.

~~50.~~49. Terms of termination of employment -

~~50.1.~~49.1. In the event of dismissal<sup>33</sup> or retirement, Bank Officers will be eligible to severance pay at a rate of 100 percent to 250 percent of their last monthly salary per each year of service in the Bank, plus the funds accumulated in their pension savings (Officers will be required to repay the Bank an amount equal to the contributions for severance pay made in respect thereof).

~~50.2.~~49.2. Officers' right for increased severance pay, unfunded pension from the Bank in accordance with the employment terms of Generation A employees (hereinafter – the “**Pension Annuity**”) (or immediate Pension Annuity and/or interim annuity,<sup>34</sup> accumulated in respect of the period through the end of the Compensation Limitation Law's transition period<sup>35</sup> (hereinafter – the “**End of the Transition Period**”), are retained (subject to the provisions of Section 49.3 below, as the case may be), and the Officers will be entitled to those benefits in case of dismissal,<sup>33</sup> resignation or retirement, as the case may be. These benefits will be calculated based on the Officer's number of years of service and his salary shortly before the end of the Transition Period. The Officer will not continue accumulating benefits and will not be entitled to any further funds and benefits in respect of these entitlements subsequent to the End of the Transition Period (unless otherwise provided below).

~~<sup>33</sup>Including resignation that shall be considered dismissal, and regarding the President and CEO – "dismissal" also includes resignation due to deterioration in working terms and conditions, including resignation as a result of changes that occurred in the Bank and which do not allow the President and CEO to continue to serve as President and CEO, in the opinion of the President and CEO with the approval of the Compensation Committee or the Board of Directors) or if the President and CEO is unable to continue to hold office for any reason whatsoever. The terms of termination of the President and CEO's employment will be identical in the event of dismissal, resignation or other retirement.~~

<sup>34</sup>The transition period of the Compensation Limitation Law is a 6-month period starting on April 12 2016 and ending on October 12 2016.

<sup>35</sup>A defined group of managers from among the Bank's Generation B employees, which, in case of termination and subject to meeting seniority and/or age conditions, were entitled to opt to receive an Interim Annuity from the Bank in lieu of increased severance pay until they become eligible for pension pursuant to the fund's rules and the provisions of the law.

~~50.3.~~49.3. Upon dismissal<sup>36</sup> or resignation,<sup>37</sup> as relevant, Bank Officers who are eligible to some or all of the Bank's Generation A benefits (in whole or in part) shall be entitled to those benefits in accordance with one of the following alternatives, as agreed between the Officer and the Bank:

~~50.3.1.~~49.3.1. In respect of the Officer's service after the end of the Transition Period – in respect of his service after the end of the Transition Period, the Officer shall be eligible to dismissal or retirement benefits, in accordance with the provisions of Section 49.1 above.

In respect of the Officer's service until the end of the Transition Period – in the event of dismissal (or resignation that, according to the Bank's resolution shall be subject to the rules applicable to dismissal), or in the event of retirement from the Bank, the Officer shall be eligible to all benefits accumulated in his name, in respect of his service in the Bank through the End of the Transition Period, with regard to the Bank's Pension Annuity and/or Immediate Pension Annuity obligation, as relevant. These benefits will be calculated based on the Officer's number of years of service, his salary and the percentage of the pension he is eligible to shortly before the End of the Transition Period. The Officer will not continue accumulating benefits and will not be entitled to any further funds and benefits in respect of this entitlement to Pension Annuity or Immediate Pension Annuity subsequent to the End of the Transition Period.

~~50.3.2.~~49.3.2. **Alternatively**, upon reaching retirement age, the Officer shall be eligible to a Pension Annuity from the Bank and may continue accumulating this right on a current basis even after the End of the Transition Period; (however, he will not be entitled to continue accumulating towards an Immediate Pension Annuity). The percentage of Pension Annuity is 2.67 percent per annum for the first 15 years of employment. Subsequently – 1.5 percent per annum for each year until a personal contract is signed; 2 percent per annum for each year of employment under a personal contract and 2.5 percent per annum for each year of service as member of management, up to a maximum of 70 percent. Where the Officer opted for this option, eligibility for Pension Annuity from the Bank is subject to the Officer having all the benefits and funds accrued in the pension savings and severance pay fund (in respect of Generation A benefits) in his name available as the source from which the Pension Annuity will be paid by the Bank as aforesaid. The Officer's eligibility to pension in respect of Generation A benefits relates to his service with the Bank through the End of the Transition Period, and to his service after the End of the Transition Period and through the date of his retirement.

In the event of dismissal (or resignation that, according to the Bank's resolution shall be subject to the rules applicable to dismissal), the Officer shall be eligible to dismissal benefits as set out in Section 49.3.1 above (i.e., - (1) in respect of the Officer's service after the End of the Transition Period, he will be eligible to severance pay at a rate of 100 percent to 250 percent of his last monthly salary per each year of service in the Bank, plus the funds accumulated in his pension savings, as stated in Section 49.1 above; and (2) in respect of the Officer's service

<sup>36</sup>Including resignation in the case of the President and CEO.

<sup>37</sup>Generation A – including employees who are members of the pension fund of Bank Leumi's tellers, who began working for the Bank before January 1 1999 and received permanent employee status before the date of signing the special collective pension arrangement on December 19 1999, and including management members who are eligible to Generation A benefits.

until the End of the Transition Period he shall be eligible to all benefits accumulated in his name, in respect of his service in the Bank through the End of the Transition Period, with regard to the Bank's Immediate Pension Annuity obligation, and these benefits will be calculated based on the Officer's number of years of service, his salary and the percentage of the pension he is eligible to shortly before the End of the Transition Period – as set out in Section 49.3.1 second paragraph above).

~~50.3.3.~~49.3.3. **Alternatively**, upon reaching retirement age, the Officer will be eligible to a Pension Annuity from the Bank, and may continue accumulating towards this right on a current basis even after the End of the Transition Period; the Officer may also continue accumulating towards an Immediate Pension Annuity until the date on which he becomes eligible to a Pension Annuity, pursuant the Bank's rules regarding Officers (years of service in the Bank plus age) (hereinafter – the **"Date of Eligibility to Immediate Pension Annuity"**); when an Officers becomes eligible to an Immediate Pension Annuity, this right will be frozen.

The percentage of Pension Annuity is 2.67 percent per annum for the first 15 years of employment. Subsequently – 1.5 percent per annum for each year until a personal contract is signed; 2 percent per annum for each year of employment under a personal contract and 2.5 percent per annum for each year of service as member of management, up to a maximum of 70 percent. Where the Officer opted for this option, eligibility for Pension Annuity from the Bank is subject to the Officer having all the benefits and funds accrued in the pension savings and severance pay fund (in respect of Generation A benefits) in his name available as the source from which the Pension Annuity will be paid by the Bank as aforesaid. The Officer's eligibility to pension in respect of Generation A benefits relates to his service through the End of the Transition Period, and to his service after the End of the Transition Period and through the date of his retirement.

In the event of dismissal (or resignation that, according to the Bank's resolution shall be subject to the rules applicable to dismissal), the Officer shall be eligible to dismissal benefits as set out in Section 49.3.1 above (i.e., - (1) in respect of the Officer's service after the End of the Transition Period, he will be eligible to severance pay at a rate of 100 percent to 250 percent of his last monthly salary per each year of service in the Bank, plus the funds accumulated in his pension savings, as stated in Section 49.1 above; and (2) in respect of the Officer's service until the End of the Transition Period, he shall be eligible to all benefits accumulated in his name, in respect of his service in the Bank through the End of the Transition Period, with regard to the Bank's Immediate Pension Annuity obligation, and these benefits will be calculated based on the Officer's number of years of service, his salary and the percentage of the pension he is eligible to shortly before the End of the Transition Period – as set out in Section 49.3.1 second paragraph above); as to the Immediate Pension Annuity, the Officer's benefits will be calculated based on his salary and the percentage of pension he is eligible to, as accrued in his name until the Date of Eligibility to Immediate Pension Annuity.

The frozen amounts and benefits as stated in Section 49.2 and 49.3 above, in respect of Officer's benefits accumulated for the period through the End of the Transition Period (or through the Date of Eligibility to Immediate Pension Annuity, as relevant), shall be deposited with an external personal fund or continue to be held by the Bank; however, where the Officer is eligible to Immediate Pension Annuity, Interim Annuity or Increased Severance Pay, as relevant, the amounts and benefits to be paid to the Officer shall be



limited to the amounts and benefits deposited as stated above; any surpluses in accordance with a periodic account settlement mechanism that will be set, will be repaid to the Bank. It is hereby clarified that deposit of funds as aforesaid towards Immediate Pension Annuity or Interim Annuity, as relevant, shall be carried out subject to partial recovery obligation, such that if the Officers continues working for the Bank, a proportionate share of the amounts funded in respect of the Officer's benefits shall be released and repaid (as relevant) to the Bank, in accordance with the shortening of the Bank's period of exposure to payment of Immediate Pension Annuity or Interim Annuity. Settlement of accounts as aforesaid will be carried out every 3 years or any other period agreed upon between the Bank and the Officer.

~~50.4. The following shall apply to an Officer who announces the termination of the employment relationship with the Bank due to the expected deterioration in the terms and conditions of his employment with the Bank due to the Compensation Limitations Law:~~

~~50.4.1. Notwithstanding the provisions of Section 49 above, the Bank's Board of Directors may decide that the period of advance notice to be given by such Officer shall be less than 6 months, or may decide that the Bank waives the advance notice by such Officer.~~

~~As part of the termination of the employment relationship between the Bank and the aforementioned officer, the officer shall receive the full amount of funds and benefits to which he is entitled due to termination of employee-employer relations under the existing employment agreement, including discounting of his immediate retirement pension benefit and/or discounting of the interim annuity benefit, at the employee's choice, in accordance with the amounts he has accrued for this benefit in the Bank's books.~~

In the case of an Officer for whom the Bank makes contributions towards an Interim Annuity (under the terms of Generation B benefits) – after the date on which the contributions toward the Interim Annuity reach the required maximum, the Bank and the relevant Officer will carry out an annual settlement of accounts, such that the Officer will be eligible to an annual bonus at an amount equal to the amount deducted from the abovementioned contributions, in accordance with the shortening of the Bank's period of exposure to payment of Interim Annuity, provided that the total amount of bonuses to be paid by the Bank as aforesaid will not exceed the overall amount provided by the Bank toward Interim Annuity as from January 1 2017.

~~50.4.2.~~

~~50.4.3. The Bank may opt, at its discretion, to re-employ the Officer, after his said retirement, as provided for in new terms and conditions of service and employment, which are in accordance with the Compensation Limitation Law, and in accordance with this compensation policy and subject to the provisions of the law (including approval or non-objection by the Supervisor of Banks to employ the Bank Officer, if such approval or non-objection is required).~~

~~50.5.~~ 49.4. Officers employed under Generation A employment contracts replaced their contracts with a Generation B employment contracts; and/or Generation C employment contracts with the Bank, or are in the process of doing so. After such replacement of contracts as aforesaid, the retirement benefits of the said Officers will be Generation A retirement benefits, as described above, in respect of the frozen salary (salary on the date on which that Officer replaced his Generation A employment contract with a Generation B and/or Generation C employment contract, with the addition of linkage to the index), plus

Generation B and/or Generation C benefits relating to pay rises in excess of the frozen salary.

~~50.6.~~49.5. Without derogating from the provisions of Section 49.6 below, an Officer who resigned on his own accord is eligible to severance pay amounting to 100 percent of his last ~~Monthly Salary~~monthly salary multiplied by the number of years of service in the Bank plus the funds accumulated in the provident fund. A management member who will resign from the Bank upon reaching the age of 62 or older is eligible to severance pay as aforesaid at a rate of 200 percent.

~~50.7.~~49.6. The Board of Directors may determine, after obtaining the Compensation Committee's approval to that effect, that some or all of the retirement benefits and conditions set in an Officer's employment agreement will apply also in the event that the said Officer resigns. Furthermore, the Board of Directors may decide, after obtaining the Compensation Committee's approval to that effect, that the term "dismissal" will also include a resignation due to worsening of work conditions, including resignation due to changes in the Bank or changes that impact the Officer's work in the Bank.

#### ~~51.~~50. Non-compete and adaptation grant

~~51.1.~~50.1. An Officer may undertake towards the Bank to maintain a non-compete period of up to 6 months as from the actual termination date, as decided by the Board of Directors. During the non-compete period, the Officer will be entitled to receive the salary and all other relating benefits (excluding contributions for social benefits). Notwithstanding the aforesaid, in the event that the Officer will not be required by the Bank to work during his entire notice period, the Compensation Committee may decide that some of the payment in respect of the non-compete period will be on account of a portion of the notice period.

~~51.2.~~50.2. Upon termination, an Officer may be entitled to an adaptation grant of up to 6 monthly salaries (including relating benefits and excluding contributions for social benefits).

50.3. The term of the non-compete undertaking and the amount of the adaptation grant as aforesaid may also be determined taking into account the Officer's number of years of service with the Bank.

~~52.~~51. The termination of employer-employee relations between the Bank and an Officer may include other immaterial benefits, such as eligibility to purchase the Bank's car used by the Officer at terms generally accepted in the Bank for Senior Executives, and other benefits awarded by the Bank to senior Bank retirees such as medical tests, recreation pay, newspaper, holiday gifts, discount in bank account service charges, etc.

#### ~~53.~~52. Variable retirement benefits

~~53.1.~~52.1. Pursuant to the provisions of Directive 301A,<sup>38</sup> any retirement benefits to Bank Officers beyond those normally awarded by the Bank to its employees (hereinafter – "**Variable Retirement Benefits**"), shall factor in the actual performance over time and the reason of termination, and shall be classified, accordingly, as Variable Compensation. Payment of variable retirement benefits as aforesaid shall be subject to the arrangements for deferral of payments until after the date on which the Officer stops working for the

<sup>38</sup>It is hereby clarified that the Compensation Policy does not set stricter provisions than those set in the Transitional Provisions relating to Directive 301A, nor does the Compensation Policy's provisions impair any benefits protected under the Transition Provisions.

bank; such payment will also be subject to the activation of ex-post facto performance alignment mechanisms, which will only be activated under stress scenarios in the Bank in order to ensure that taking excessive risk is not encouraged.

~~53.2.~~52.2. Upon determining or revising the Variable Retirement Benefits of an Officer, members of the Compensation Committee and the Board of Directors will take into account, among other things and in addition to the considerations listed in Section 47 above, the Officer's period of service as a Bank Officer, the Bank's performances during the said period, and the Officer's contribution to the achievement of the Bank's targets and performances as aforesaid.

~~53.3.~~52.3. Without derogating from the provisions of Section 52.2 above, in the event that Extraordinary Damage (as defined in Section 30.1) is caused to the Bank during an Officer's period of service as a Bank Officer, then the Board of Directors may, after obtaining the Compensation Committee's approval, reduce the amount of some or all of the Variable Retirement Compensation payable to that Officer. The aforesaid resolution shall be reached, among other things, bearing in mind the Officer's role and areas of responsibility in the Bank and the answer to the question of whether the Extraordinary Damage was caused by exogenous factors and/or by decisions made during the Officer's term in office as a Bank Officer, and after the Officer has been given a reasonable opportunity to lay out his position before the committee and the Board of Directors.

~~53.4.~~52.4. An amount at a rate of 50 percent of the Variable Retirement Compensation to which the Officer will be entitled shall be deferred and spread equally over three consecutive years from the date of termination of employment thereof; this amount will be linked to the index, and payment of such deferred Variable Retirement Compensation will be subject to the provisions of Section 52.5 below.

~~53.5.~~52.5. If it was discovered that a "Default Event" (as defined below) has taken place, which relates to the Officer's term in office as a Bank Officer, the Board of Directors may, at the recommendation of the Compensation Committee, reduce some or all of the Variable Retirement Compensation to which the relevant Officer is eligible and which have not yet been paid thereto. The said decision shall be reached, among other things, bearing in mind the circumstances under which the Default Event has occurred, including: the severity of the Default Event, the scope and consequences of the damage, the Officer's intentions, the date on which the Default Event occurred, the extent of the Officer's contribution to the occurrence thereof, etc., and after the Officer has been given a reasonable opportunity to lay out his position before the committee and the Board of Directors.

For the purpose of this Section 52, a "**Default Event**" means any of the following: (a) Material deviation from the Bank's risk appetite with regard to an issue that falls under the responsibility of the Officer, which caused the Bank material financial losses and triggered the conversion of the Bank's subordinated bonds into shares as per Section 9 of Appendix D to Proper Conduct of Banking Business Directive 202;<sup>39</sup> (b) breach of fiduciary duty toward the Bank, which caused Material Damage to the Bank, provided that the Officer did not act in good faith and had reasonable grounds to assume that the action will adversely affect the Bank; (c) circumstances that allow the Bank to dismiss the Officer without paying severance pay, pursuant to the applicable law.

<sup>39</sup> Section 9 of Appendix D of Directive 202: "An instrument must have a principal loss absorption mechanism, by which conversion to ordinary shares or a principal write-down will be carried out when the ratio of the banking corporation's Common Equity Tier 1 capital falls below 5 percent".

## **Chapter H – Compensation to Directors**

~~54.~~53. Members of the Board of Directors will only be paid a Fixed Compensation. It is the Bank's policy that the compensation paid to all Bank directors (excluding the Chairman of the Board of Directors) is an annual compensation and compensation for participation in meetings, according to the "maximum amount" payable to an outside director or an expert outside director, as relevant, pursuant to the provisions of the Companies Regulations (Rules Regarding Compensation and Expenses to Outside Director), 2000, as worded from time to time.

~~55.~~54. It is hereby clarified that the above provisions of the Compensation Policy do not apply to the directors, apart from what is stated in Chapters F and H.

### **Compensation to the Chairman of the Board of Directors**

55. ~~The~~ The Chairman of the Board of Directors' service terms and the total amount of compensation payable thereto, including the monthly compensation and/or salary, shall be determined such that they shall be in line with the provisions set in the Compensation Limitation Law<sup>40</sup> and the provisions of any law, and the total compensation amount shall not exceed the potential maximum compensation as per the Compensation Limitation Law.<sup>41</sup> The Chairman of the Board of Directors' service terms shall be determined bearing in mind the compensation paid to the other members of the Board of Directors of the Bank, taking into consideration, among other things, the size of the Bank, the complexity of its activities and the scope of employment and roles of the Chairman of the Board of Directors.

~~56.~~ Subject to the provisions of any law, the Chairman of the Board of Directors shall only be entitled to receive a Fixed Compensation for his service in the Bank.

~~57.~~56. Notwithstanding the ~~provisions of Section 56~~ above, the Chairman of the Board of Directors shall be entitled to relating benefits, including social benefits as set out in Sections 11 and 12 above; he will also be entitled to retirement benefits as set out in Chapter G above, in line with his position and as relevant, in accordance with the Bank's normal practice in relation to the employment terms of its Senior Executives.

~~58. The Monthly Salary of the Chairman of the Board of Directors will be approximately NIS 168,200, with the amount being linked to the increase in the CPI, and the amount will be linked as stated in Section 0 above. The Monthly Salary of the Chairman of the Board of Directors may be updated by the authorized organs in the Bank, taking into consideration, among other things, the size of the Bank, the complexity of its activities and the scope of employment of the Chairman of the Board of Directors.~~

<sup>40</sup>For the avoidance of doubt, it is hereby clarified that for the purpose of calculating the total amount of compensation as aforesaid, the Bank will not take into account any compensation, the expense in respect of which is not projected in accordance with generally accepted accounting principles, and statutory contributions for pension and severance pay. It should further be noted that if as a result of the aforesaid calculation the total cost of the Chairman of the Board of Directors' compensation exceeds the ceiling set in the Compensation Limitation Law, then a portion of the wage will not be recognized as an expense deductible for tax purposes, as set out in Section 32(17) of the Income Tax Ordinance.

<sup>41</sup> It is hereby clarified that a material change (of more than 30 percent) in the compensation paid to the Chairman of the Board of Directors as set out above in this Section, as a result of revisions to the Compensation Limitation Law or revocation thereof, such that the total cost of employing the Chairman of the Board of Directors will be materially higher as compared to the restrictions set by the Compensation Limitation Law as of the date of publication of this Compensation Policy – shall also be subject to approval of the Bank's General Meeting.

~~59.~~57. Furthermore, the Chairman of the Board of Directors may be entitled to an additional Fixed Compensation Component as set in Section 13 above of this policy.

## **Chapter I - Miscellaneous**

~~60.~~58. In accordance with the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000, it is hereby stipulated that: Notwithstanding the provisions of Sections 272(C) and (D) of the Companies Law, immaterial revisions to the service and employment terms of the Bank Officers (other than the President and CEO and directors), shall be subject to approval of the President and CEO (without approval of the Compensation Committee), provided that the revisions to the service and employment terms of such Officer, as well as the service and employment terms of the Officer subsequent to the said revision, are in line with the provisions of this Compensation Policy.

Nothing in the provisions of this Compensation Policy impairs and/or derogates from Bank Officers' eligibility to rights and/or benefits, in addition to those they are eligible to pursuant to this Compensation Policy, if any, in connection with the arrangements for privatization of the Bank, including the participation in such arrangements and/or in offerings to employees to purchase Bank's shares from the Government.

**Appendix B – Principal Terms and Conditions of Office and Employment of the Chairman of the Board of Directors and Additional Information**

The following are the principal terms and conditions of office and employment offered to Dr. Samer Haj Yehia, Chairman of the Board of Directors (the “**Chairman**” or “**Chairman of the Board**”) for his service with the Bank.

The offered terms and conditions of office and employment of the Chairman of the Board brought for the approval of this General Meeting – will apply as of July 22 2019 – the date on which the Chairman of the Board began to serve in said position (in this Appendix below: the “**Commencement Date**”), and will be in effect for as long as he continues to serve as the Chairman of the Board of the Bank or as may be required according to the directives of the Banking Supervision Department in that regard until the end of 2020 or any other date which will be established according to the directives of the Banking Supervision Department.<sup>1</sup>

1. **Background**

Dr. Haj Yehia serves as a director of the Bank as of September 30 2014, and was elected as aforesaid to serve as Chairman of the Board of the Bank as of the Commencement Date.

According to the Compensation for Officers in Financial Corporations (Special Approval and Non-Allowance for Tax Expenditure Due to Exceptional Compensation), 2016 (the “**Compensation Limitation Law**”) and Directive 301A of the Proper Conduct of Banking Business Directives (“**Directive 301A**”, and jointly with the Compensation Limitation Law, the “**Restrictive Legal Provisions**”) the terms and conditions of office and employment of the Chairman of the Board, adapted to the Restrictive Legal Provisions, are brought to this General Meeting for its approval.

The terms of office of the Chairman of the Board were determined considering the compensation of all other board members of the Bank, and considering, inter alia, the size of the Bank, the complexity of its activities and the scope of the office and duties of the Chairman of the Board.

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<sup>1</sup>The terms and conditions of office as specified in this resolution of the General Meeting will also apply if Mr. Haj Yehia is elected to serve as the Chairman of the Board for additional terms.

## 2. Salary

The monthly Salary of the Chairman of the Board will be determined so that the Chairman of the Board's total compensation will amount to the maximum compensation allowed under the Compensation Limitation Law.<sup>2</sup>

In view of the above, the Chairman of the Board will be entitled to a monthly salary totaling approx. NIS 228,000, linked to the increase of the Consumer Price Index (CPI) known on the Commencement Date<sup>3</sup> (the "**Salary**"). The said amount may be linked to the increase rate of the lowest compensation in the Bank as provided in the Compensation Limitation Law,<sup>4</sup> and if it becomes evident that additional components (beyond pension contributions and contribution for severance pay according to the law) are not included in the wage ceiling established by the Compensation Limitation Law (including compensation for over time) (hereinafter: the "**Wage Ceiling**") or if it becomes evident, due to the manner of calculation of the minimal compensation multiplier established in the Compensation Limitation Law, that the Wage Ceiling payable at the Bank exceeds the ceiling established by the Compensation Limitation Law (hereinafter: the "**Updated Wage Ceiling**"), then the current compensation may be updated, subject to the approval of the Compensation Committee and the Board of Directors, according to the ratio between Updated Wage Ceiling and the Wage Ceiling.<sup>5</sup>

The Chairman of the Board will be entitled to convert compensation components to current compensation provided that such conversion will not increase the cost of his employment.<sup>6</sup>

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<sup>2</sup>It is clarified, for the avoidance of any doubt, that for the purpose of calculating the total compensation as aforesaid, the following will not be taken into account - compensation the expenditure of which is not anticipated according to generally accepted accounting principles, and shall not include contributions for pension and severance pay according to law. It should be further noted that if consequently, the total cost of the Chairman's compensation exceeds the ceiling established by the Compensation Limitation Law, part of the compensation will not be recognized as an expense for tax purposes, according to the provisions of Section 32(17) of the Income Tax Ordinance.

<sup>3</sup>It is hereby clarified, that if the CPI decreases, the Salary will not be decreased accordingly.

<sup>4</sup>According to the cost of the full time position paid to such employee by the Bank (including an employee of a manpower contractor who is actually employed by the Bank and an employee of a service contractor engaged in rendering services to the Bank). The lowest compensation at the Bank for the purpose of Section 2(b) of the Compensation Limitation Law, in the year preceding the approval date of this compensation policy was approx. NIS 83 thousand (not including contributions for severance pay and pension according to the law).

<sup>5</sup>It should be noted that if consequently the total cost of the Chairman of the Board's compensation exceeds the ceiling established by the Compensation Limitation Law, then, part of the compensation will not be recognized as an expense for tax purposes, as provided in Section 32(17) of the Income Tax Ordinance.

<sup>6</sup>Excluding increase arising from contributions for severance pay according to the law and contributions for pension payments according to the law.

### Fixed compensation adapted to the Restrictive Legal Provisions

Since the terms of employment of the Chairman of the Board brought for the approval of this general meeting are made in accordance with the limitations established by the Restrictive Legal Provisions and including Section 2(b) of the Compensation Limitation Law, the Chairman of the Board may be entitled, subject to the approval of the Compensation Committee and the Board of Directors, to an additional component of fixed payment. The amount of said component will be determined so that the Chairman of the Board's total compensation components (excluding compensation the expenditure for which is not expected according to generally accepted accounting principles) meet the limitation established in Section 2(b) of the Compensation Limitation Law.<sup>7</sup>

For this fixed component no social contributions will be made, excluding contributions for severance pay and pension according to the law.

### 3. Employment term and termination

The Chairman of the Board's employment agreement is for the term of his employment as of the Commencement Date (the "**Term of Employment**"). During the Term of Employment either party may terminate the engagement by giving a six (6) month prior notice (in the event that according to the law employment relations may be severed without prior notice, the employment relations may be terminated forthwith. However, it is clarified that if the employment terminates on the expiration of the maximum term of office permitted by law to directors – the notice period will begin on the expiration of office as aforesaid) (the "**Advance Notice**").

It is clarified that the Bank may demand that during the notice period, in whole or in part, the Chairman of the Board will perform his duties in effect. During the notice period, the Chairman will be entitled to Salary and all other related benefits (including social benefits).

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<sup>7</sup>It should be noted that in calculating the limitations established by the Compensation Limitation Law, and according to the provisions of said Law, contributions for severance pay and pension contributions according to the law will not be included.



4. Contributions and deductions for pension, severance pay and social benefits

- 4.1. The Bank will make pension contributions<sup>8</sup> for the Chairman of the Board, which will be transferred on a monthly basis to managers' insurance, provident funds and/or pension arrangement, as will be agreed upon between the parties, from time to time, at the rate of 7.5 percent; in addition the Bank will deduct an additional amount at the rate of 6 percent from the Chairman of the Board's Salary for pension payments (the "**Pension Contributions**").
- 4.2. The Bank will make contributions for severance pay which will be transferred on a monthly basis to a severance pay fund, at the rate of  $8\frac{1}{3}$  percent of the Chairman of the Board's Salary.<sup>9</sup>
- 4.3. The Bank will also make monthly contributions to a study fund, at its expense, in respect of the Chairman of the Board of Director at an amount equal to 7.5 percent of the Salary, as it shall be from time to time; at the same time, the Bank shall deduct a total equal to 2.5 percent from the Salary and will transfer them to the study fund as the Chairman of the Board of Director's share in study fund contributions, up to the maximum amount entitling an assessee to tax benefits. It is clarified that the Chairman of the Board may request that a deposit be made in a study fund at the above rates for the entire Salary and not only up to the taxable ceiling, and in such an event, the Chairman of the Board's current compensation will be reduced so that the total employment cost remains unchanged.

5. Retirement benefits

The Chairman of the Board of Director's benefits upon termination of office will be as follows:

5.1. Severance pay and pension

Following the termination of the Chairman of the Board's office with the Bank, for any reason whatsoever (other than under exceptional circumstances in which the Chairman of the Board may be denied severance pay), the Chairman of the Board will be entitled to

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<sup>8</sup>Including workers' compensation insurance, to the extent such insurance is purchased.

<sup>9</sup>Including all components for which severance pay may be paid according to the law.

severance pay in an amount equal to 100 percent<sup>10</sup> of the last Salary multiplied by the number of years (and/or any part thereof) of his office as Chairman of the Board during the Term of Employment, in addition to the Chairman being entitled to funds and benefits accrued in his pension fund for pension contributions made by the Bank and the Chairman of the Board in respect of the employment term.

## 5.2. Non-Compete

Chairman of the Board will undertake towards the Bank to maintain a 6 month non-compete period after the date of termination of his office (hereinafter: the “**Non-Compete Period**”). During the Non-Compete Period, the Chairman of the Board will be entitled to receive a Salary and all other related benefits, excluding contributions for social benefits.

## 6. Exemption, insurance and indemnification

6.1. The Chairman of the Board will be entitled to exemption, insurance and indemnification of officers, as is customary at the Bank, from time to time.

6.2. Nothing stated in this Section and/or in the approval of the terms and conditions of office and employment of the Chairman of the Board will detract from and/or prejudice any exemption, insurance and indemnification undertaking received by the Chairman of the Board from the Bank, the Bank's group and/or for his service with the Bank and/or with the Bank's group.

## 7. Vacation leave, recreation pay and sick leave

As is customary at the Bank and as approved by the Audit Committee to the Chairman of the Board.

## 8. Related benefits

As approved by the Audit Committee, the Chairman of the Board will be entitled to benefits as is customary for senior executives of the Bank, including reimbursement of expenses expended

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<sup>10</sup>Entitlement to severance pay as aforesaid is subject to the transfer to the Bank of the contributions for severance pay made for the term of employment or an amount equal to the amount of such contributions.

by him for the purpose of fulfilling his duties. Among other things the Chairman of the Board will be entitled to benefits such as a car, telephone, etc.

The Chairman of the Board may waive any of the above additional benefits at his discretion and receive from the Bank the value of the benefits waived by him.

9. Annual bonuses

The Chairman of the Board will not be entitled to an annual variable bonus.

10. The Compensation Committee and the Board of Directors has examined the ratio between the cost of the terms and conditions of office and employment of the Chairman of the Board and the cost of compensation of all other Bank employees and contract workers employed at the Bank, and in particular, the ratio to the cost of the average compensation and to the cost of the median compensation of employees as aforesaid, and the effect of the gaps between them on the work relations in the Bank.

The ratio between the cost of the terms and conditions of office and employment of the Chairman of the Board and the cost of the average and median compensation of the Bank employees in 2018, is 9.8 and 10.5, respectively;<sup>11</sup> the ratio between the cost of compensation of all other Bank officers<sup>12</sup> and the cost of the average and median compensation of the Bank employees, is 8.3 and 8.9, respectively.

11. The Chairman of the Board's education, qualifications, expertise, achievements and professional experience

11.1. The Chairman of the Board academic education

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<sup>11</sup>The calculation includes all employees holding standard positions with the Bank, even if not directly employed by the Bank but rather through contractors and manpower companies or outsourcing companies. The cost of compensation taken into account for the purpose of said calculation is the overall cost of the compensation (namely, including variable compensations paid for 2018) excluding payroll tax.

<sup>12</sup>The calculation is based on the compensation of the officer with the highest compensation among the Bank's officers, other than the President and CEO or the Chairman of the Bank's Board of Directors.

Academic degree	Field		Name of academic institution
<b>PHD</b>	Economics specialization in Econometrics and Financing	with in and	MIT
<b>MBA</b>	Business Administration with specialization in Banking and Financing		Hebrew University, Jerusalem
<b>MA</b>	Economics specialization in Macroeconomics and International Trade	with in and	Hebrew University, Jerusalem
<b>LLB</b>	Law		Hebrew University, Jerusalem
<b>BA</b>	Accounting and Economics		Hebrew University, Jerusalem
<b>Fourth Year</b>	Accounting		Tel Aviv University
<b>CFA</b>			CFA Institute MA, USA

#### 11.2. The Chairman of the Board's professional experience in the last five years

Position	Employer	Term of office
Advisor to the Board of Directors and management of	Bond I.T. Ltd.	May 2017 – July 2019
Director	Big Shopping Centers Ltd.	December 2018 – July 2019
OD, Chairman of the Audit Committee and Chairman of the Financial Reports Committee	Strauss Group Ltd.	June 2017 – July 2019
Member, Chairman of the Audit Committee	Hadassah Medical Association (Public Benefit Company)	May 2015 – July 2019

Plenum Member, Chairman of Audit Committee	Council for Higher Education	March 2017 – July 2019
Committee Member	Committee for the Locating Director General for the Government Companies Authority	July-September 2017
Committee Member	Council for Higher Education – Committee for the examination of proposals for an RFP for opening a university with a campus in an Arab community	July 2016 – September 2017
Member of Advisory Council	MIT Enterprise Forum	July 2016 – July 2017

11.3. Positions or engagements of the Chairman of the Board: Dr. Samer Haj Yehia serves as the Chairman of the Bank's Board of Directors and as the chairman of the following committees of the Board: Credit Committee, Risk Management Committee, Prospectus Committee, Procedure Committee, Investment Committee, Strategy Committee, the IT and Technological Innovation Committee.

In addition, Dr. Samer Haj Yehia is the owner, Chairman of the Board and CEO of a private company owned by him S.H. Eden International Business Management & Consulting Ltd., is a lecturer in the Interdisciplinary Center in Herzliya and member of the Search Committee for a Director General for the Economic Development Authority of the Minority Sector at the Ministry for Social Equality.

11.4. Qualifications, expertise and achievements of the Chairman of the Board: in addition to the Sections 11.1-11.3 above, the Bank's Board of Directors confirmed that Dr. Samer Haj Yehia has financial accounting expertise as defined in the Companies Regulations (Conditions and Criteria for Directors with Accounting and Financial Expertise and for Directors with Professional Qualifications), 2005, and has proved experience in the field of information technology as stated in Section 25 of the Proper Conduct of Banking Business Directive No. 301 of the Banking Supervision Department.

In addition, Dr. Samer Haj Yehia has teaching experience. The courses he teaches include FinTech, financing, banking, trade and commerce, investments, report analysis,

entrepreneurship and econometrics for BA and advanced degrees at the Hebrew University, Harvard, MIT and IDC.

In addition, Dr. Samer Haj Yehia has professional practical experience including economic, financial and strategic consulting and providing expert opinions to authorities and courts in the United States (Analysis Group) and in Israel (Deloitte) specializing in the capital market and banking, involvement in large scale cases, analysis of financial reports and investment and financing strategies including banks and other regulated entities. He serves as Fidelity's VP Financial Engineering and as a trade strategist at GMO, USA, is involved in trade analysis, investment and financial statements and as Chairman of Strauss' and Hadassah's audit committees, he is involved in analysis and approval of financial statements.

11.5. The Chairman of the Board is not a family member of any of the Bank's interested parties.

11.6. Description of the position of the Bank's Chairman of the Board, areas handled thereunder and scope

The Chairman of the Board is employed full time as the Bank's active Chairman of the Board.

## 12. Expected compensation

The following are additional details regarding the expected compensation that the Chairman of the Board will be entitled to for the years 2019 and 2020 (in NIS thousands and in terms of cost to the Bank, assuming employment during a full calendar year):

	Scope of position	Percentage of the Bank's equity held <sup>(1)</sup>	Salary <sup>(2)</sup>	Bonus <sup>(4)</sup>	Social contributions <sup>(3)</sup>	Value of benefits <sup>(5)</sup>	Stock-based bonus	Total	Value of interest	Social contributions according to the law
2019			1,215		233	30	-	1,478	-	180
2020			2,745		483	69	-	3,297	-	406



- (1) The Chairman of the Board does not hold shares or other Bank securities.
- (2) 2019 includes the Chairman's terms and conditions of office and employment proposed in this meeting for his service as Chairman of the Board as of the Commencement Date only (July 22 2019). The cost of compensation of the Chairman of the Boards for his office as a Bank director until the Commencement Date is approx. NIS 305 thousand. The calculation presented in this table is based on the Chairman of the Board's fixed compensation (without taking into consideration variations or linkage to the CPI), assuming a fixed compensation adapted to the Restrictive Legal Provisions (as specified in section 2 above, second paragraph) supplementing to compensation of NIS 3.3 Million per annum as of the Commencement Date.
- (3) Social contributions include contributions for pension payments and severance pay beyond the provisions of the law (on contributions for pension payments and severance pay according to the law see a separate column – "Social Contributions according to the Law"), study fund, social security.
- (4) The Chairman of the Board is not entitled to variable bonuses.
- (5) The value of the benefits includes mainly benefits for car, telephone, newspaper, holiday gift, etc.



**Appendix C – Principal Terms and Conditions of Office and Employment of the  
President and CEO and Additional Information**

The following are the principal terms and conditions of office and employment offered to the President and CEO, Mr. Hanan Friedman, for his service with the Bank. The offered terms of office and employment of the President and CEO brought for the approval of this General Meeting – will apply as of November 1 2019 (the "**Commencement Date**") (subject to their approval by the general meeting).

1. **Background**

Mr. Friedman serves as an officer of the Bank as of September 1 2014, and began to serve as the Bank's President and CEO as of the Commencement Date.

According to the Compensation to Compensation for Officers in Financial Corporations (Special Approval and Non-Allowance for Tax Expenditure Due to Exceptional Compensation), 2016 (the "**Compensation Limitation Law**") and Directive 301A of Proper Conduct of Banking Business Directive No. 301A ("**Directive 301A**", and jointly with the Compensation Limitation Law, the "**Restrictive Legal Provisions**") the terms and conditions of office and employment of the President and CEO, adapted to the Restrictive Legal Provisions, are brought to this general meeting for its approval.

2. **Salary**

The monthly salary of the President and CEO will be determined so that the President and CEO's total compensation will amount to the maximum compensation possible under the Compensation Limitation Law.<sup>1</sup>

In view of the above, the President and CEO will be entitled to a monthly salary totaling approx. NIS 228,000, linked to the increase of the Consumer Price Index (CPI) known on the

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<sup>1</sup> It is clarified, for the avoidance of any doubt, that for the purpose of calculating the total compensation as aforesaid, the following will not be taken into account - compensation the expenditure for which is not expected according to generally accepted accounting principles, and shall not include contributions for pension and severance pay according to law. It should also be noted that if consequently, the total cost of the compensation exceeds the ceiling established by the Compensation Limitation Law, then, part of the compensation will not be recognized as an expense for tax purposes, as provided in Section 32(17) of the Income Tax Ordinance.

Commencement Date<sup>2</sup> (the "**Salary**"). The said amount may be linked to the increase rate of the lowest compensation in the Bank as provided in the Compensation Limitation Law (according to the cost of a full time position paid by the Bank to a Bank employee as aforesaid,<sup>3</sup> and if it becomes evident that additional components (beyond pension contributions and contribution for severance pay according to the law) are not included in the wage ceiling established by the Compensation Limitation Law (including compensation for over time) (hereinafter: the "**Wage Ceiling**") or if it becomes evident, due to the manner of calculation of the minimal compensation multiplier established in the Compensation Limitation Law, that the Wage Ceiling payable at the Bank exceeds the ceiling established by the Compensation Limitation Law (hereinafter: the "**Updated Wage Ceiling**"), then the current compensation may be updated, subject to the approval of the Compensation Committee and the Board of Directors, according to the ratio between Updated Wage Ceiling and the Wage Ceiling.<sup>4</sup> The linkage according to this section is subject to meeting the provisions of the Compensation Limitation Law.

The President and CEO will be entitled to convert compensation components to current compensation provided that such conversion will not increase the cost of his employment.<sup>5</sup>

#### Fixed compensation adapted to the Restrictive Legal Provisions

Since the terms of employment of the President and CEO brought for the approval of this general meeting are made in accordance with the limitations established by the Restrictive Legal Provisions and Section 2(b) of the Compensation Limitation Law, the President and CEO may be entitled, subject to the approval of the Compensation Committee and the Board of Directors, to an additional component of fixed payment. The amount of said component will be determined so that the President and CEO's total compensation components (excluding compensation the

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<sup>2</sup>It is clarified that in the event that the CPI decreases, the Salary will not be reduced accordingly (subject to meeting the provisions of the Compensation Limitation Law).

<sup>3</sup>Including an employee of a manpower contractor whose actual employer is the Bank and an employee of a service contractor engaged in rendering services to the Bank. The lowest compensation at the Bank for the purpose of Section 2(b) of the Compensation Limitation Law, in the year preceding the approval date of this compensation policy was approx. NIS 83 thousand (not including contribution for severance pay and pension according to the law).

<sup>4</sup>It should be noted that if consequently the total cost of the President and CEO's compensation exceeds the ceiling established by the Compensation Limitation Law, then, part of the compensation will not be recognized as an expense for tax purposes, as provided in Section 32(17) of the Income Tax Ordinance.

<sup>5</sup>Excluding increase arising from contributions for severance pay according to the law and contributions for pension payments according to the law.

expenditure for which is not expected according to generally accepted accounting principles) meet the limitation established in Section 2(b) of the Compensation Limitation Law.<sup>6</sup>

For this fixed component, no social contributions will be made, excluding contributions for severance pay and pension payments according to the law.

3. Employment term and termination of employment

The President and CEO's employment agreement is for an unlimited period of time. Either party may terminate the employment agreement by giving a six (6) months' prior notice (in the event that according to the law employment relations may be severed without prior notice, the employment relations may be terminated forthwith). It is clarified that the Bank may demand that, during the notice period, in whole or in part, the President and CEO will, in effect, perform his duties. During the notice period, the President and CEO will be entitled to a Salary and all other related benefits (including social benefits).

4. Contributions and deductions for pension payments, severance pay and social benefits

4.1. The Bank will make contributions for pension and workers' compensation insurance for the President and CEO, which will be transferred on a monthly basis to managers' insurance, provident funds and/or pension arrangement, as will be agreed upon between the parties, from time to time, at the rate of 7.5 percent; in addition, the Bank will deduct an additional amount at the rate of 6 percent from the President and CEO's Salary for pension contributions (hereinafter: the "**Pension Contributions**").

4.2. The Bank will make contributions for severance pay, which will be transferred on a monthly basis to a severance pay fund, at the rate of  $8\frac{1}{3}$  percent of the President and CEO's Salary.<sup>7</sup>

4.3. The Bank will also make monthly contributions to a study fund in respect of the President and CEO at an amount equal to 7.5 percent of the Salary, at its expense, as it shall be from

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<sup>6</sup>It should be noted that in calculating the limitations established by the Compensation Limitation Law, and according to the provisions of said Law, contributions for severance pay and contributions for pension payments according to the law will not be included. It should be further noted that if consequently, the total cost of the President and CEO's compensation exceeds the ceiling established by the Compensation Limitation Law, part of the compensation will not be recognized as an expense for tax purposes, according to the provisions of Section 32(17) of the Income Tax Ordinance.

<sup>7</sup>Including all components for which severance pay may be paid according to the law.

time to time; at the same time, the Bank shall deduct, at the expense of the President and CEO, a total equal to 2.5 percent of the Salary and will remit them to the study fund up to the maximum amount entitling an assessee to tax benefits. It is clarified that the President and CEO may request that a deposit be made in a study fund at the above rates for the entire Salary and not only up to the taxable ceiling, and in such an event, the President and CEO's current compensation will be reduced so that the total employment cost remains unchanged.

5. Retirement benefits

5.1. As stated above, the President and CEO acts as an officer in the Bank as of September 1 2014. On the date on which the Compensation Limitation Law entered into effect, on October 12 2016 (the "**Effective Date**") the terms and conditions of office and employment of the incumbent Bank officers at the time according to the provisions of said Law, including the terms and conditions of office and employment of Mr. Friedman, including his benefits in the event of retirement. Therefore, in the event of retirement, the President and CEO will be entitled to retirement benefits for his service with the Bank from the Commencement Date with the Bank until the Effective Date, and to retirement benefits for his term of office with the Bank from the Effective Date until the termination of his employment relations with the Bank, as specified below.

5.2. In the event that the employment relations between the President and CEO and the Bank are severed (dismissal, resignation or retirement) the President and CEO will be entitled to the following benefits (**cumulatively**).<sup>8</sup>

5.2.1. For the term of the President and CEO's employment as of the Effective Date: the President and CEO will be entitled, for the term of his employment as of the Effective Date and until the termination of the employment relations, to severance pay in an amount equal to 100 percent<sup>9</sup> of the last known monthly Salary on the termination of employment relations with the Bank multiplied by

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<sup>8</sup>Other than in the event in which the employment relations were severed as a result of the President and CEO having been convicted of a criminal offense involving receipt of personal benefit (such as receiving a bribe or theft) which was knowingly committed in connection with his employment, involving moral turpitude, and subject to the right to refer the matter to an agreed arbitrator.

<sup>9</sup>Entitlement to severance pay as aforesaid is subject to the transfer to the Bank of the contributions for severance pay made during said term or an amount equal to the amount of such contributions.

the number of years from the Commencement Date until the termination date of the employment relations as aforesaid, plus the funds and benefits accumulated in the pension funds from pension contributions made by the Bank and by the President and CEO in respect of the President and CEO's term of employment during the abovementioned term (from the Effective Date until the termination date of the employment relations).

- 5.2.2. For the term of the President and CEO's employment until the Effective Date: the President and CEO will be entitled to severance pay in an amount equal to 250 percent of the monthly Salary immediately prior to the Effective Date multiplied by the number of years he will have been employed by the Bank until the Effective Date, plus the funds and benefits accumulated in the pension funds from pension contributions made by the Bank and by the President and CEO for the President and CEO's term of employment during the above period (until he Effective Date).<sup>10</sup> In addition, the President and CEO will also be entitled to an adaptation bonus in the amount of the adaptation bonus reserved for him in the Bank's books immediately prior to the Effective Date.<sup>11</sup>

6. Non-compete

The President and CEO will undertake towards the Bank to maintain a 6 month non-compete period from the date of termination of his office (hereinafter: the “**Non-Compete Period**”). During the Non-Compete Period the President and CEO will be entitled to receive a Salary and all other related benefits, excluding contributions for social benefits.

7. Exemption, Insurance and Indemnification

- 7.1. The President and CEO will be entitled to exemption, insurance and indemnification of officers, as is customary at the Bank, from time to time.
- 7.2. Nothing stated in this Section and/or in the approval of the terms and conditions of office and employment of the President and CEO will detract from and/or prejudice any exemption, insurance and indemnification undertaking received by the President and CEO

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<sup>10</sup>Entitlement to severance pay as aforesaid is subject to the transfer to the Bank of the contributions made to the severance pay fund.

<sup>11</sup>Six times the monthly Salary immediately prior to the Effective Date.

from the Bank, the Bank's group and/or for his service with the Bank and/or with the Bank's group.

8. Vacation leave, recreation pay and sick leave

As is customary for senior executives of the Bank according to the Bank's procedures.

9. Related benefits

The President and CEO is entitled to benefits as is customary for senior executives of the Bank, including:

- 9.1. Reimbursement of expenses made by him for the purpose of fulfilling his duties, as established in the Bank's procedures.
- 9.2. Car and driver if the President and CEO so wishes (if car entitlement is chosen, he will be entitled to request that the costs of the car made available to him will be grossed up in his Salary, subject to the Wage Ceiling limitation).
- 9.3. Payment of bills for two telephone lines in his home and a mobile phone made available to him by the Bank. Telephone expenses as aforesaid will be grossed up in his Salary.
- 9.4. Insurance and medical survey tests, newspapers, discounts on banking services and all other benefits as is customary for senior executives of the Bank.

The President and CEO may waive any of the above related benefits at his discretion and convert them into payment which will be received, according to the cost to the Bank of the benefits waived by him.

10. Provisions regarding Annual Bonuses

- 10.1. The President and CEO will not be entitled to an annual variable bonus as of the Commencement Date.
- 10.2. For this purpose, it is clarified that the President and CEO may be entitled to an annual variable bonus according to his current terms and conditions of employment with the Bank for a relative part of 2019 for the period in 2019 up to the Commencement Date.

11. The ratio between the terms and conditions of office of the President and CEO and other Bank employees

The Compensation Committee and the Board of Directors has examined the ratio between the cost of the terms and conditions of office and employment of the President and CEO and the cost of compensation of all other Bank employees and contract workers employed at the Bank, and in particular, the ratio to the cost of the average compensation and to the cost of the median compensation of employees as aforesaid, and the effect of the gaps between them on the work relations in the Bank.

The ratio between the cost of the terms and conditions of office and employment of the President and CEO and the cost of the average and median compensation of the Bank employees in 2018, is 9.8 and 10.5, respectively;<sup>12</sup> the ratio between the cost of compensation of all other Bank officers<sup>13</sup> and the cost of the average and median compensation of the Bank employees, is 8.3 and 8.9, respectively.

## 12. The President and CEO's education, qualifications, expertise, achievements and professional experience

### 12.1. The President and CEO's academic education

Academic degree		Field	Name of academic institution
Bachelor's degree (LLB)		Law	Bar Ilan University
Master's degree	(without thesis, direct route)	Law	Bar Ilan University

### 12.2.

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<sup>12</sup>The calculation includes all employees holding standard positions with the Bank, even if not directly employed by the Bank but rather through contractors and manpower companies or outsourcing companies.

The cost of compensation taken into account for the purpose of said calculation is the overall cost of the compensation (namely, including variable compensations paid for 2018) excluding payroll tax.

<sup>13</sup>The calculation is based on the compensation of the officer with the highest compensation among the Bank's officers, other than the President and CEO or the Chairman of the Bank's Board of Directors.

12.3. The President and CEO's professional experience in the last five years [to be completed]

Position	Employer	Term of office
Head of Strategy, Innovation and Transformation Division	Bank Leumi	March 2019 through this day (for more information, see Section 11.3 below)
Head of Strategy and Regulation Division, member of management, First Executive VP	Bank Leumi	June 2017 – March 2019
Chief Legal Counsel, member of management, Head of Legal Counsel Division Legal Department and Legal Risk Manager, First Executive VP.	Bank Leumi	September 2014 – June 2017
Chief Legal Counsel	Harel Insurance Investments and Financial Services Ltd. and its subsidiaries	February 2006 – August 2014
Chief Legal Counsel	Harel Insurance Company Ltd. (and additional companies of the Harel group)	February 2006 – August 2014

12.4. Additional positions or engagements of the President and CEO: Adv. Hanan Friedman acts as Head of Strategy, Innovation and Transformation Division, Management Member as First Executive VP. It should be noted that in a Board of Directors meeting held on August 27 2019, the Bank's Board of Directors resolved to appoint Adv. Hanan Friedman as the Bank's next President and CEO subject to the approval of the Supervisor of the Banks or a letter confirming her non-objection to said appointment.

In addition, Adv. Hanan Friedman acts as a director in Bank Leumi USA and as the Chairman of the Board of Bank Leumi Le-Israel Corporation. In addition, Adv. Hanan Friedman acts as a member of the board of trustees of Bar Ilan University.



12.5. The President and CEO's qualifications, expertise and achievements: see Sections 11.1-11.3 above.

12.6. The President and CEO is not a family member of any of the Bank's interested parties.

12.7. Description of the position of the Bank's President and CEO, areas handled thereunder and its scope

The President and CEO of the Leumi Group is employed full time.

### 13. Expected compensation

The following are additional details regarding the expected compensation that the President and CEO will be entitled to for the years 2019 and 2020 (in NIS thousands and in terms of cost to the Bank, assuming employment during a full calendar year):

	Scope of position	Percentage of the Bank's equity held <sup>(1)</sup>	Salary <sup>(2)</sup>	Bonuses <sup>(4)</sup>	Social Contributions <sup>(3)</sup>	Value of benefits <sup>(5)</sup>	Stock-based bonus	Total	Value of interest	Social contributions according to the law
2019		Approx. 0.00 percent	1,832		339	74	-	2,245	-	270
2020			2,745		483	69	-	3,297	-	406

(1) 70,367 shares as of September 19 2019.

(2) 2019 includes the President and CEO's terms and conditions of office and employment according to his employment agreement as a Bank officer until the Commencement Date and the terms and conditions of office and employment according to the new agreement as the President and CEO of the Bank as of the Commencement Date. The calculation presented in this table is based on the President and CEO's Salary as of the Commencement Date (November 1 2019), in the amount of approx. NIS 228,000 (without variations and without taking into consideration linkage to the CPI), assuming a fixed compensation adapted to the Compensation Limitation Law supplementing the compensation of NIS 3.3 Million per annum (as of the Commencement Date).

- (3) Social contributions include contributions for pension payments and severance pay beyond the provisions of the law (on contributions for pension payments and severance pay according to the law see a separate column – "Social Contributions according to the Law"), study fund, social security.
- (4) The President and CEO is not entitled to variable bonuses as of the Commencement Date. As to the annual bonus for part of 2019 (as of the Commencement Date), it is uncertain and unquantifiable, and therefore not included in the above table. For terms and details regarding the annual bonus – please see the Bank's compensation policy in effect until the Commencement Date.
- (5) The value of the benefits includes mainly benefits for car, telephone, newspaper, holiday gifts, etc.



## Appendix D

### Bank Leumi Le-Israel B.M. (the "Bank")

#### Indemnification Undertaking to Bank Directors

1. For the purpose of this Undertaking:

The "**Bank**" – Bank Leumi Le-Israel B.M.

The "**Events**" – foreseeable events in view of the Bank's activity carried out in effect on the date of this Undertaking, all as specified in Exhibit A to this Undertaking.

"**Officer**" – an officer as defined in the Companies Law including the internal auditor and the Bank's secretary.

"**Action**" – including an acts or omission.

"**Distribution**" – granting dividend or an undertaking to grant dividend, directly or indirectly, including Acquisition. And for this purpose, "**Acquisition**" – acquisition or financing an acquisition, directly or indirectly, by the Bank or any of its subsidiaries or another corporation under its control, of Bank shares or securities convertible into Bank shares or exercisable into Bank shares, or redemption of securities constituting part of the Bank's equity including an undertaking to do any of the above, provided that the seller is neither the Bank nor another corporate entity wholly owned by the Bank.

2. Subject to the provisions of any law and to the provisions of this indemnification resolution, the Bank hereby gives the Bank's directors, holding office from time to time, severally to each one of them, an indemnification undertaking:

- 2.1. For financial liability imposed on any of them, as specified in Section 3.1 below, in connection with the Events, provided, however, that in no event

Shall the maximum amount payable by the Bank as a result of the actual realization of the indemnities given and which will be given to all officers of the Bank and its subsidiaries exceed, in the aggregate, for any one of the entitling Events, 25 percent (twenty five percent) of the Bank's equity according to its last financial statements (annual or quarterly) known before the actual indemnification date (hereinafter: the "**Maximum Indemnification Amount**").

- 2.2. If the total indemnification amount that the Bank will be required to pay its directors and officers as specified in Section 2.1 above exceeds the Maximum Indemnification Amount (as in effect at that time) according to Section 2.1 above, the Maximum Indemnification Amount or any balance thereof, as the case may be, will be divided between the directors and other relevant officers who will be entitled to indemnification, such that the indemnification amount received in effect by each of the officers will be calculated according to the ratio between the indemnification amount that each one of the officers would have been entitled to receive (but for the Maximum Indemnification Amount limitation), and the indemnification amount that all said directors and officers would have been entitled to receive (but for the Maximum Indemnification Amount limitation) for said matter.
- 2.3. It is hereby clarified that the Maximum Indemnification Amount is in addition to the amounts which will be received from the insurance company, if any, in the framework of the insurance purchased by the Bank, if any, and/or in the framework of insurance and/or indemnification of another party other than the Bank (so that the Maximum Indemnification Amount will not be reduced as a result of insurance and/or indemnification payments made, if made).
- 2.4. For reasonable litigation fees incurred by the director or imposed on him by the court as specified in Sections 3.2, 3.3, 3.4 and 3.5 below.

The above indemnification undertaking will also inure to the benefit of the director's heirs, estate and other substitutes he may have according to the law.

3. The indemnification is also conditioned on the satisfaction of all of the following conditions, as the case may be:
  - 3.1. The indemnification will be given for financial liability imposed on the director for the benefit of another person according to judgment, including judgment given in a settlement or an arbitral award approved by the court, in respect of Actions and omissions taken by the director in his capacity as director of the Bank, in connection with the Events.
  - 3.2. The indemnification will also be given for reasonable litigation expenses, including attorney's fees, incurred by the director or imposed on him by the court, in proceedings filed against him by or on behalf of the Bank or by any other person, or for criminal charges from which he was acquitted or for criminal charges in which he was found guilty of an offense not requiring criminal intent, all in respect of Actions taken by the director in his capacity as director of the Bank.

- 3.3. The indemnification will also be given for reasonable litigation costs and expenses, including attorney's fees, paid by the director as a result of an investigation or proceedings conducted against him by an agency authorized to conduct such investigation or proceedings in Israel or abroad due to any of director's acts or omissions taken in his capacity as director of the Bank, and which investigation or proceedings were concluded without the filing of an indictment against such director and without there having been a financial obligation imposed against him in lieu of criminal proceedings, or which were concluded without the filing of an indictment against such director but with a financial obligation which was imposed against him in lieu of criminal proceedings for an offense not requiring proof of criminal intent or in connection with a financial sanction.

For this purpose -

**"Conclusion of proceedings without the filing of indictment in a matter in which criminal proceedings were initiated"** - means the closing of a file pursuant to Section 62 of the Criminal Procedure Law, 1982 (hereinafter: the **"Criminal Procedure Law"**) or a stay of process by the Attorney General pursuant to Section 231 of the Criminal Procedure Law, or the closing of a file, arrangement or stay of proceedings pending abroad according to the relevant foreign law.

**"Financial obligation imposed in lieu of criminal proceedings"** - means a financial obligation imposed by law as an alternative to criminal proceedings, including an administrative fine pursuant to the Administrative Offenses Law, 1985, fine for committing an offense categorized as a finable offense pursuant to the provisions of the Criminal Procedure Law, a financial sanction or penalty.

- 3.4. Indemnification will also be given for expenses incurred by the director in connection with administrative proceedings conducted in his matter due to any act or omission made in his capacity as director of the Bank, including reasonable litigation costs and expenses, including attorney's fees; and for financial liability imposed on the director for payment to a party injured by a violation as stipulated in Section 52(54)(a)(1)(a) of the Securities Law, 1968 (hereinafter: the **"Securities Law"**) in connection with administrative proceedings conducted in his matter.

For this purpose – **"Administrative Proceeding"** – any of the following:

- a. Proceedings according to Chapter H3 ("Imposition of Financial Sanction by the Authority"), Chapter H4 ("Imposition of Administrative Enforcement Measures by the Administrative Enforcement Committee") and/or Chapter I1 ("Arrangement to Avoid the Initiation of Proceedings or to Terminate Proceedings, Subject to Conditions"), of the Securities Law.
- b. Proceedings according to Chapter G1 ("Imposition of Financial Sanction by the Authority"), Chapter G2 ("Imposition of Administrative Enforcement Measures by the Administrative Enforcement Committee") and/or Chapter H1 ("Arrangement to Avoid the Initiation of Proceedings or to Terminate Proceedings, Subject to Conditions"), of the Law Regulating the Practice of Investment Consulting, Investment Marketing and Portfolio Management, 1995 (hereinafter: the **"Consultancy Law"**)

- c. Proceedings according to Chapter J ("Imposition of Financial Sanction by the Authority"), Chapter J1 ("Imposition of Administrative Enforcement Measures by the Administrative Enforcement Committee") and/or Chapter K1 ("Arrangement to Avoid the Initiation of Proceedings or to Terminate Proceedings, Subject to Conditions"), of Mutual Investments in Trust Law, 1994 (hereinafter: the "**Joint Investment in Trust Law**").
  - d. Proceedings according to Chapter I1 of the Supervision of Financial Services (Insurance ) Law, 1981;
  - e. Proceedings according to Chapter E of the Supervision of Financial Services (Provident Funds) Law, 2005;
  - f. Any other administrative enforcement proceeding that pursuant to any law indemnification may be given for costs and/or payments associated therewith.
- 3.5. The indemnification will also be given for expenses incurred by a director in connection with proceedings according to Chapter G1 ("Financial Sanction") of the Antitrust Law, 1988 (hereinafter: the "**Antitrust Law**") conducted in his matter due to any act or omission made in his capacity as director of the Bank, including reasonable litigation costs and expenses and including attorney's fees.
- 3.6. Notwithstanding the above, the Indemnification Undertaking will not apply to financial obligation imposed on a director for one of the following:
  - 3.6.1. Breach of fiduciary duty towards the Bank, other than for breach of fiduciary duty if the director acted in good faith and had a reasonable reason to believe that the action will not operate against the Bank's best interests.
  - 3.6.2. Breach of duty of care committed intentionally or recklessly unless committed negligently only.
  - 3.6.3. Action taken with the intent to unlawfully derive personal profits.
  - 3.6.4. Fine, civil penalty, financial sanction or penalty imposed on the director for an offense.
- 3.7. Indemnification pursuant to this Undertaking will not be given if the financial obligation and the expenses were in fact fully covered in any way, including by insurance policy or another indemnification given to any one of the directors by any third party. If the above financial liability and/or expenses were only covered partially, the indemnification which will be given will be in an amount exceeding the amount covered by any such insurance policy and/or another indemnification. However, if the financial liability and/or expenses are not actually and timely covered by the third party, the Bank will indemnify the director according to this Undertaking subject to the satisfaction of its terms, provided that the director assigns his rights towards said third party to the Bank, which will act, for all intents and purposes, in his place and in his stead vis-a-vis said third party.
- 4. The Bank will not be obligated to indemnify the director for any amount paid by him according to the terms of a settlement agreement reached in an action, demand or other proceeding, if the Bank did not give its consent to the settlement agreement, in advance and in writing. The Bank will not refuse any such settlement agreement other than for reasonable reasons.

5.

5.1. Notwithstanding the provisions of Section 4 above, the Bank will make available to the director the indemnification amounts up to the Maximum Indemnification Amount, on their due date, including attorney's fees for the purpose of making payment according to the attorney's demand.

5.2. Each director will undertake that amounts paid by the Bank as specified in Section 5.1 above, will be returned by him to the Bank, linked to the consumer price index (including fruits and vegetables), immediately when it becomes evident that the director was not entitled to indemnification according to this Undertaking. The Bank will be entitled to offset said amounts from any amount due to the director from the Bank.

6. The Bank will be entitled to any amount paid by a third party (even if paid to the director) for any act which was indemnified by the Bank as aforesaid.

7. Indemnification hereunder will also be subject to the following procedures:

7.1. The director will notify the Bank of any legal and/or administrative proceeding (including, but not limited to investigation by a competent authority, criminal proceedings, regulatory proceedings, demand of any kind, legal action including action for monetary damages and/or an application for a declaratory remedy) initiated against him or of any possible or threatened proceedings against him, provided he is not precluded from doing so under any law, as soon as he becomes aware of same for the first time (and if he was precluded from notifying the Bank under any law, immediately upon the termination of said preclusion), and will transfer to the Bank or to anyone according to the Bank's instructions, without delay, a copy of any document provided to the director in connection with such proceedings, if any.

It should be clarified that failure to give notice according to this Section will not release the Bank from its indemnification undertaking, other than in the event of a material violation of the Bank's rights or its ability to defend in its name (if the Bank is one of the defendants) and/or in the name of the director and the scope of any such violation.

In addition, the director will update the Bank regularly of any Event concerning which there is a concern that legal or administrative proceedings will be initiated against him.

7.2. The Bank may assume upon itself the defense of said director in such proceedings and/or hand over such defense to any attorney as the Bank may choose for that purpose at the Bank's sole and exclusive discretion. The director may refuse to be represented by the attorney chosen by the Bank for reasonable reasons or in circumstances which, in the officer's opinion, create a conflict of interests between his defense and the Bank's defense.

The Bank and/or the above attorney may handle the above matter exclusively (while regularly updating the director and consulting with him) and bring it to conclusion, all as they may deem fit.

- 7.3. At the Bank's request, the director will execute any document authorizing the Bank and/or said attorney to handle his defense in his name in said proceedings and to represent him in any matter associated therewith, as specified above. Among other things, each director will empower the Bank to take all steps available to it to collect any amount borne by the Bank by virtue of any judgment which was overturned, fully or partially, by a court of appeals.
- 7.4. At the director's reasonable request, the Bank and/or the attorney on its behalf will update the director regularly, from time to time, of the status of his defense.
- 7.5. The director will fully cooperate with the Bank and/or with any attorney as aforesaid or with any other advisor appointed by the Bank, as any of them may request while handling said legal proceeding and in connection therewith, provided that the Bank fully covers all expenses associated therewith so that the director himself will not be required to pay or finance them.
- 7.6. The Bank will inform the director of its intention to handle the proceedings as aforesaid. Upon giving notice as aforesaid and provided that the Bank handles the proceedings, the Bank will not be obligated to indemnify the director for litigation expenses including attorney's fees (other than as stated in Section 7.5 above) incurred by the director in handling said legal defense, and the director will have no claim and/or action and/or demand against the Bank and/or anyone on its behalf in connection with the Bank's handling of such defense as described above.
- 7.7. Alternatively, and notwithstanding the above said, the director will be entitled to assume upon himself his defense and retain counsel for himself, and in such an event the provisions of Sections 7.2-7.6 above will not apply. However, the handling of the director's defense, including the retention of his counsel and the establishment of his fees, will be made with the Bank's prior written consent.
8. This Undertaking will apply to the Bank's directors and to any future director of the Bank (unless he is a controlling shareholder – with respect of whom a specific resolution will be required).
9. This Undertaking is intended to add to any prior undertaking or consent given, either orally or in writing, before the approval of this Undertaking, between the Bank and the director with respect to the subject matter of this Undertaking, including with respect to Events which had occurred before this Undertaking was given. Any prior indemnification undertaking given to directors, if any, will continue to apply and be valid with respect to any Event which had occurred before this Undertaking was given, even if proceedings in connection therewith were initiated against the director after this Indemnification Undertaking had been given if the terms of this Undertaking are less favorable for the director with respect to said Event or if this Undertaking is not valid.
10. This Undertaking will also apply to actions taken by the director before this Undertaking was given, and will continue to apply for the benefit of the director after the termination of his office as an officer in the Bank provided that the actions and/or acts concerning which the indemnification is given occurred during the term of his office as a director in the Bank or are attributed to said period.
11. Nothing in this Undertaking shall limit or prevent the Bank from giving another or special indemnification, provided it does not adversely affect the Bank's indemnification obligations given under this Undertaking.



12. This Undertaking does not operate against the Bank's best interests.
13. This Undertaking is intended to broaden the directors' entitlement to indemnification rather than to narrow it down. Therefore, it should be interpreted broadly subject to legal limitations. Accordingly, in the event of conflict between any provision included in this Undertaking and any legal provision which may not be contracted out, modified or added to, said legal provision shall prevail, but it will not impair or derogate from the validity of all other provisions of this Undertaking.
14. Exhibit A to this Indemnification Undertaking constitutes an integral part thereof.
15. This Indemnification Undertaking does not constitute an agreement for the benefit of any third party, including any insurer, and no insurer will have the right to demand the Bank's participation in any payment that the insurer is obligated to make according to the policy entered into with it, excluding any deductibles under the policy.
16. This Undertaking will be executed by the Bank and by the director. However, failure to execute it will not affect the validity of this Indemnification Undertaking.

In Witness Whereof the Bank signed this Undertaking below, by its duly authorized signatories.

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Bank Leumi Le-Israel B.M.

I confirm receipt of this document and hereby confirm my consent to its terms:

Name: \_\_\_\_\_ Signature: \_\_\_\_\_ Date: \_\_\_\_\_

## The Events

The following is the list of events which were approved by the Compensation Committee and the Bank's Board of Directors. It is clarified, for the avoidance of any doubt, that indemnification for the events specified below is subject to and conditioned on the satisfaction of the conditions specified in the Indemnification Undertaking (for instance: the indemnification will not apply to an event constituting a breach of fiduciary duty (other than the breach of fiduciary duty in good faith with a reasonable reason to believe that the Action will not operate against the Bank's best interests) or an intent to produce personal gain).

1. Offering and/or issuing securities [to Israeli investors or investors outside Israel](#) and/or listing or delisting, [both in and outside Israel](#), including, but without derogating from the above, offering securities to the public according to prospectus, private placement or the offering Bank securities in any other way, including by purchase offers, buy-back of securities by the Bank with all ensuing consequences arising from and/or associated with such issue, directly or indirectly, including, due diligence examination, disclosure of information, either orally or in writing, documents, opinions and reports, either before, during or after the offering and/or issue, regardless of the time that passed from the offering and/or the issue, including in connection with a prospectus or a draft prospectus and any other document according to which the issue was made.
2. Reporting, granting, transferring or publishing information, data, details, representations, opinions, documents, financial or other reports or notices (hereinafter: "**Information**") lawfully or unlawfully, including according to the Companies Law, 1999, the Companies Ordinance [New Version], 1983, the Banking Ordinance, 1941, the Securities Law, 1968, the Banking (Licensing) Law (hereinafter: the "**Banking (Licensing) Law**"), the Bank of Israel Law, 2010, the ~~Antitrust~~[Economic Competition](#) Law, 1988 (hereinafter: the "**Antitrust Law**"), the Money Laundering Prohibition Law, 2000 (hereinafter: the "**Money Laundering Prohibition Law**"), the Law Regulating the Practice of Investment Consulting, Investment Marketing and Portfolio Management, 1995 (hereinafter: the "**Advice Law**"), the Supervision of Financial Services (Consulting, Marketing and Pension Clearing System) Law, 2005, Income Tax Ordinance [New Version], [Credit Data Law, 2016](#) (hereinafter: "[Credit Data Law](#)") and the parallel laws abroad and according to regulations, ~~orders~~[ordinances](#) and rules promulgated and published by virtue thereof or according to rules or directives applicable in the stock exchange in Israel and/or in stock exchanges abroad and/or according to directives of the Banking Supervision Department or the banking supervision authorities abroad given to any competent authority in Israel and/or abroad and/or to any third party, including the public, the Bank, the Bank's Board of Directors, companies constituting interested parties of the Bank, customers, the stock exchange, the Companies Registrar, the Securities Authority, the Supervisor of Banks, data bases and/or the credit bureau as defined in the Credit Data Law, or any other party to whom Information should be transferred according to the Credit Data Law, to the Capital Market, Insurance and Savings Commissioner at the Ministry of Finance and to the tax authorities.
3. [Any action associated with the Bank's reports to the tax authorities in Israel and/or abroad, including reports in connection with the Bank's Actions and transactions and in connection with Actions and transactions of the Bank's clients, and any Action in connection with payments and deductions that the Bank should make for the tax authorities in Israel and/or abroad and any payment and/or payment demand applicable to the Bank by law.](#)

- ~~2.4.~~ Complying or failing to comply with orders, demands, instructions, directives and rules of different authorities, institutions and bodies within and outside Israel, provided they do not constitute a criminal offence according to Israeli law, including the Bank of Israel, the Israel Securities Authority, the Companies Registrar, the stock exchange, the tax authority and the Ministry of Environmental Protection.
- ~~3.5.~~ Actions and/or resolutions in connection with the preparation, drafting, approval or execution of financial reports, interim financial reports, annual reports, periodic and quarterly reports etc., including assessments concerning the effectiveness of internal control (SOX), resolutions regarding the application of accounting rules and restatement in the financial statements, reliance on assessments and accounting estimates (inter alia for IFRS purposes) as well as work plans, business plans or forecasts in connection with the Bank, risk reports and supervisory disclosures publicly published and social corporate responsibility reports.
6. Actions ~~related to the issue, receipt of~~ in connection with granting and obtaining licenses, permits, exemptions and ~~approvals~~ authorizations in Israel and/or abroad (including business licenses and licenses and ~~approvals~~ authorizations required ~~to for~~ the conduct of the ~~Bank's~~ Bank's business in Israel and ~~abroad and~~ abroad including exemptions regarding antitrust and banking issues) and ~~fulfilling terms and satisfaction of~~ conditions established thereunder, including ~~providing~~ disclosure of information regarding in connection with licenses, permits and ~~approvals~~ authorizations as aforesaid, ~~violations of laws in Israel.~~
7. Any action and/or transaction and/or claim and/or liability and/or obligation within and/or outside Israel, ~~such as:~~ according to the following laws (or parallel legislation under foreign law abroad): The Banking Ordinance 1941, the Antitrust Law, the Money Laundering Prohibition Law, the Terror Financing Prohibition Law, 2005, the Banking (Licensing) Law, the Banking (Customer Service) Law, 1981 (hereinafter: the "**Banking (Customer Service) Law**"), the Mutual Investments Trust Law, 1994 (hereinafter: the "**Mutual Investments Trust Law**"), the Privacy Protection Law, 1981 (hereinafter: the "**Privacy Protection Law**"), Proper Conduct of Banking Business Directives, the Securities Law, the Consultancy Law and the Consumer Protection Law, 1981 (hereinafter: the "**Consumer Protection Law**"), the Income Tax Ordinance . The Value Added Tax Law, 1975.
8. Any ~~action~~ Action taken in the framework of the Bank's permitted engagements pursuant to Section 10 of the Banking (Licensing) Law.
9. Any Action taken in matters regulated by the Antitrust Law, including an Antitrust arrangement.
- ~~4.10.~~ Resolutions and actions in connection with distribution, including distribution of dividend to Bank's shareholders.

- ~~5.11.~~ Transaction (including an extraordinary transaction or a transaction with an interested party according to the provisions of the Companies Law or transactions with related persons according to the Proper Conduct of Banking Business Directives) or Action including investment, transfer, lending, leasing, management, purchase and/or sale of securities issued by different bodies (including the state), assets (including real estate), charges, credit and/or rights and investments in financial assets, including derivatives, or other rights in Israel or abroad or the grant or receipt of rights in any of them, including transaction or Action (including the exercise of securities and options) in connection with securities and options in subsidiaries and/or other non-financial companies and other companies, in Israel and/or abroad and adopting resolutions and/or taking Actions in connection with the management of the Bank's nostro and Actions associated directly or indirectly with any such transaction.
12. Action for the appointment of officers in the Bank and/or outsourcing and/or for the hiring of consultants and/or service providers for the Bank.
- ~~6.13.~~ Action and/or transaction arising from or associated with the Bank's holding of subsidiaries and/or non-financial companies and/or investees in Israel or abroad, including the purchase and/or sale of means of control in said companies, either within or outside a stock exchange, in Israel or abroad, including an Action in connection with the exercise of voting rights in investees including voting and participation in general meetings, appointment of officers therein and Action and/or transaction made by an officer in his capacity as an officer on behalf of the Bank in a subsidiary and/or investee and/or non-financial company according to the types of events with respect of which said company indemnified and/or undertook to indemnify in advance its officers, and in the event of director serving on behalf of the Bank in a subsidiary which is a banking corporation, also according to the type of events specified in this Addendum in said subsidiary.
- ~~7.14.~~ Actions taken in connection with an internal audit of the Bank's activities, its employees and officers, handling deficiencies, irregular events (such as ethical offenses, embezzlements and corruptions, including actions taken in a bid to expose corruptions) and complaints of employees and/or clients and/or other third parties, monitoring the implementation of the audit reports, implementation and correction of deficiencies, preparing and approving audit work plans and supervising the internal audit work.
- ~~8.15.~~ Action associated with a legal proceeding and/or administrative proceeding, including outside Israel, refraining from legal proceeding, opposing a legal and/or administrative proceeding or consent to a legal and/or administrative proceeding; entering into a settlement agreement in the framework of legal and/or administrative proceeding or in lieu of ~~a~~-legal and/or an administrative proceeding; entering into agreements with enforcement, supervision or regulatory authorities within or outside Israel, including in the framework of criminal or administrative proceedings.

- ~~9~~.16. Act and/or omission in connection with the business relations between the Bank and its clients and/or suppliers (including Action in the ordinary course of the Bank's business), and without derogating from the above, any Action, act and/or omission in connection with the opening, management and closing of accounts, depositing monies from and into accounts, deposits and withdrawals of monies, collection of commissions and collection or payment of interest, providing documents to clients, receiving documents and/or information from clients (including information or documents in connection with any third party), securing clients' signature on documents and forms, performing duties according to the Consumer Protection Law, deductions and set-offs, providing information to clients and/or third parties concerning the account, and any report made or not made to clients and/or any regulatory or other authority or body in connection with the account.
- ~~10~~.17. Act and/or omission in connection with the business relations between the Bank and its suppliers (including action in the ordinary course of the Bank's business.
- ~~11~~.18. ~~Action~~Actions in connection with the management and/or control of the Bank's risks (including insurance for all types of risks that the Bank is exposed to, including according to the instructions of the Bank of Israel, and insurance of guarantees by virtue of the Purchase (Apartments) Law, 1973, as in effect from time to time) and/or the realization of any of the risks specified in the Bank's risk factors included in its recent annual reports including fraud, embezzlement and cyber events~~;-)~~ and/or policy making and management and control procedures in connection with exposure to financial risks in general, and risks arising from derivative activities with counterparts, in particular, as well as business risks and strategic risks, reputation, credit, market and interest risks, liquidity risks and risks related to the management of business continuity.
- ~~12~~.19. Actions associated with granting credit (including as part of a consortium), its renewal, non-renewal or revocation thereof, changing credit terms including waiver of conditions, waiver of collaterals or any amendment thereto, credit recycling, receiving recording and handling collaterals, taking steps for immediate repayment, in full or in part, or any Action for collecting the credit or realizing the collaterals (or refraining from the realization of collaterals), including by appointing receivers, handling ~~troubled~~troubled debts, waiving debts, debt rescheduling or entering into arrangements with debtors and adopting resolutions regarding risk management of credit loss - risk as a result of the possibility that the counter-party to the transaction will not fulfill its obligations~~;-~~, all whether in accordance with Bank procedures or not. For this purpose "credit" including as defined in the Banking (Licensing~~;-~~) Law and including "Loan" as defined in the Fair Credit Law, 1993 (hereinafter: "Fair Credit Law").

- ~~13.~~20. Actions and transactions in connection with receiving deposits, investments in provident funds and savings plans, managing and paying them off, determination and collection of commissions, interest and expenses, Actions and transactions in the capital market for clients, including portfolio management, investment consultation and mutual investment fund in trust, pension consultation, tax consultation, sale of incidental products in connection with the above services, making referrals for said services or facilitating the rendering of services as aforesaid, and adopting resolutions with respect to market risks management – including risk management for losses in balance sheet and off-balance sheet positions deriving from changes in the fair value of financial instruments as a result of changes in market conditions and hedging or failing to hedge and/or limiting currency risks, interest risks or other risks within or outside Israel.
- ~~14.~~21. Action in connection with cooperation with other bodies in Israel or abroad including other financial institutions or authorities in Israel or abroad.
- ~~15.~~22. Action in connection with providing or failing to provide due disclosure to clients including failure to provide due disclosure by virtue of Section 7 of the Payment Services Law and/or in connection with disclosure of information regarding commissions and interest, including Action according to Sections 5 and 5A of the Banking (Customer Service) Law, according to Section 4 of the Consumer Protection Law and according to the rules established by virtue of said Sections 5 and 5A, and disclosure of information to clients according to any law, and Action in connection with collection of fees, commissions and/or interest, including the computation thereof.
- ~~16.~~23. Action or transaction in connection with trusteeship for others, including as trustee for mutual funds in trust, as trustee for holders of bonds issued according to the Securities Law, including private issues, and as trustee for bank accounts or insurance agencies, according to regulatory requirements, as trustee for hedge funds, as trustee for private customers and as trustee in employees option plans, and holding and managing in trust collaterals given in the framework of financing agreements, Actions in the framework of supervising escrow transactions and holding securities for the purpose of complying with no-sale provisions.
- ~~17.~~24. Events or Actions in connection with information security in the Bank, including an information security event which may arise from the implementation of the open banking standard and sharing banking information with third party suppliers, information technology, computer offenses and cyber events as well as Events and Actions in connection with the cash center and cash transportation.
- ~~18.~~25. Action and/or transaction in connection with the advertising and/or marketing of the Bank's activity and business, including in conventions, press releases, responses to the press, on-record and off-record interviews, appearances in different forums, appearances in Knesset committees, appearances before regulators, appearances in the Association of Banks, including any cause under the Prohibition of Defamation Law in connection with any such statements (including: banking services, commissions, interest, savings plans, grant of loans, investments in financial assets, issue and management of credit cards etc.), including advertising and/or marketing and truthful and non-deceiving advertising.



~~19.~~26. Action in connection with maintaining the banking confidentiality obligation and other obligations according to the Privacy Protection Law and/or Credit Data Law and/or any other law, including laws and directives of the Banking Supervision Department in connection with the assimilation of the open banking standard, including action in connection with the establishment, registration, management and usage of registries and data bases as defined in the Privacy Protection Law, including computerized data bases of account numbers and identifying details of account owners, authorized signatories, beneficiaries and controlling persons as stipulated in the Money Laundering Prohibition Order (Banking Corporations' Obligation to Identify, Report and Maintain Records), 2001, actions in connection with credit data systems and actions regarding cooperation (either cooperation for the transferring of information or any other cooperation) with third party suppliers according to the Open Banking Standard.

~~20.~~27. ~~Action or transaction~~Any Action, including "payment transaction" or "payment order" or freezing or de-freezing means of payment or any other transaction according to the Payment Services Law 2019, and Actions or transactions in connection with debit cards issued by the Bank or a corporation under the Bank's control, including the issue of debit cards, entering into agreements with clients for the use of debit cards, debiting clients according to debit card agreements, refunding debited amounts to clients, providing explanations to clients and furnishing reports of debit card transactions and cancelation of deferred payment ~~transaction~~transactions.

~~21.~~28. Action in connection with the identification, reporting and maintenance of records according to the law, including the Money Laundering Prohibition Law, 2000 and the regulations, orders and rules promulgated and published thereunder including the Money Laundering Prohibition Order (Banking Corporations' Obligation to Identify, Report and Maintain Records), 2001, and/or according to the ~~Terror-Financing-Prohibition Regulations, ordinances~~Counter-Terrorism Law, 2016 and/or the Iranian Nuclear Program Struggle Law, 2012, and the regulations, orders and rules promulgated and published thereunder, and/or according to other laws, including orders, regulations, rules and directives issued thereunder; including parallel and/or similar foreign laws, including registration and verification of identifying details while opening the account, receiving documents and statements while opening the account, "face to face" identification of the account owner and authorized signatory, reporting to the competent authorities of transactions according to size, registration and/or maintenance of a computerized data base of account numbers and identifying details of account owners, authorized signatories, beneficiaries and controlling persons in the account and keeping transaction records according to scope.

~~22.~~29. Action in connection with the identification, reporting and maintenance of records, registration and verification of identifying details while opening the account, receiving documents and statements while opening the account, "face to face" identification of the account owner and authorized signatory, certification of signatures, reporting to the competent authorities of transactions, maintaining a computerized data base of account numbers and identifying details of account owners and other details, authorized signatories, beneficiaries and controlling persons in the account, keeping transaction records according to any law, either Israeli or foreign, including, without derogating from the generality of the above, banking laws, securities laws, tax laws, money laundering prohibition laws and terror financing prohibition laws.

- ~~23.~~30. Conducting employer-employee relations including employment agreements, negotiations, hiring employees, employee benefits, establishing and revising terms of employment, options to employees, social benefits, rotation, dismissal of employees, engagement of employees through manpower companies or an external service provider and its employees, termination of employer-employee relations, issues pertaining to safety at the work place and Actions pertaining to the Bank's pension undertakings (including in connection with the Bank's undertaking to budgetary pension, early budgetary pension, bridging pension and arrangements or conversion of rights in connection with said undertakings).
- ~~24.~~31. Establishing policies and/or procedures, assimilating information, procedures, laws, regulations, rules, regulatory and other requirements among the Bank employees, and any defect, deficiency or flaw in the supervision and/or audit and/or control and/or definition of positions and/or designation of authority or failure to take measures to prevent said deficiency.
- ~~25.~~32. Action which were the subject of investigation, examination, inquiry, proceeding and/or audit by any enforcement authority or another body, either within or outside Israel, including, but not limited to, inquiry according to Section 52(53) of the Securities Law, and other inquiries by virtue of the banking laws, the securities laws and the tax laws.
- ~~33.~~ ~~Action~~Any Action in connection with the Antitrust Law, and any action creating and/or facilitating the creation of an Antitrust arrangement or another Antitrust limitation, transfer of information between competitors and any other form of coordination including with respect to prices, interest rates or other terms of service given by the Bank or any other matter.
- ~~34.~~ Any Action n connection with the implementation of the open banking standard, including Actions of third party suppliers who are either "payment initiators", namely, bodies contacting the Bank in a bid to initiate payment from clients' accounts according to clients' instructions, or who are "information consumers", namely, bodies contacting the Bank in a bid to receive information regarding a client at client's request.
- ~~26.~~35. Action bearing on accessibility, proper representation, non-discrimination and rights of persons with disabilities, and any discrimination for any reason whatsoever.
- ~~27.~~36. Statements or comments, positions or opinions, expressed either orally, in writing or in any other manner, including in a conference, meeting or any other forum, or by distributing or publishing any documents, message, response or announcement.
- ~~28.~~37. Action in connection with any change of structure or re-organization of the Bank or of the Leumi Group including the incorporation and sale of companies of the Bank's Group, the merger or de-merger thereof and changes in the Bank's capital or in its subsidiaries or affiliated companies, the liquidation or sale thereof, allocation or distribution.
- ~~29.~~38. Any other activity incidental to the Bank's activity.



- ~~30.~~39. Any Event or Action for which indemnification may be given according to the Efficiency Enforcement Procedures in the Israel Securities Authority (Legislative Amendments) Law, 2011.
- ~~31.~~40. Payment of payment demand applicable to the Bank by law.
- ~~32.~~41. Actions and/or resolutions causing, contributing, creating, reinforcing, preserving, facilitating, do not prevent and/or do not reduce, either directly or indirectly, damage or harm to the environment, including to the quality of the air, water, food, land, fauna and flora and/or exposing people, animals or plants to harm, damage, nuisance or disease.
- ~~33.~~42. Each one of the above Events, in connection with any investee of the Bank.
- ~~34.~~43. Any provision included in this Appendix pertaining to the execution of a certain Action, shall be interpreted as also referring to the adoption of resolutions and to the non-execution or avoidance of such Action, all unless the context of a certain provision requires otherwise.
- ~~35.~~44. For the avoidance of any doubt, it is clarified that any Event in this Appendix above, including any transaction, action, act, omission or breach will be interpreted as referring also to an Event outside Israel and/or (as the case may be) also to laws, regulations, rules and directives according to foreign law.

In this Appendix, the "**Bank**" means Bank Leumi Le Israel B.M. and all subsidiaries and companies held by it, in Israel and abroad, ~~as these terms are defined by Reporting to the Public Directive No. 661 of the Banking Supervision Department.~~

## Appendix B

### Statement of a Candidate for Service as an External Director Pursuant to Proper Conduct of Banking Business Directive No. 301 or an External Director Pursuant to the Companies Law in Bank Leumi of Israel Ltd.

I, the undersigned, Ytzhak Edelman, ID Number 50066174, of 9 Rachel Hameshoreret St. Herzliya, hereby provide the following statement as a candidate for the office of an External Director as defined in Proper Conduct of Banking Business Directive No. 301 (hereinafter – “**External Director**”) or as an External Director as defined in the Companies Law, 1999 (hereinafter – the “**Companies Law**”, “**ED**”), who also meets the eligibility criteria of an External Director at Bank Leumi of Israel Ltd. (hereinafter - "the **Bank**"), having been cautioned that I must state the truth and that I will be subject to penalties prescribed by law if I fail to do so, as set out below:

#### **1. Personal details**

- 1.1 Name: **Ytzhak Edelman**
- 1.2 Identification Number: **50066174**
- 1.3 Date of Birth: **July 1 1950**
- 1.4 Address for service of court papers: **9 Rachel Hameshoreret St. Herzliya**
- 1.5 Nationality: **Israeli**
- 1.6 Residency: **Israeli**
- 1.7 Is the candidate a relative of another interested party<sup>1</sup> in the Bank (and if s/he is – please provide details): \_\_\_\_\_

2. I am/am not an employee of the Bank, any of its subsidiaries, related companies or of an interested party thereof; (if I am such an employee – the position or positions that I hold are):
- \_\_\_\_\_
- \_\_\_\_\_

#### **3. Eligibility**

I possess the qualifications required to serve as a director in the Bank and in particular, possess the education, knowledge, experience or expertise in one or

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<sup>1</sup> **An interested party**- whoever holds 5% or more of the issued share capital of the corporation or voting rights therein, whoever is entitled to appoint one or more of the corporation's directors or its CEO, whoever serves as a director of the corporation or as its CEO, or a corporation in which such person holds 25% or more of its issued share capital or voting rights or is entitled to appoint 25% or more of its directors. For the purpose of this paragraph, a manager of a Fund for Joint Investments in Trust shall be deemed as the holder of the securities included in the fund's assets. If a person holds securities through a trustee, the trustee shall also be deemed to hold the said securities. For this purpose, "trustee" – will not include a nominee company and a party who held the securities only in its capacity as a trustee for an arrangement, as defined in Section 46(A)(2)(f) of the Securities Law, 1968, or a trustee for the allocation of shares to employees, as defined in Section 102 of the Income Tax Ordinance. Furthermore, a subsidiary of a corporation, other than a nominee company, shall also be deemed as an interested party.

more of the following areas: banking, finance, economic or business activity, law, financing, accounting, risk management, regulatory compliance, information technology, information security (including cybersecurity) or any other area approved by the Banking Supervision Department, and I am able to dedicate the amount of time required to fulfill my role as a director of the Bank, taking into account the scope of the Bank's activity and its size.

My said qualifications are as follows:<sup>2</sup> (*education, qualifications, experience*):

### Education

<b>Academic degree/certificate</b>	<b>Major subject/field</b>	<b>Name of academic institution</b>
BA	Accounting and Economics	Tel Aviv University
General Manager Program	MBA	Harvard Business School
Certificate of completion	Computerized information systems analysis	Technion, Division of Continuing Education
Certificate of completion	Administration and labor relations	University of Haifa, Division of Continuing Education

### Professional diplomas:

#### **CPA license**

3.1 Describe main occupations during the past five years, and specify the corporations in which you serve as a director (please specify the number of years of service in each position).<sup>3</sup>

**ED at Bank Leumi since February 2 2017**

**ED at Bezeq – resigned in December 2016, after almost 9 years in office;**

**In charge of a financial management course in the accounting graduate program, Bar Ilan University, five years through March 2015;**

<sup>2</sup> The candidate must attach a CV to this Appendix which must include, at the very least, the details of the candidate's education and employment during the past five years, as required.

<sup>3</sup> The candidate must attach a CV to this Appendix which must include, at the very least, a specification of the candidate's education and employment during the past five years, as required.

**Public member of management, Beit Zvi School of the Performing Arts, for more than 8 years through July 2015;**  
**Member of the Administrative Council, Bank of Israel, for more than 6 years, through early 2017;**  
**ED at AVT Ltd. – 6.5 years through May 2017;**  
**Chairman of the Board at Ahava Foundation (a subsidiary of Beit Issie Shapiro) for more than 6 years through the end of 2015**  
**Family consultant at the NPO, Paamonim, more than 3 years, since late 2016.**

- 3.2 In view of my education, experience and past and present employment and skills, I am professionally eligible, as defined below, based on the aforementioned, all on the basis of what is described above. (Note – the assessment of whether a candidate is professionally eligible to serve as a director will be made by the Board of Directors). Set forth below are further details in addition to those listed above, relevant to my education and experience, which indicate that I meet the conditions and tests for being professionally eligible:

**I am professionally fit to serve as a director at a banking corporation, firstly due to the fact that I was appointed to this position almost three years ago and have proved myself during this period.**

**Below is further information about my education and experience: I am a CPA by profession, serving for many years as a director at large public companies, including companies listed on foreign stock exchanges. For 15, years, I served as CFO at three companies, which were considered, at the time of my service, to be among Israel's largest companies – Israel Military Industries, Cellcom, and Ness Technologies (a global company which was listed on NASDAQ).**

Documents and certificates supporting my statement in this section have been provided to the Bank Secretariat.

- 3.3 In view of my education, experience and past and present employment and skills, I possess accounting and financial expertise, as defined below, all on the basis of what is described above. (Note – the assessment of whether a candidate has an accounting and financial expertise will be made by the Board of Directors). Set forth below are further details in addition to those listed above relevant to my education and experience, which indicate that I meet the conditions and tests for having such expertise:

**I have accounting and financial expertise. This expertise has already been evaluated and approved by the Board of Directors of Bank Leumi. I also note that I am a CPA by profession, who worked for many years as an independent auditor at some of Israel's largest accounting firms. As**

**mentioned, I have served as CFO and in various director positions at companies, including as a member of the audit committee, financial statements committee, compensation committee, and at many of them, also as chairman of the aforesaid committees, including at the Bank of Israel and Bezeq.**

Documents and certificates supporting my statement in this section have been provided to the Bank Secretariat.

For the purpose of this section:

**“Professional qualification”** - an academic degree as required under one of the conditions listed in paragraphs (1) or (2) below, and experience required under paragraph (3) below:

(1) An academic degree in one of the following subjects: economics, business administration, accounting, law and/or public administration; (2) Other academic degree or completion of other higher education studies, in an area which is relevant to the Bank’s business or to the position; (3) at least five years of experience in one of the following, or accumulated experience of at least five years in two or more of the following: (a) senior position in the business management of a corporation with a substantial scope of business; or (b) senior public office or a senior position in the public service; or (c) senior banking position.

**“Director with accounting and financial expertise”** - is a person who, in the opinion of the Board of Directors, meets the following conditions: a director who by virtue of his/her education, experience and qualifications, possesses a high level of proficiency and understanding of business-accounting issues and financial statements, such that he or she has in-depth understanding of the Bank’s financial statements and is able to raise issues relating to the manner in which financial data are presented therein. When assessing the accounting and financial skills of the candidate, the Board of Directors’ considerations will include, among other things, the candidate’s education, experience and knowledge in the following areas: (1) accounting issues and accounting control issues typical of the banking sector and to companies of the size and complexity of the Bank; (2) the functions and duties of the independent auditor; (3) financial statements preparation and approval processes under the Securities Law, 1968, and the Companies Law.

- 3.4 A director who, in his/her opinion, does not possess accounting and financial expertise is required to state whether he/she is able to read and understand financial statements –Yes / No [delete irrelevant information].

- 3.5 In view of my education, experience, past and present employment and my skills as described above, to the best of my knowledge, I possess "banking experience"<sup>4</sup>—Yes / No [delete irrelevant information].
4. During the past five years, I have not been convicted in a final judgment of an offense set forth in Section 226 of the Companies Law.
- 4.1. Offences under Sections 290 to 297, 392, 415, 418 to 420 and 422 to 428 to the Penal Law, 1977 and under Sections 52c, 52d, 53(A) and 54 to the Securities Law.
- 4.2. Conviction in a court of law outside of Israel on offenses of bribery, fraud, corporate manager offenses or offenses involving the use of inside information.
- 4.3. Conviction in another offense which the court determined that due to its nature, severity or circumstances, I am not fit to serve as director in a public company. There is no pending indictment against me on such an offense.

**In 2017, the Israel Securities Authority opened an inquiry into the Bezeq-YES transaction, following which, in September of this year, the State Prosecutor notified some of the persons under investigation that it had been decided to file indictments against them, subject to a hearing. I note that although I was questioned in this investigation in my capacity as an External Director at Bezeq and Chairman of the special committee for the Bezeq-YES deal, I was ultimately not one of the people who were informed of the State Prosecutor's intention to indict them. Based on legal advice I received the State Prosecutor did not consider me as a potential defendant and that the case against me would be closed.**

5. I have not been charged by the Administrative Enforcement Committee<sup>5</sup> with enforcement measures prohibiting me from serving as director in a public company.
6. I am not a minor, I am not legally incompetent to stand trial, nor have I been declared bankrupt.<sup>6</sup>
7. My other duties or occupations do not create or might create a conflict of interest with my position as director with the Bank, nor do they impair my ability to serve as a director with the Bank.

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<sup>4</sup> As required pursuant to Proper Conduct of Banking Business Directive No. 301.

<sup>5</sup> A committee appointed under Section 52lb(a) to the Securities Law, 1968.

<sup>6</sup> As long as I have not been dismissed.

8. All the conditions for my serving as director in a banking corporation without a controlling core have been met pursuant to the provisions of the Banking Ordinance, including:

8.1. I or my relatives do not hold means of control of any kind in the Bank, in a corporation controlled by the Bank or in a "material holder", other than holding marketable shares at a percentage of no more than one quarter of one percent of the issued and paid up share capital of any of them

~~Yes~~ / No [delete the irrelevant information]

Please specify:

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8.2

8.2.1 In the two years preceding the date of the appointment or from the date of the appointment and thereafter, I, or a person who is in "close association" with me have had affiliation with the Bank or with a corporation under the Bank's control, with an office holder of the Bank or with a "material holder" [it is clarified that having served as director with the Bank and being a candidate for re-election as aforesaid does not constitute affiliation].

~~Yes~~ / No [delete the irrelevant information]

Please specify:

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8.2.2 From the date of appointment and thereafter, I have an affiliation with a relative of a Bank office holder, a relative of a "material holder" or to a partner of a "material holder"; it is clarified that having served as director at the Bank and being a candidate for re-election as aforesaid does not constitute affiliation.

~~Yes~~ / No [delete the irrelevant information]

Please specify:

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8.3 I or anyone in "close association" with me, have business or professional relations with the Bank or with a corporation under the Bank's control, with a Bank office holder, or with a "material holder" who has nominated me as a candidate to serve as director with the Bank, even if such relations, as aforesaid, are not permanent, and I did not receive nor do I currently receive any consideration contrary to Section 244(b) of the Companies Law.

~~Yes~~ / No [delete the irrelevant information]

Please specify:

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8.4 A director who was nominated by the Committee for the Appointment of Directors under Section 11D(a)(1) to the Banking Ordinance (hereinafter – the “**Committee**”) hereby adds and states that:

8.4.1 As of the appointment date, I have no affiliation with a Committee member;

8.4.2 I am not a minister, deputy minister or member of the Knesset, nor do I have a personal, business or political affiliation with a minister or deputy minister or government employee or an employee of a statutory corporation;

8.4.3 I have not been convicted of an offense which due to its nature, severity or circumstances renders me unfit to serve in the position, and no indictment for such an offense is pending against me.

Please provide specifics, as necessary:

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For the purpose of section 8 above:

“**Close association**” – A relationship between a person and his/her relative, partner, employer, to whom he/she is directly or indirectly subordinate, and a corporation in which he/she is the controlling shareholder;



**"Affiliation"**- employment relationship, regular business or professional relations, with the exception of negligible relations, as well as service as office holder; however, retail business relations between the corporation and a customer shall not be deemed an affiliation.

**"Material holder"**- A person who holds more than two and a half percent of a certain type of means of control in the banking corporation, a person who controls such holder, a person controlled by any of them, a member of a body of holders as defined by Section 11D(a)(3)(b), whoever controls such a member or a body of holders, and whoever is controlled by any of them. For a list of the Bank's material holders, please see the Bank's website at [www.leumi.co.il](http://www.leumi.co.il).

**"Office holder"**– As defined in the Companies Law, and any other employee reporting to them directly.

9. I do not serve as a director in any other company (hereinafter – the “Other Company”) in which one of the Bank’s directors serves as an Outside Director.
10. If, during the course of my service as an Outside Director or OD in the Bank, it transpires that I am prevented by law from serving as an office holder in the Other Company, I will resign from my position in the Other Company so that I will be able to continue serving as an Outside Director or OD in the Bank.
11. I am not an employee of the Israel Securities Authority or of the Stock Exchange in Israel.
12. To the best of my knowledge I meet the conditions for qualifying as an Independent Director<sup>7</sup>.  
Yes / ~~No~~ [delete the irrelevant information].
13. I hereby declare that there is no impediment or restriction whatsoever to my appointment as an Outside Director or OD with the Bank, including, among other things, pursuant to the provisions of the Companies Law, Proper Conduct of Banking Business Directive No. 301; the Banking Ordinance, 1941; the Banking (Licensing) Law, 1981, and/or under any law, including, among other things, due to serving in other corporations.
14. The Bank has provided me with all the information regarding the compensation of directors as practiced by the Bank and I agree to it.

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<sup>7</sup> “Independent Director” – An Outside Director or an individual who serves as a director and meets the following conditions: (1) he meets the eligibility conditions for appointment as an Outside Director set in Section 240 (b) through (f) of the Companies Law and the Audit Committee has confirmed this; (2) he has not served as a director of the Bank for more than nine consecutive years (Companies Law, Section 1).

15. If, and to the extent, that a change in the aforesaid will occur, including if I no longer meet conditions required by law to serve as an Outside Director or OD in the Bank, I hereby undertake to inform the Bank Secretariat immediately.
16. I am aware that if I no longer meet any of the conditions required for service as an Outside Director or OD in the Bank, my service will end on the date of such notice.
17. This is my name, my signature and all of the above is true.

Date: 10.11.19 Signature of declarant: [signature]

Confirmation:

I, the undersigned, Adv. Livnat Ein-Shay Wilder hereby confirm that Mr. Ytzhak Edelman, whom I know personally/who identified himself/herself to me with his/her ID card No. \_\_\_\_\_, after I cautioned him/her that he/she must declare the truth and that he/she will be subject to penalties prescribed by law if he/she does not do so, confirmed his/her above declaration, and signed it in my presence.

Date November 10 2019 Name and Signature of attorney: [stamp and signature]

Adv. Livnat Ein-Shay Wilder  
Bank and Group Secretary  
Deputy Head Legal Counsel Division

### **Conditions for Service as a Director in a Bank Without a Controlling Core**

Sections 11E(b)–(e) of the Banking Ordinance

(b)

(1) In a banking corporation without a controlling core, no person shall be appointed nor serve as director if one of the following is met:

(a) He or his relative holds means of control of any kind in the banking corporation, in a corporation controlled by the banking corporation or in a material holder other than the holding of marketable shares at a rate not exceeding one quarter of one percent of the issued and paid up share capital of any of the above.

(b) A person who in the two years preceding the date of the appointment or from the date of the appointment and thereafter, has, or a person to whom he is closely associated has, an affiliation to the banking corporation or a corporation controlled by the banking corporation, an office holder of the banking corporation or a material holder, and whoever, from the date of the appointment and thereafter has an affiliation to a relative of an office holder of the banking corporation, a relative of a material holder or a partner of a material holder; for this purpose, service as director in a banking corporation without a controlling core by a candidate for re-election as aforesaid shall not be deemed an affiliation.

(2) Without derogating from the provisions of Section (1)(b), an individual may not serve as a director if he, or a person with whom he has a close association has business or professional relations with the banking corporation or with a corporation controlled by the banking corporation, with an office holder of the banking corporation, or with a material holder who nominated that candidate to serve as a director, even if such relations are not regular, except for negligible relations;

(3) Without derogating from the provisions of Sections (1) and (2), a director who was nominated by the Committee under Section 11D(a)(1) shall not be appointed and shall not serve if any of the following applies to him:

(a) He has an affiliation to a member of the Committee at the time of the appointment;

(b) The provisions of Section 36B(b)(3) of the Banking (Licensing) Law apply to him;

(c) He was convicted of an offense which due to its nature, severity or circumstances renders him unfit to serve in the position, and there is an indictment pending against him for such an offense;

(d) The provisions of Section 240(c) of the Companies Law apply to him;

- (4) A director who was nominated by the Committee under Section 11D(a)(1) shall have the professional qualifications or possess accounting and financial expertise, pursuant to the provisions of Section 240(a1) of the Companies Law.
- (c) Notwithstanding the provisions of subsection (b), a director serving in a banking corporation on the eve of its becoming a banking corporation without a controlling core may continue to serve until the end of his term in office even if the conditions prescribed in the said subsection do not apply to him, but no more than three years from the date on which the banking corporation became a banking corporation without a controlling core, whichever is earlier.
- (c1) The Banking Supervision Department may approve the appointment or service as a director of a person who, in the two years preceding the date of appointment or from the date of appointment and thereafter, had or a person with whom he is closely associated had an affiliation to a material holder, relative of a material holder or a partner of a material holder, even if this affiliation is not negligible, if the Banking Supervision Department finds that, under the circumstances, this affiliation does not give rise to a concern of conflict of interest in such office.
- (d) The provisions of this section shall prevail over any contradictory provision of the law.
- (e) In this section –

“General Meeting” “Special Meeting” and “Annual Meeting” – as defined in the Companies Law;

“Close association” – as defined in section 36B(a) of the Banking Law (Licensing);

“Affiliation” – employment relationship, regular business or professional relations – with the exception of negligible relations, as well as service as office holder; however, retail business relations between a corporation and a customer shall not be deemed an affiliation.

“Material holder” – a party holding more than two and one half percent of a particular type of means of control in the banking corporation; a party controlling such a holder, or controlled by any of them; a member of a body of holders as defined in Section 11D(a)(3)(b), a party who controls a member of such a body of holders, and a party controlled by any of them.

## **Curriculum Vitae**

### **Personal Details**

Name: Ytzhak Edelman  
Date of Birth: July 1 1950  
Family Status: Married + 3  
Address: 9 Rachel Hameshoreret St. Herzliya  
Telephones: 09-7967520, 052-2499623  
Country of Birth: Israel

### **Education**

2004	General Manager Program, Harvard Business School
1984-1985	Computer Systems Analysis, Technion – Israel Institute of Technology, Division of Continuing and Professional Education
1979-1980	Controllers Course, Institute of Labor Productivity
1979	CPA license
1978-1979	Managers and Labor Relations Course, University of Haifa, Division of Continuing Education
1972-1975	B.A. in Accounting and Economics, Tel Aviv University

### **Professional Experience**

February 2017- Current

Bank Leumi B.M., External Director, Member of the Audit Committee (also serving as the Financial Statements and Compensation Committees), Risk Management Committee, Technology Committee, Investment Committee, Prospectus Committee, and Procedures Committee

September 2012 - January 2017

Swiftnet Ltd., Director and Chairman of the Audit Committee and Financial Statements Committee

October 2011 - January 2017

Bank of Israel, Member of the Administrative Council, Chairman of the Audit Committee, Chairman of the Financial Statements Review Committee

December 2010 - May 2017

AVT, Director (ED), Chairman of the Audit Committee and Financial Statements Review Committee, Member of the Compensation Committee

March 2010 - March 2015

Bar Ilan University, Financial Management Course Center, as part of Graduate Degree in Accounting

March 2010 - December 2011

Leumi Partners Underwriting, Director (ED), Member of the Underwriting Committee, Member of the Audit Committee and Financial Statements Review Committee

February 2008 - December 2016

Bezeq Israeli Telecommunications Company Ltd., Director (ED), Chairman of the Financial Statements Review Committee, Member of the Audit Committee, Member of the Compensation Committee  
Bezeq, Israel's largest telecommunications group, with a turnover of NIS 12 billion and 15,000 employees

2005-2007    Ness Technologies, Deputy CEO and CFO  
Ness Technologies was an American public company listed on NASDAQ, operating in 15 countries, with a turnover of USD 500 million, and 7,000 employees

1996-2005    Cellcom, CFO  
The company's annual turnover was more than NIS 5 billion, with 3,500 employees  
Member of the CEO staff – Top Management Team  
Served as acting CEO in his absence

1990-1996    Israel Military Industries, VP Finance  
Annual turnover of USD 500 million with 7,500 employees  
Chairman of the Management Council of a Plant (Turnover – USD 45 million)  
Director and Chairman of the Board of Directors Finance Committee at Ashot Ashkelon (Public company, an IMI subsidiary with USD 50 million in Turnover)  
Director at Palindent, an IMI subsidiary  
Member of the Management Negotiating Team with the IMI National Workers Committee (Together with CEO and VP Human Resources)

- |           |   |
|-----------|---|
| 1980-1990 | Tadiran Ltd., Manager of the Central Accounts Department (Acting Deputy Chief Accountant)                                     |
| 1979-1980 | Ronen Ltd., Controller<br>A swimming pool, water systems, plumbing, and firefighting equipment marketing and services Company |
| 1975-1978 | Somekh Chaikin Citron & Co., CPA firm<br>A "Semi Senior" Auditor, including Internship  |
| 1972-1975 | Small CPA firms (Turgeman and Mualem, Paniri & Co.)   |

### **Voluntary Activities in Associations**

#### **Since March 3 2016, Member of NGO Paamonim, Family Consultant**

- |           |   |
|-----------|---|
| 2007-2015 | Beit Zvi School for the Performing Arts, Member of the Board of Directors   |
| 2009-2015 | Beit Issie Shapiro – Changing the quality of life for people with disabilities,<br>Chairman of the Board of Directors of Keren Ahava Ltd.<br>(A Fully Owned Subsidiary of Beit Issie Shapiro) |

### **Awards and Achievements**

- |      |   |
|------|---|
| 2006 | One of five Dun & Bradstreet's Next General Business Leaders                      |
| 2002 | Outstanding CFO award for 2001 from the Israeli Forum of Chief Financial Officers |

### **Military Service**

- |           |                |
|-----------|----------------|
| 1969-1972 | Tank Commander |
|-----------|----------------|

### **Languages**

Hebrew – Mother tongue  
English – Mother tongue level

### **Hobbies**

Golf

## Appendix B

### Statement of a Candidate for Service as an External Director Pursuant to Proper Conduct of Banking Business Directive No. 301 or an External Director Pursuant to the Companies Law in Bank Leumi of Israel Ltd.

I, the undersigned, Mordechai Rosen, ID Number 054664271, of 75 Hapardes St., Hod Hasharon, hereby provide the following statement as a candidate for the office of an External Director as defined in Proper Conduct of Banking Business Directive No. 301 (hereinafter – “**External Director**”) or as an External Director as defined in the Companies Law, 1999 (hereinafter – the “**Companies Law**”, “**OD**”), who also meets the eligibility criteria of an External Director at Bank Leumi of Israel Ltd. (hereinafter - “the **Bank**”), having been cautioned that I must state the truth and that I will be subject to penalties prescribed by law if I fail to do so, as set out below:

#### **1. Personal details**

- 1.1 Name: **Mordechai Rosen**
- 1.2 Identification Number: **054664271**
- 1.3 Date of Birth: **November 26 1956**
- 1.4 Address for service of court papers: **75 Hapardes St., Hod Hasharon**
- 1.5 Nationality: **Israeli**
- 1.6 Residency: **Israeli**
- 1.7 Is the candidate a relative of another interested party<sup>1</sup> in the Bank (and if s/he is – please provide details): No

2. I ~~am~~/am not an employee of the Bank, any of its subsidiaries, related companies or of an interested party thereof; (if I am such an employee – the position or positions that I hold are):
- 
- 

#### **3. Eligibility**

I possess the qualifications required to serve as a director in the Bank and in particular, possess the education, knowledge, experience or expertise in one or

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<sup>1</sup> **An interested party**- whoever holds 5% or more of the issued share capital of the corporation or voting rights therein, whoever is entitled to appoint one or more of the corporation’s directors or its CEO, whoever serves as a director of the corporation or as its CEO, or a corporation in which such person holds 25% or more of its issued share capital or voting rights or is entitled to appoint 25% or more of its directors. For the purpose of this paragraph, a manager of a Fund for Joint Investments in Trust shall be deemed as the holder of the securities included in the fund's assets. If a person holds securities through a trustee, the trustee shall also be deemed to hold the said securities. For this purpose, “trustee” – will not include a nominee company and a party who held the securities only in its capacity as a trustee for an arrangement, as defined in Section 46(A)(2)(f) of the Securities Law, 1968, or a trustee for the allocation of shares to employees, as defined in Section 102 of the Income Tax Ordinance. Furthermore, a subsidiary of a corporation, other than a nominee company, shall also be deemed as an interested party.



more of the following areas: banking, finance, economic or business activity, law, financing, accounting, risk management, regulatory compliance, information technology, information security (including cybersecurity) or any other area approved by the Banking Supervision Department, and I am able to dedicate the amount of time required to fulfill my role as a director of the Bank, taking into account the scope of the Bank's activity and its size.

My said qualifications are as follows:<sup>2</sup> (*education, qualifications, experience*):

#### Education

<b>Academic degree/certificate</b>	<b>Major subject/field</b>	<b>Name of academic institution</b>
B.A.	Accounting	Tel Aviv University
B.A.	Economics	Tel Aviv University

#### Professional diplomas

##### **CPA (license to engage as an accountant is attached to my application)**

3.1 Describe main occupations during the past five years, and specify the corporations in which you serve as a director (please specify the number of years of service in each position).<sup>3</sup>

**- CEO, Menora Mivtachim Insurance Ltd. from 17 October 2010 through 31 August 2017**

**- Director at Menora Mivtachim Group subsidiaries and on behalf of other companies and entities from 17 October 2010 through 31 August 2017**

3.2 In view of my education, experience and past and present employment and skills, I am professionally eligible, as defined below, based on the aforementioned, all on the basis of what is described above. (Note – the

<sup>2</sup> The candidate must attach a CV to this Appendix which must include, at the very least, the details of the candidate's education and employment during the past five years, as required.

<sup>3</sup> The candidate must attach a CV to this Appendix which must include, at the very least, a specification of the candidate's education and employment during the past five years, as required.

assessment of whether a candidate is professionally eligible to serve as a director will be made by the Board of Directors). Set forth below are further details in addition to those listed above, relevant to my education and experience, which indicate that I meet the conditions and tests for being professionally eligible:

**- I served for many years in senior finance and accounting positions**  
**- I served as the general manager of large insurance companies for about twenty years**

Documents and certificates supporting my statement in this section have been provided to the Bank Secretariat.

- 3.3 In view of my education, experience and past and present employment and skills, I possess accounting and financial expertise, as defined below, all on the basis of what is described above. (Note – the assessment of whether a candidate has an accounting and financial expertise will be made by the Board of Directors). Set forth below are further details in addition to those listed above relevant to my education and experience, which indicate that I meet the conditions and tests for having such expertise:

**See hereinabove and hereinbelow**

Documents and certificates supporting my statement in this section have been provided to the Bank Secretariat.

For the purpose of this section:

**“Professional qualification”** - an academic degree as required under one of the conditions listed in paragraphs (1) or (2) below, and experience required under paragraph (3) below:

(1) An academic degree in one of the following subjects: economics, business administration, accounting, law and/or public administration; (2) Other academic degree or completion of other higher education studies, in an area which is relevant to the Bank’s business or to the position; (3) at least five years of experience in one of the following, or accumulated experience of at least five years in two or more of the following: (a) senior position in the business management of a corporation with a substantial scope of business; or (b) senior public office or a senior position in the public service; or (c) senior banking position.

**“Director with accounting and financial expertise”** - is a person who, in the opinion of the Board of Directors, meets the following conditions: a director who by virtue of his/her education, experience and qualifications, possesses a high level of proficiency and understanding of business-accounting issues and financial statements, such that he or she has in-depth understanding of the Bank’s financial statements and is able to raise issues relating to the manner in

which financial data are presented therein. When assessing the accounting and financial skills of the candidate, the Board of Directors' considerations will include, among other things, the candidate's education, experience and knowledge in the following areas: (1) accounting issues and accounting control issues typical of the banking sector and to companies of the size and complexity of the Bank; (2) the functions and duties of the independent auditor; (3) financial statements preparation and approval processes under the Securities Law, 1968, and the Companies Law.

- 3.4 A director who, in his/her opinion, does not possess accounting and financial expertise is required to state whether he/she is able to read and understand financial statements –Yes / No [delete irrelevant information].
- 3.5 In view of my education, experience, past and present employment and my skills as described above, to the best of my knowledge, I possess "banking experience"<sup>4</sup>–Yes / No [delete irrelevant information].
4. During the past five years, I have not been convicted in a final judgment of an offense set forth in Section 226 of the Companies Law.
- 4.1. Offences under Sections 290 to 297, 392, 415, 418 to 420 and 422 to 428 to the Penal Law, 1977 and under Sections 52c, 52d, 53(A) and 54 to the Securities Law.
- 4.2. Conviction in a court of law outside of Israel on offenses of bribery, fraud, corporate manager offenses or offenses involving the use of inside information.
- 4.3. Conviction in another offense which the court determined that due to its nature, severity or circumstances, I am not fit to serve as director in a public company. There is no pending indictment against me on such an offense.
5. I have not been charged by the Administrative Enforcement Committee<sup>5</sup> with enforcement measures prohibiting me from serving as director in a public company.
6. I am not a minor, I am not legally incompetent to stand trial, nor have I been declared bankrupt.<sup>6</sup>
7. My other duties or occupations do not create or might create a conflict of interest with my position as director with the Bank, nor do they impair my ability to serve as a director with the Bank.

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<sup>4</sup> As required pursuant to Proper Conduct of Banking Business Directive No. 301.

<sup>5</sup> A committee appointed under Section 52lb(a) to the Securities Law, 1968.

<sup>6</sup> As long as I have not been dismissed.

8. All the conditions for my serving as director in a banking corporation without a controlling core have been met pursuant to the provisions of the Banking Ordinance, including:

8.1. I or my relatives **do not** hold means of control of any kind in the Bank, in a corporation controlled by the Bank or in a "material holder", other than holding marketable shares at a percentage of no more than one quarter of one percent of the issued and paid up share capital of any of them

~~Yes~~/ No [delete the irrelevant information]

Please specify:

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8.2

8.2.1 In the two years preceding the date of the appointment or from the date of the appointment and thereafter, I, or a person who is in "close association" with me have had affiliation with the Bank or with a corporation under the Bank's control, with an office holder of the Bank or with a "material holder" [it is clarified that having served as director with the Bank and being a candidate for re-election as aforesaid does not constitute affiliation].

~~Yes~~ / No [delete the irrelevant information]

Please specify:

**The Audit Committee has confirmed that circumstances which raise fear of alleged affiliations on my part are circumstances which do not constitute affiliation according to Section 11E(b) of the Banking Ordinance and subject to the position of the Banking Supervision Department and Section 240(b) of the Companies Law or alternatively, are negligible relations and therefore do not constitute affiliation pursuant to the Companies (Matters which Do Not Constitute Affiliation) Regulations, 2006. The said summary of resolutions of the Audit Committee is outlined in the Summons to the General Meeting to which this statement is an appendix.**

- 8.2.2 From the date of appointment and thereafter, I have an affiliation with a relative of a Bank office holder, a relative of a "material holder" or to a partner of a "material holder"; it is clarified that having served as director at the Bank and being a candidate for re-election as aforesaid does not constitute affiliation.

Yes / No [delete the irrelevant information]

Please specify:

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- 8.3 I or anyone in "close association" with me, have business or professional relations with the Bank or with a corporation under the Bank's control, with a Bank office holder, or with a "material holder" who has nominated me as a candidate to serve as director with the Bank, even if such relations, as aforesaid, are not permanent, and I did not receive nor do I currently receive any consideration contrary to Section 244(b) of the Companies Law.

~~Yes~~ / No [delete the irrelevant information]

Please specify:

**The Audit Committee has confirmed that circumstances which raise fear of alleged affiliations on my part are circumstances which do not constitute affiliation according to Section 11E(b) of the Banking Ordinance and subject to the position of the Banking Supervision Department and Section 240(b) of the Companies Law or alternatively, are negligible relations and therefore do not constitute affiliation pursuant to the Companies (Matters which Do Not Constitute Affiliation) Regulations, 2006. The said summary of resolutions of the Audit Committee is outlined in the Summons to the General Meeting to which this statement is an appendix.**

- 8.4 A director who was nominated by the Committee for the Appointment of Directors under Section 11D(a)(1) to the Banking Ordinance (hereinafter – the “**Committee**”) hereby adds and states that:

8.4.1 As of the appointment date, I have no affiliation with a Committee member;

8.4.2 I am not a minister, deputy minister or member of the Knesset, nor do I have a personal, business or political affiliation with a minister or

deputy minister or government employee or an employee of a statutory corporation;

- 8.4.3 I have not been convicted of an offense which due to its nature, severity or circumstances renders me unfit to serve in the position, and no indictment for such an offense is pending against me.

Please provide specifics, as necessary:

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For the purpose of section 8 above:

**"Close association"** – A relationship between a person and his/her relative, partner, employer, to whom he/she is directly or indirectly subordinate, and a corporation in which he/she is the controlling shareholder;

**"Affiliation"**- employment relationship, regular business or professional relations, with the exception of negligible relations, as well as service as office holder; however, retail business relations between the corporation and a customer shall not be deemed an affiliation.

**"Material holder"**- A person who holds more than two and a half percent of a certain type of means of control in the banking corporation ,a person who controls such holder, a person controlled by any of them ,a member of a body of holders as defined by Section 11D(a)(3)(b), whoever controls such a member or a body of holders, and whoever is controlled by any of them. For a list of the Bank's material holders, please see the Bank's website at [www.leumi.co.il](http://www.leumi.co.il).

**"Office holder"**– As defined in the Companies Law, and any other employee reporting to them directly.

9. I do not serve as a director in any other company (hereinafter – the "Other Company") in which one of the Bank's directors serves as an External Director.
10. If, during the course of my service as an External Director or ED in the Bank, it transpires that I am prevented by law from serving as an office holder in the Other Company, I will resign from my position in the Other Company so that I will be able to continue serving as an External Director or ED in the Bank.
11. I am not an employee of the Israel Securities Authority or of the Stock Exchange in Israel.

12. To the best of my knowledge I meet the conditions for qualifying as an Independent Director.<sup>7</sup>

Yes / No [delete the irrelevant information].

13. I hereby declare that there is no impediment or restriction whatsoever to my appointment as an External Director or ED with the Bank, including, among other things, pursuant to the provisions of the Companies Law, Proper Conduct of Banking Business Directive No. 301; the Banking Ordinance, 1941; the Banking (Licensing) Law, 1981, and/or under any law, including, among other things, due to serving in other corporations.

14. The Bank has provided me with all the information regarding the compensation of directors as practiced by the Bank and I agree to it.

15. If, and to the extent, that a change in the aforesaid will occur, including if I no longer meet conditions required by law to serve as an External Director or ED in the Bank, I hereby undertake to inform the Bank Secretariat immediately.

16. I am aware that if I no longer meet any of the conditions required for service as an External Director or ED in the Bank, my service will end on the date of such notice.

17. This is my name, my signature and all of the above is true.

Date: October 22 2019 Signature of declarant: [signature]

Confirmation:

I, the undersigned, Adv. Yifat Givol hereby confirm that Mr. Mordechai Rosen, whom I know personally/who identified himself/herself to me with his/her ID card No. 054664271, after I cautioned him/her that he/she must declare the truth and that he/she will be subject to penalties prescribed by law if he/she does not do so, confirmed his/her above declaration, and signed it in my presence.

Date October 22 2019 Name and Signature of attorney: [stamp and signature]

Adv. Yifat Givol  
license no. 26345

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<sup>7</sup> "Independent Director" – An External Director or an individual who serves as a director and meets the following conditions: (1) he meets the eligibility conditions for appointment as an External Director set in Section 240 (b) through (f) of the Companies Law and the Audit Committee has confirmed this; (2) he has not served as a director of the Bank for more than nine consecutive years (Companies Law, Section 1).

## **Conditions for Service as a Director in a Bank Without a Controlling Core**

Sections 11E(b)–(e) of the Banking Ordinance

(b)

(1) In a banking corporation without a controlling core, no person shall be appointed nor serve as director if one of the following is met:

(a) He or his relative holds means of control of any kind in the banking corporation, in a corporation controlled by the banking corporation or in a material holder other than the holding of marketable shares at a rate not exceeding one quarter of one percent of the issued and paid up share capital of any of the above.

(b) A person who in the two years preceding the date of the appointment or from the date of the appointment and thereafter, has, or a person to whom he is closely associated has, an affiliation to the banking corporation or a corporation controlled by the banking corporation, an office holder of the banking corporation or a material holder, and whoever, from the date of the appointment and thereafter has an affiliation to a relative of an office holder of the banking corporation, a relative of a material holder or a partner of a material holder; for this purpose, service as director in a banking corporation without a controlling core by a candidate for re-election as aforesaid shall not be deemed an affiliation.

(2) Without derogating from the provisions of Section (1)(b), an individual may not serve as a director if he, or a person with whom he has a close association has business or professional relations with the banking corporation or with a corporation controlled by the banking corporation, with an office holder of the banking corporation, or with a material holder who nominated that candidate to serve as a director, even if such relations are not regular, except for negligible relations;

(3) Without derogating from the provisions of Sections (1) and (2), a director who was nominated by the Committee under Section 11D(a)(1) shall not be appointed and shall not serve if any of the following applies to him:

(a) He has an affiliation to a member of the Committee at the time of the appointment;

(b) The provisions of Section 36B(b)(3) of the Banking (Licensing) Law apply to him;

(c) He was convicted of an offense which due to its nature, severity or circumstances renders him unfit to serve in the position, and there is an indictment pending against him for such an offense;

(d) The provisions of Section 240(c) of the Companies Law apply to him;



- (4) A director who was nominated by the Committee under Section 11D(a)(1) shall have the professional qualifications or possess accounting and financial expertise, pursuant to the provisions of Section 240(a1) of the Companies Law.
- (c) Notwithstanding the provisions of subsection (b), a director serving in a banking corporation on the eve of its becoming a banking corporation without a controlling core may continue to serve until the end of his term in office even if the conditions prescribed in the said subsection do not apply to him, but no more than three years from the date on which the banking corporation became a banking corporation without a controlling core, whichever is earlier.
- (c1) The Banking Supervision Department may approve the appointment or service as a director of a person who, in the two years preceding the date of appointment or from the date of appointment and thereafter, had or a person with whom he is closely associated had an affiliation to a material holder, relative of a material holder or a partner of a material holder, even if this affiliation is not negligible, if the Banking Supervision Department finds that, under the circumstances, this affiliation does not give rise to a concern of conflict of interest in such office.
- (d) The provisions of this section shall prevail over any contradictory provision of the law.
- (e) In this section –

“General Meeting” “Special Meeting” and “Annual Meeting” – as defined in the Companies Law;

“Close association” – as defined in section 36B(a) of the Banking Law (Licensing);

“Affiliation” – employment relationship, regular business or professional relations – with the exception of negligible relations, as well as service as office holder; however, retail business relations between a corporation and a customer shall not be deemed an affiliation.

“Material holder” – a party holding more than two and one half percent of a particular type of means of control in the banking corporation; a party controlling such a holder, or controlled by any of them; a member of a body of holders as defined in Section 11D(a)(3)(b), a party who controls a member of such a body of holders, and a party controlled by any of them.

## **Curriculum Vitae synopsis – Moti Rosen**

### **Personal details**

Family status married + 4

Residence Hod Hasharon

### **Professional experience**

2010-2017 **Menora Mivtachim Insurance Ltd.**

- CEO
- Director at Menora Mivtachim Group subsidiaries and on behalf of other companies and entities

2010 **DS Apex Holdings Ltd.**

- Director
- Chairman of the Board of Directors' Audit Committee

1996-2006 **Harel Investments, Insurance, and Financial Services Ltd.**

- Deputy CEO and CFO of the group
- Director at Harel Investments investees and on its behalf at other companies and entities
- 2006-2009 – manager of Harel Investment insurance and long-term insurance and savings arm and chairwoman of the Board of Directors of the Group's pension funds and provident fund management companies

**Harel Insurance Company Ltd.** (formerly Shiloah Insurance Company Ltd.)

- 1996-1998 – Deputy CEO and CFO of the company
- 1999-2002 - Shiloah Insurance Company and Zion Insurance Company CEO (following its acquisition by Harel Group) until their merger into Harel Insurance Company
- 2003-2009 – CEO of Harel Insurance Company

1994-1996 **Cellcom Ltd.** – VP Finance and member of the company's founding team

1993-1994 **Clalit Health Fund** – CFO

1985-1992 **Haaretz newspaper group** – initially as Haaretz's controller, later promoted to Deputy CEO and CFO of the group

1981-1985 **Broide & Co. CPA** – internship and auditing

**Education**

1980-1985     **Tel Aviv University**, BA in Accounting and Economics; MBA  
1985           CPA license

**Military service**

1975-1980     A variety of command and training positions at elite infantry and  
paratrooper units. Major in the reserves

**Misc.**

Languages     Fluent in Hebrew and English

## Appendix A

### Statement of a Candidate for the Office of Director (Who is a Not an Outside Director or an Outside Director ("ED")) in Bank Leumi Le Israel B.M.

I the undersigned, **Esther Dominissini**, ID Number **060525441**, address: **4 HaGanim Road, Kiryat Ono**, hereby make this statement as a candidate for the office of director at Bank Leumi Le Israel B.M. (hereinafter - "the **Bank**"), after I was warned that I should state the truth and that I would be subject to the penalties prescribed by law should I fail to do so, as set out below:

#### **1. Personal details**

1.1 Name: **Esther Dominissini**

1.2 Identification Number: **060525441**

1.3 Date of Birth: **April 22, 1950**

1.4 Address for service of court documents: **4/25 HaGanim Road, Kiryat Ono 5552116**

1.5 Nationality: **Israeli**

1.6 Residency: **Israeli**

1.7 Is the candidate a relative of another interested party<sup>1</sup> in the Bank (and if s/he is – please provide details): **No**

2. I **am not** an employee of the Bank, any of its subsidiaries, related companies or of an interested party thereof; (if yes, specify the position or positions held by the candidate):
- 
- 

#### **3. Eligibility**

I possess the qualifications required to serve as a director in the Bank and in particular, possess the education, knowledge, experience or expertise in one or more of the following areas: banking, finance, economic or business activity, law, financing, accounting, risk management, regulatory compliance, information technology, information security (including cybersecurity) or any other area approved by the Banking Supervision Department, and I am able to dedicate the

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<sup>1</sup> **An interested party**- whoever holds 5% or more of the issued share capital of the corporation or voting rights therein, whoever is entitled to appoint one or more of the corporation's directors or its CEO, whoever serves as a director of the corporation or as its CEO, or a corporation in which such person holds 25% or more of its issued share capital or voting rights or is entitled to appoint 25% or more of its directors. For the purpose of this paragraph, a manager of a Fund for Joint Investments in Trust shall be deemed as the holder of the securities included in the fund's assets. If a person holds securities through a trustee, the trustee shall also be deemed to hold said securities. For this purpose, "trustee" – will not include a nominee company and a party who held the securities only in its capacity as a trustee for an arrangement, as defined in Section 46(A)(2)(f) of the Securities Law, 5728-1968, or a trustee for the allocation of shares to employees, as defined in Section 102 of the Income Tax Ordinance. In addition, a subsidiary of a corporation, other than a nominee company.

amount of time required to fulfill my role as a director of the Bank, taking into account, inter alia, the scope of the Bank's activity and its size.

My said qualifications are as follows:<sup>2</sup> (*education, qualifications, experience*):

### 3.1 Education

<b>Academic degree/certificate</b>	<b>Major subject/field</b>	<b>Name of academic institution</b>
B.A.	Social Work (specializing in mental health), <i>magna cum laude</i>	Tel Aviv University
B.A.	Sociology (including Psychology and Education)	Hebrew University, Jerusalem
M.A.(graduation and assignments only)	Criminal Law and Criminology	Tel Aviv University

### 3.2 Professional diplomas

- Civil service Senior Executives course (JDC Israel)
- Directors in Statutory Corporations Course 9thE Israeli Center for Management)
- Advanced Administrative Officers Course/Senior Officers Academy, Israel Police
- Social Work

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<sup>2</sup> The candidate must attach a CV to this Appendix which must include, at the very least, the details of the candidate's education and employment during the past five years, as required.

- 3.3 List the main occupations **during the past five years**, and specify the corporations in which the candidate serves as a director (please specify the number of years of service in each position).<sup>3</sup>

**January 2017–current:** Director, Bank Leumi Le-Israel B.M. (member of the following committees: credit committee, strategy committee, committee for the Implementation of Strum Recommendations)

**August 2015–February 2019:** External director and chair of the audit committee, Isramco Negev 2 Limited Partnership (I had to resign since the company became a major real entity and the law prohibits to hold a parallel office in a major financial entity).

**June 2012–current:** Chair of audit committee, Lottery Company (*Mifal Hapais*)

**June 2012–October 2014:** External director, member of compensation and audit committees, Harel Insurance Investments and Financial Services Ltd. I terminated my office to prevent conflict of interests due to my appointment as the Director General of the Government Medical Centers Authority.

**June 2012–October 2014:** External director, EMI – Ezer Mortgage Insurance Company Ltd. (of the "Harel" Group). I terminated my office to prevent conflict of interests due to my appointment as the Director General of the Government Medical Centers Authority.

**March 2015–January 2019:** Public Representative (Employers), National Labor Court Jerusalem.

**2014–2015:** Director General of the Government Medical Centers Authority.

- 3.4 In view of my education, experience, past and present employment, and qualifications **I have** the professional skills, as defined herein-below, on the basis of the details set forth hereinabove (Note: the professional skills evaluation of the candidate to serve as a director shall be by the board of directors). Below are further details in addition to those specified in Section 3.3 hereinabove, which are relevant to my education and experience, indicating that the conditions and criteria for my eligibility as aforesaid are satisfied:

**My senior civil service positions – with special emphasis on my position as director general of the National Insurance Institute, an entity engaged in diverse areas of collection, insurance, eligibility determinations, subrogation, investments and insurance risk calculation, as well as my**

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<sup>3</sup> The candidate must attach a CV to this Appendix which must include, at the very least, the details of the candidate's education and employment during the past five years, as required.

positions as member of the board of directors of Harel and EMI (external director, member of the audit, financial reports and compensation committee), Hadassah Hospitals (director and thereafter chairperson), Isramco (external director and chair of the audit committee), The Lottery Company (*Mifal Hapais*) (chair of audit committee) – and obviously in Bank Leumi (director, member of the credit committee, strategy committee, committee for the Implementation of Strum Recommendations) – gave me ample knowledge and experience in the areas required for holding the position of a director in a bank: in the areas of economic and business activity, examination and approval of financial report, risk management, strategic planning, work plans, regulatory compliance, information technologies and human resources including activity vis-à-vis workers' unions. In addition, I am thoroughly familiar with and have vast experience in public service, legislation procedures in the Knesset, Government resolutions and labor relations (from employers' perspective as well as from the labor court's perspective). The boards of directors of which I was and still am a member confirmed my professional skills.

The numerous positions I held required planning and execution abilities, establishing goals and defining qualitative and quantitative criteria, leading structural and procedural changes, regulatory compliance and enforcement plans, labor relations and crisis management. I made wide-ranging structural changes in the Employment Service and in the National Insurance Institute which resulted in operational savings and higher customer satisfaction, including replacement of core computer systems ("Tevel" project in the National Insurance Institute) with a forward looking vision. I conducted, for the first time, a comprehensive evaluation of the National Insurance Institutes' financial strength based on actuarial models. My skills were also manifested acting as a member of central committees in the market: the Locker committee for the evaluation of the security budget, the committee for the evaluation of the National Insurance Institutes' financial strength (initiated and headed by me), the Trachtenberg committee for social-economic change, the committee for the examination of women's retirement age and the Goren committee for the examination of disabled veterans' eligibility to benefits from the rehabilitation department.

Documents and certificates supporting my statement in this section were provided to the Bank Secretariat.

- 3.5 In view of my education, experience and past and present employment and skills, **I have** accounting and financial expertise, as defined below – based on the aforementioned (Note – the assessment of whether a candidate has accounting and financial expertise qualifying him to serve as a director will be made by the Board of Directors). Set forth below are further details in addition

to those listed in Section 3.3 above, which are relevant to my education and experience indicating that I meet the conditions and criteria for having the above expertise:

**In view of my experience and skills at the top of the civil service sector and in business boards of directors of major scopes – Harel Insurance Investments and Financial Services, EMI - Ezer Mortgage Insurance Company, Isramco, Hadassah Hospitals, The Lottery Company (*Mifal Hapais*) and the National Insurance Institute. I have knowledge and experience in business-accounting issues and financial reports enabling me to understand the Bank's financial reports, and inter alia: accounting issues and accounting control issues typical of the banking sector and companies of similar size and complexity; the functions and duties of the independent auditor; financial statements preparation and approval processes according to the Companies Law and the Securities Law. I approved and signed financial reports of the National Insurance Institute, Harel, Hadassah and Isramco – in my capacity as a member of the reports approval committee or as the chairperson/CEO of the relevant entity, as the case may be, all in scopes of NIS billions. The boards of directors in which I served and still serves as a member confirmed my accounting and financial expertise.**

**I am thoroughly familiar with the area of risk management due to my position as chairperson and member of audit committees (Isramco, the Lottery Company (*Mifal Hapais*), Harel) and my position as a CEO. I am thoroughly familiar with all risks listed in the category, including the determinations and directives of the board of directors regarding risk appetite and capital adequacy, and obviously market risks, operating risks, reputation risks, etc. I was in charge of and engaged in risk management in the National Insurance Institute, Isramco, The Lottery Company (*Mifal Hapais*) and in the Government Medical Centers Authority. I engaged and still currently engage in these issues.**

- 3.6 In view of my education, experience and past and present employment and skills, I **possess** "proved knowledge and experience in Information Technology"<sup>4</sup>, all on the basis of the above details. (Note – the evaluation whether the candidate has the qualifications to serve as a director will be made by the Board of Directors). The following are additional details to those listed in Section 3.3 above, relevant to my education and experience, indicating that I meet the conditions and criteria for having such expertise:

**In the Employment Service as well as in the National Insurance Institute I led wide-ranging (hundreds of millions of NIS) projects for the replacement of core computer systems (hardware and software) and I am thoroughly familiar with the subject. I led teams which were engaged in the characterization, planning and acquisition of core systems.**

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<sup>4</sup> As required pursuant to Proper Conduct of Banking Business Directive No. 301 and as detailed above in this document.



**Nevertheless, the board of directors of Bank Leumi did not confirm that I have experience in Information Technology.**

Documents and certificates supporting my statement in this section were provided to the Bank Secretariat.

For the purpose of this Section above –

**“Professional qualification”** - an academic degree as required under one of the conditions stated in paragraphs (1) or (2) below, and experience as required under Section (3) below:

(1) An academic degree in one of the following subjects: economics, business administration, accounting, law and/or public administration; (2) Other academic degree or completion of other higher education studies, in an area which is relevant to the Bank’s business or to the position; (3) at least five years of experience in one of the following, or accumulated experience of at least five years in two or more of the following: (a) senior position in the business management of a corporation with a substantial scope of business; or (b) senior public office or a senior position in the public service; or (c) senior banking position.

**“Director with accounting and financial expertise”** - is a person who, in the opinion of the Board of Directors, meets the following conditions: a director who by virtue of his/her education, experience and qualifications, possesses a high level of proficiency and understanding of business-accounting issues and financial statements, such that he or she has in-depth understanding of the Bank’s financial statements and is able to raise issues relating to the manner in which financial data are presented therein. When assessing the accounting and financial skills of the candidate, the Board of Directors’ considerations will include, among other things, the candidate’s education, experience and knowledge in the following areas: (1) accounting issues and accounting control issues typical of the banking sector and to companies of the size and complexity of the Bank; (2) the functions and duties of the independent auditor; (3) financial statements preparation and approval processes under the Securities Law, 5728-1968, and the Companies Law.

**"Banking experience":** One of the following – (a) A person who has served at least 3 years in a "senior position" (a manager reporting directly to a CEO, as well as a person who reports directly to a manager as stated above, including an internal auditor) in a bank or in a bank overseas and who engaged in the management or control of a core area or of a material risk to the banking corporation in which he/she serves as director; (b) Served as the partner responsible for audit management with a banking corporation, including knowledge of creating SOX processes for an aggregate period of at least 5 years in an independent auditing firm (subject to compliance with the rules of independence and the provisions of any law); (c) Served as director of a

banking corporation for an aggregate period of at least 9 years or as chairman of the board of directors for an aggregate period of at least 3 years. A director who, in his/her opinion, does not have accounting and financial expertise is required to state whether he/she has the ability to read and understand financial statements –Yes / No [delete irrelevant information].

- 3.7 In view of my education, experience and past and present employment and skills, as specified above, to my best judgment, **I do not** have "banking experience"<sup>5</sup>.
4. During the past five years, I have not been convicted by a final judgment of any of the offenses specified below, and set forth in Section 226 of the Companies Law.
- 4.1. Offences under Sections 290 to 297, 392, 415, 418 to 420 and 422 to 428 of the Penal Law, 5737-1977 and under Sections 52c, 52d, 53 (A) and 54 of the Securities Law.
- 4.2. Conviction in a court of law outside Israel of the offenses of bribery or fraud, corporate manager offenses or offenses involving the use of inside information.
- 4.3. Conviction of another offense which the court determined that due to its nature, severity or circumstances, I am not fit to serve as director in a public company. There is no pending indictment against me on such an offense.
5. I have not been charged by the Administrative Enforcement Committee<sup>6</sup> with enforcement measures prohibiting me from serving as director in a public company.
6. I am not a minor, I am not legally incompetent to stand trial, nor have I been declared bankrupt.<sup>7</sup>
7. My other duties or occupations do not create or might create a conflict of interest with my position as director with the Bank, nor do they impair my ability to serve as a director with the Bank.
8. The entire conditions for my serving as director in a banking corporation without a controlling core have been met pursuant to the provisions of the Banking Ordinance, including:
- 8.1. I or my relatives **do not** hold means of control of any kind in the Bank, in a corporation controlled by the Bank or in a "material holder", other than holding marketable shares at a percentage of no more than one quarter of one percent of the issued and paid up share capital of any of them

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<sup>5</sup> As required pursuant to Proper Conduct of Banking Business Directive No. 301 and as detailed above in this document.

<sup>6</sup> A committee appointed under Section 52(32)(a) of the Securities Law, 5728-1968.

<sup>7</sup> For As long as I have not been discharged.

Please specify:

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## 8.2

- 8.2.1 In the two years preceding the date of the appointment or from the date of the appointment and thereafter, **I, or a person who is in "close association" with me have not had** affiliation with the Bank or with a corporation under the Bank's control, with an officer of the Bank or with a "material holder" [it is clarified that having served as director with the Bank and being a candidate for re-election as aforesaid does not constitute affiliation];

**The audit committee confirmed that the circumstances ostensibly giving rise to concern of affiliation on my part, may be regarded as circumstances not constituting affiliation according to the Banking Ordinance and subject to the position of the Banking Supervision Department, with the Bank or with any material holder thereof, and alternatively, are negligible connections according to the position of the Banking Supervision Department. A concise summary of the audit committee's resolutions as aforesaid appears in the invitation to the general meeting to which this declaration is appended.**

- 8.2.2 From the date of appointment and thereafter, I **do not have** an affiliation with a relative of a Bank officer, a relative of a "material holder" or a partner of a "material holder"; it is clarified that having served as director at the Bank and being a candidate for re-election as aforesaid does not constitute affiliation.

Please specify:

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- 8.3 I or anyone in "close association" with me, **have no** business or professional relations with the Bank or with a corporation under the Bank's control, with a Bank officer, or with a "material holder" who has nominated me as a candidate to serve as director with the Bank, even if such relations, as aforesaid, are not regular.

Please specify:

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**The audit committee confirmed that the circumstances ostensibly giving rise to concern of affiliation on my part, may be regarded as circumstances not constituting affiliation according to the Banking Ordinance and subject to the position of the Banking Supervision Department, with the Bank or with any material holder thereof, and alternatively, are negligible connections according to the position of the Banking Supervision Department. A concise summary of the audit committee's resolutions as aforesaid appears in the invitation to the general meeting to which this declaration is appended.**

8.4 A director who was nominated by the Committee for the Appointment of Directors under Section 11D(a)(1) to the Banking Ordinance (hereinafter – the “**Committee**”) hereby adds and states that:

8.4.1 As of the appointment date, I have **no** affiliation with a Committee member;

8.4.2 I am **not** a minister, deputy minister or member of the Knesset, nor do I have a personal, business or political affiliation with a minister or deputy minister or government employee or an employee of a statutory corporation;

8.4.3 I **have not** been convicted of an offense which due to its nature, severity or circumstances renders me unfit to serve in the position, and no indictment for such an offense is pending against me.

Please provide specifics, as necessary:

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For the purpose of section 8 above:

“**Close association**” – A relationship between a person and his/her relative, partner, employer, to whom he/she is directly or indirectly subordinate, and a corporation in which he/she is the controlling shareholder;

**"Affiliation"**- employment relationship, regular business or professional relations, with the exception of negligible relations, as well as service as an officer; however, retail business relations between the corporation and a customer shall not be deemed an affiliation.

**"Material holder"**- A person who holds more than two and a half percent of a certain type of means of control in the banking corporation, a person who controls such holder, a person controlled by any of them, a member of a body of holders

as defined by Section 11D(a)(3)(b), whoever controls such a member or a body of holders, and whoever is controlled by any of them. For a list of the Bank's material holders, please see the Bank's website at [www.leumi.co.il](http://www.leumi.co.il).

**"Officer"**– As defined in the Companies Law, and any other employee reporting to them directly.

9. I hereby declare that there is no impediment or restriction whatsoever for my appointment as director with the Bank, including, among other things, under Proper Conduct of Banking Business Directive No. 301; the Banking Ordinance, 1941; the Banking (Licensing) Law, 5741-1981, and/or under any law, including, among other things, due to any other office I hold in other corporations.
10. The Bank has provided me with all the information regarding the compensation of directors customary with the Bank and I agree to same.
11. If, and to the extent, any change occurs in the aforesaid, including if I no longer meet any condition required by law to serve as a director in the Bank, I hereby undertake to inform the Bank Secretariat immediately of same.
12. This is my name, my signature and all of the above is true.

Date: **November 11, 2019** Signature of declarant: **[signature]**

Certification:

I, the undersigned, Adv. **Anat Rotman**, hereby confirm that **Mrs. Esther Dominissini**, whom I know personally/who identified himself/herself to me with his/her ID card no. **60525441**, after I warned him/her that he/she should state the truth and that he/she will be subject to penalties prescribed by law if he/she fails to do so, confirmed his/her above declaration, and signed it in my presence.

Date **November 7, 2019** Name and Signature of attorney: **[stamp and signature: Anat Rotman, Adv. License no. 59169]**

## **Conditions for Service as a Director in a Bank Without a Controlling Core**

### **Sections 11E(b)–(e) of the Banking Ordinance**

- (b)(1) In a banking corporation without a controlling core, no person shall be appointed nor serve as director if one of the following is met:
- (a) He or his relative holds means of control of any kind in the banking corporation, in a corporation controlled by the banking corporation or in a material holder other than the holding of marketable shares at a rate not exceeding one quarter of one percent of the issued and paid up share capital of any of the above.
  - (b) A person who in the two years preceding the date of the appointment or from the date of the appointment and thereafter, has, or a person to whom he is closely associated has, an affiliation to the banking corporation or a corporation controlled by the banking corporation, an officer of the banking corporation or a material holder, and whoever, from the date of the appointment and thereafter has an affiliation to a relative of an officer of the banking corporation, a relative of a material holder or a partner of a material holder; for this purpose, service as director in a banking corporation without a controlling core by a candidate for re-election as aforesaid shall not be deemed an affiliation.
- (2) Without derogating from the provisions of Section (1)(b), an individual may not serve as a director if he, or a person with whom he has a close association, has business or professional relations with the banking corporation or with a corporation controlled by the banking corporation, with an officer of the banking corporation, or with a material holder who nominated that candidate to serve as a director, even if such relations are not regular, except for negligible relations;
- (3) Without derogating from the provisions of Sections (1) and (2), a director who was nominated by the Committee under Section 11D(a)(1) shall not be appointed and shall not serve if any of the following applies to him:
- (a) He has an affiliation to a member of the Committee at the time of the appointment;
  - (b) The provisions of Section 36B(b)(3) of the Banking (Licensing) Law apply to him;
  - (c) He was convicted of an offense which due to its nature, severity or circumstances renders him unfit to serve in the position, and an indictment is pending against him for such an offense;
  - (d) The provisions of Section 240(c) of the Companies Law apply to him;

- (4) A director who was nominated by the Committee under Section 11D(a)(1) shall have the professional qualifications or possess accounting and financial expertise, pursuant to the provisions of Section 240(a1) of the Companies Law.
- (c) Notwithstanding the provisions of subsection (b), a director serving in a banking corporation on the eve of its becoming a banking corporation without a controlling core may continue to serve until the end of his term in office even if the conditions prescribed in the said subsection do not apply to him, but no more than three years from the date on which the banking corporation became a banking corporation without a controlling core, according to the earlier.
- (c1) The Banking Supervision Department may approve the appointment or service as a director of a person who, in the two years preceding the date of appointment or from the date of appointment and thereafter, had or a person with whom he is closely associated had an affiliation to a material holder, relative of a material holder or a partner of a material holder, even if this affiliation is not negligible, if the Banking Supervision Department finds that, under the circumstances, this affiliation does not give rise to a concern of conflict of interest in such office.
- (d) The provisions of this section shall prevail over any conflicting provision of the law.
- (e) In this section –

“General Meeting” “Special Meeting” and “Annual Meeting” – as defined in the Companies Law;

“Close association” – as defined in section 36B(a) of the Banking Law (Licensing);

“Affiliation” – employment relationship, regular business or professional relations – with the exception of negligible relations, as well as service as officer; however, retail business relations between a corporation and a customer shall not be deemed an affiliation.

“Material holder” – a party holding more than two and one half percent of a particular type of means of control in the banking corporation; a party controlling such a holder, or controlled by any of them; a member of a body of holders as defined in Section 11D(a)(3)(b), a party who controls a member of such a body of holders, and a party controlled by any of them.

## Esther Dominissini – CV

Address 4 Haganim Rd., Kiryat-Ono, 5552116  
 Mobile +972-505-579-619  
 Email estidom@gmail.com  
 Personal Married + 1



### Employment, executive

2014-2015

**CEO**

#### Israel Hospital Authority

Established and managed a governmental authority incorporating all state-owned hospitals and their affiliated research and infrastructure funds. The minister that assumed office following Minister German's resignation decided to revoke the decision to establish the authority; I therefore resigned from office.

2008-2012

**CEO**

#### National Insurance Institute of Israel (social security)

A statutory body under the supervision of the Minister of Welfare and Social Services, has an annual expenditure of NIS 100 billion on the various benefits that it pays to millions of eligibles, annual collection of NIS 148 billion and an annual administrative budget of NIS 2 billion. In my capacity as CEO:

- Administered an organization of close to 4,000 employees in nationwide dispersion of 80 branches
- Approved the financial statements including actuarial reports
- Was responsible for the operation of one of the largest and most complex IT networks in the country
- Initiated and started to implement a strategic plan to redesign and replace the core computing infrastructure and information processing and management systems of the organization (Tevel Program)
- Led social policy and influenced government policy
- Managed five NIS multi-million funds for service development in the community
- Operated a network of medical committees where 1,700 physicians examine about 300,000 persons a year in order to determine whether they meet eligibility criteria for disability
- Operated an extensive legal practice (over one hundred lawyers), including appearances at labor court, legislation acts and contract signing
- Acquired, built, sold and managed multi-million NIS's worth of real estate
- Well acquainted with the work of the government and regulators



- Negotiated frequently and successfully with worker's unions and the Histadrut (General Organization of Workers in Israel) on implementation of reforms and workers' rights

2003-2007

## CEO

### Israel National Employment Service

The National Employment Service is a statutory body under the supervision of the Minister of Industry, Trade and Labor, responsible for the labour market (placement of the unemployed). In my capacity as CEO, I was responsible for:

- Operation of a nationwide network of 71 local employment bureaus, by means of 800 workers, providing service for 500,000 job seekers a year
- Extensive streamlining by means of labor-saving and time-saving reforms that included re-organization, biometric identification systems and complete overhaul of central computing systems
- Development of initiatives to care for unemployed populations by means of diagnosis, counseling and selection, vocational training and more

2001-2003

## Major General, Head of Community and Civilian Guard Division

### Israel Police

The division is directly subordinate to the Inspector General, and acts to strengthen the community:

- Was responsible for recruiting, training and operating 75,000 volunteers of the civil guard
- Developed and assimilated community policing through 365 community policing centers
- Created partnerships with the public (mayors and government ministries) and private (organizations and businesses) sectors to promote projects with and for the benefit of the community

1996-2001

## Major General, Head of Human Resources Division

### Israel Police

The division is directly subordinate to the Inspector General, includes 12 departments and is responsible for setting policy and caring for a population of 30,000 policemen as well as 15,000 pensioners, including recruitment, assignment and promotion, salary, welfare, health and injuries, training (commanded three police schools) and retirement (deep knowledge of pension laws). I signed large-scale contracts in the areas of insurance, recreation and tourism, health and welfare. I successfully headed two housing projects for policemen in the cities of Yavne and Modi'in (scope of hundreds of units).

## Boards of Directors memberships

01/2017-present	<b>Bank Leumi</b> , <a href="#">Director</a> and member of the <a href="#">Strategy Committee</a> , the <a href="#">Credit Committee</a> , the <a href="#">Committee for the Separation of the Credit Card Company from the Banks (Strum Committee)</a> and the <a href="#">Procedure Committee</a>
08/2015-02/2019	<b>Isramco Negev 2 LP</b> oil and gas exploration (market cap ~3.2 billion NIS), <a href="#">Statutory Independent Director</a> , <a href="#">Chairperson of Audit Committee</a> (once Isramco's market cap reached a preset threshold, the law on minimizing market centralization and promoting economic competition prevented me from serving on Isramco's and Bank Leumi's boards at the same time; I therefore resigned from Isramco)
06/2012-present	<b>Israel State Lottery</b> (Mifal HaPayis), <a href="#">Chairperson of Audit Committee</a>
12/2011-10/2013	<b>Hadassah Medical Center</b> (Ein Kerem and Mount Scopus hospitals), <a href="#">Chairperson of the Board of Directors</a>
10/2009-12/2011	<b>Hadassah Medical Center</b> (Ein Kerem and Mount Scopus hospitals, ~3 billion NIS annually), <a href="#">Director</a>
06/2012-10/2014	<b>Harel Insurance Investments &amp; Financial Services Ltd.</b> (Harel Group) (market cap ~6.4 billion NIS), <a href="#">Statutory Independent Director</a> , member of the <a href="#">Balance Sheet and Audit &amp; Compensation Committees</a> . On my appointment as Director General of the Israel Hospital Authority, I resigned due to conflict of interest.
06/2012-10/2014	<b>EMI - Ezer Mortgage Insurance Company Ltd.</b> (Harel Group), <a href="#">Statutory Independent Director</a> . On my appointment as Director General of the Israel Hospital Authority, I resigned due to conflict of interest.
2001-2008	<b>The College of Law and Business</b> (CLB, Ramat-Gan), <a href="#">Director</a>
1996-2000	<b>Bank Yahav</b> for Government Employees, Education Fund for Policemen, <a href="#">Director</a>

## Employment, other

03/2015-01/2019	<b>National Labor Court</b> , <a href="#">representative on behalf of the public</a> (judicial function)
2012-2015	<b>Advisory council for the National Economic Council</b> , Prime Minister's Office, <a href="#">member</a>

#### Governmental Committees membership

- **Locker Committee** on defense budget reform (2014-2015; appointed by the government)
- **Committee for the appointment of the Supervisor of Banks** in the Bank of Israel (2010, 2015; appointed by the Governor of the Bank of Israel)
- **Goren Committee** for reform in veteran rehabilitation and in eligibility criteria (2009-2010; appointed by the government)
- **Trachtenberg Committee** for Socioeconomic Reform in Israel (2011; appointed by the government)
- Initiated and headed the **Committee for the Assessment of the Financial Stability of Israel's National Insurance Institute** (2011-2012; appointed by the government)
- **Committee on examining women's retirement/pension age** (2011; appointed by the government)
- **Committee for Promotion of Competition in Business** (2009; appointed by the government)

#### Education

1978-1980	B.A., Social Work, specialty in mental health, graduated cum laude, Tel-Aviv University, Israel
1977-1978	Completed requirements for M.A. in Criminology and Criminal Law (except for thesis), Tel-Aviv University, Israel
1970-1973	B.A., Sociology with divisions in psychology and education, The Hebrew University, Jerusalem

## Appendix A

### Statement of a Candidate for the Office of Director (Who is a Not an External Director or an External Director ("ED")) in Bank Leumi Le Israel B.M.

I the undersigned, **Ira Rachel Sobel**, ID Number **027811546**, address: **6 Bat Yiftah St., Tel Aviv 6993213**, hereby make this statement as a candidate for the office of director at Bank Leumi Le Israel B.M. (hereinafter - "the **Bank**"), after I was warned that I should state the truth and that I would be subject to the penalties prescribed by law should I fail to do so, as set out below:

#### **1. Personal details**

1.1 Name: **Ira Rachel Sobel**

1.2 Identification Number: **027811546**

1.3 Date of Birth: **July 15 1970**

1.4 Address for service of court documents: **6 Bat Yiftah St., Tel Aviv 6993213**

1.5 Nationality: **Israeli (also carries a Swiss passport)**

1.6 Residency: **Israeli**

1.7 Is the candidate a relative of another interested party<sup>1</sup> in the Bank (and if s/he is – please provide details): No

2. I **am not** an employee of the Bank, any of its subsidiaries, related companies or of an interested party thereof; (if yes, specify the position or positions held by the candidate):
- 
- 

#### **3. Eligibility**

I possess the qualifications required to serve as a director in the Bank and in particular, possess the education, knowledge, experience or expertise in one or more of the following areas: banking, finance, economic or business activity, law, financing, accounting, risk management, regulatory compliance, information technology, information security (including cybersecurity) or any other area approved by the Banking Supervision Department, and I am able to dedicate the

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<sup>1</sup> **An interested party**- whoever holds 5% or more of the issued share capital of the corporation or voting rights therein, whoever is entitled to appoint one or more of the corporation's directors or its CEO, whoever serves as a director of the corporation or as its CEO, or a corporation in which such person holds 25% or more of its issued share capital or voting rights or is entitled to appoint 25% or more of its directors. For the purpose of this paragraph, a manager of a Fund for Joint Investments in Trust shall be deemed as the holder of the securities included in the fund's assets. If a person holds securities through a trustee, the trustee shall also be deemed to hold said securities. For this purpose, "trustee" – will not include a nominee company and a party who held the securities only in its capacity as a trustee for an arrangement, as defined in Section 46(A)(2)(f) of the Securities Law, 1968, or a trustee for the allocation of shares to employees, as defined in Section 102 of the Income Tax Ordinance. Furthermore, a subsidiary of a corporation, other than a nominee company.

amount of time required to fulfill my role as a director of the Bank, taking into account, inter alia, the scope of the Bank's activity and its size.

My said qualifications are as follows:<sup>2</sup> (*education, qualifications, experience*):

### 3.1 Education

<b>Academic degree/certificate</b>	<b>Major subject/field</b>	<b>Name of academic institution</b>
Doctoral studies (PhD)	Economic sociology, household inequality	Tel Aviv University
M.A. in the Social Sciences	Sociology, Gender Studies, Organizations	Tel Aviv University
MBA	Executive program	Tel Aviv University and Northwestern University, Chicago
B.A. in Business Administration/Accounting	Accounting	College of Management Academic Studies, Rishon LeZion

### 3.2 Professional diplomas

CPA certification: 1997

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<sup>2</sup> The candidate must attach a CV to this Appendix which must include, at the very least, the details of the candidate's education and employment during the past five years, as required.

- 3.3 List the main occupations **during the past five years**, and specify the corporations in which the candidate serves as a director (please specify the number of years of service in each position).<sup>3</sup>

**Economic advisor and director in companies (since 2002)**

**Economic sociology academic researcher (since 2013)**

**CPA, specializing in banking (1994-2001)**

**Director:**

**Bank of Jerusalem (2013-2019)**

**Ilex Medical (2011-2014)**

**Lodz Rotex Investment Ltd. (2011-2015)**

**Nisko Electronic Industries Ltd. (2008-2012)**

**Medipower (Overseas) Public Company Ltd. (2011-2014)**

**Member of the management committee of the "Open Door" NGO**

In view of my education, experience, past and present employment, and qualifications **I have** the professional skills, as defined hereinbelow, on the basis of the details set forth hereinabove (Note: the professional skills evaluation of the candidate to serve as a director shall be by the board of directors). Below are further details in addition to those specified in Section 3.3 hereinabove, which are relevant to my education and experience, indicating that the conditions and criteria for my eligibility as aforesaid are satisfied:

**CPA, MBA, and doctoral studies (near completion) in economics. More than 20 years of business and accounting experience, including thorough understanding of strategy, banks' financial statements, risk management, auditing, compliance, banking regulations and statistical models. Diverse economic consultancy activity, including startups, mergers and acquisitions, and valuations. Director at public companies in different industries, *inter alia*, a director at Bank of Jerusalem for the past six years. Also, specialization in unique banking issues and processes as part of customer portfolio management and banking projects at a CPA firm for seven years.**

Documents and certificates supporting my statement in this section were provided to the Bank Secretariat.

- 3.4 In view of my education, experience and past and present employment and skills, **I have** accounting and financial expertise, as defined below – based on

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<sup>3</sup> The candidate must attach a CV to this Appendix which must include, at the very least, the details of the candidate's education and employment during the past five years, as required.

the aforementioned (Note – the assessment of whether a candidate has accounting and financial expertise qualifying him to serve as a director will be made by the Board of Directors). Set forth below are further details in addition to those listed in Section 3.3 above, which are relevant to my education and experience indicating that I meet the conditions and criteria for having the above expertise:

**CPA, MBA, and doctoral studies (near completion) in economics, director at Bank of Jerusalem (on all committees), chair of the audit (balance sheet) committees in public companies. Expertise and thorough understanding of business-accounting issues unique to banking (retail and business credit, capital planning, banking regulation, statistical models), and the role of the auditor.**

- 3.5 In view of my education, experience and past and present employment and skills, I **do not possess** "proved knowledge and experience in Information Technology"<sup>4</sup>, all on the basis of the above details. (Note – the evaluation whether the candidate has the qualifications to serve as a director will be made by the Board of Directors). The following are additional details to those listed in Section 3.3 above, relevant to my education and experience, indicating that I meet the conditions and criteria for having such expertise:

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Documents and certificates supporting my statement in this section were provided to the Bank Secretariat.

For the purpose of this Section above –

**“Professional qualification”** - an academic degree as required under one of the conditions stated in paragraphs (1) or (2) below, and experience as required under Section (3) below:

(1) An academic degree in one of the following subjects: economics, business administration, accounting, law and/or public administration; (2) Other academic degree or completion of other higher education studies, in an area which is relevant to the Bank's business or to the position; (3) at least five years of experience in one of the following, or accumulated experience of at least five years in two or more of the following: (a) senior position in the business management of a corporation with a substantial scope of business; or (b) senior public office or a senior position in the public service; or (c) senior banking position.

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<sup>4</sup> As required pursuant to Proper Conduct of Banking Business Directive No. 301 and as detailed above in this document.

**“Director with accounting and financial expertise”** - is a person who, in the opinion of the Board of Directors, meets the following conditions: a director who by virtue of his/her education, experience and qualifications, possesses a high level of proficiency and understanding of business-accounting issues and financial statements, such that he or she has in-depth understanding of the Bank’s financial statements and is able to raise issues relating to the manner in which financial data are presented therein. When assessing the accounting and financial skills of the candidate, the Board of Directors’ considerations will include, among other things, the candidate’s education, experience and knowledge in the following areas: (1) accounting issues and accounting control issues typical of the banking sector and to companies of the size and complexity of the Bank; (2) the functions and duties of the independent auditor; (3) financial statements preparation and approval processes under the Securities Law, 1968, and the Companies Law.

**"Banking experience":** One of the following – (a) A person who has served at least 3 years in a "senior position" (a manager reporting directly to a CEO, as well as a person who reports directly to a manager as stated above, including an internal auditor) in a bank or in a bank overseas and who engaged in the management or control of a core area or of a material risk to the banking corporation in which he/she serves as director; (b) Served as the partner responsible for audit management with a banking corporation, including knowledge of creating SOX processes for an aggregate period of at least 5 years in an independent auditing firm (subject to compliance with the rules of independence and the provisions of any law); (c) Served as director of a banking corporation for an aggregate period of at least 9 years or as chairman of the board of directors for an aggregate period of at least 3 years. A director who, in his/her opinion, does not have accounting and financial expertise is required to state whether he/she has the ability to read and understand financial statements –Yes / No [delete irrelevant information].

### 3.6

**I do not** have "banking experience"<sup>5</sup> as required pursuant to the provisions of the Proper Conduct of Banking Business Directive No. 301.

4. During the past five years, I have not been convicted by a final judgment of any of the offenses specified below, and set forth in Section 226 of the Companies Law.
  - 4.1. Offences under Sections 290 to 297, 392, 415, 418 to 420 and 422 to 428 of the Penal Law, 1977 and under Sections 52c, 52d, 53 (A) and 54 of the Securities Law.
  - 4.2. Conviction in a court of law outside Israel of the offenses of bribery or fraud, corporate manager offenses or offenses involving the use of inside information.

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<sup>5</sup> As required pursuant to Proper Conduct of Banking Business Directive No. 301 and as detailed above in this document.



- 4.3. Conviction of another offense which the court determined that due to its nature, severity or circumstances, I am not fit to serve as director in a public company. There is no pending indictment against me on such an offense.
5. I have not been charged by the Administrative Enforcement Committee<sup>6</sup> with enforcement measures prohibiting me from serving as director in a public company.
6. I am not a minor, I am not legally incompetent to stand trial, nor have I been declared bankrupt.<sup>7</sup>
7. My other duties or occupations do not create or might create a conflict of interest with my position as director with the Bank, nor do they impair my ability to serve as a director with the Bank.
8. The entire conditions for my serving as director in a banking corporation without a controlling core have been met pursuant to the provisions of the Banking Ordinance, including:
- 8.1. I or my relatives **do not** hold means of control of any kind in the Bank, in a corporation controlled by the Bank or in a "material holder", other than holding marketable shares at a percentage of no more than one quarter of one percent of the issued and paid up share capital of any of them

Please specify:

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## 8.2

- 8.2.1 In the two years preceding the date of the appointment or from the date of the appointment and thereafter, **I, or a person who is in "close association" with me have not had** affiliation with the Bank or with a corporation under the Bank's control, with an officer of the Bank or with a "material holder" [it is clarified that having served as director with the Bank and being a candidate for re-election as aforesaid does not constitute affiliation];

**The audit committee confirmed that the circumstances ostensibly giving rise to concern of affiliation on my part, may**

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<sup>6</sup> A committee appointed under Section 52(32)(a) of the Securities Law, 1968.

<sup>7</sup> For as long as I have not been discharged.

be regarded as circumstances not constituting affiliation according to the Banking Ordinance and subject to the position of the Banking Supervision Department, with the Bank or with any material holder thereof, and alternatively, are negligible connections according to the position of the Banking Supervision Department. A concise summary of the audit committee's resolutions as aforesaid appears in the invitation to the general meeting to which this declaration is appended.

- 8.2.2 From the date of appointment and thereafter, I **do not have** an affiliation with a relative of a Bank officer, a relative of a "material holder" or a partner of a "material holder"; it is clarified that having served as director at the Bank and being a candidate for re-election as aforesaid does not constitute affiliation.

Please specify:

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- 8.3 I or anyone in "close association" with me, **have no** business or professional relations with the Bank or with a corporation under the Bank's control, with a Bank officer, or with a "material holder" who has nominated me as a candidate to serve as director with the Bank, even if such relations, as aforesaid, are not regular.

Please specify:

The audit committee confirmed that the circumstances ostensibly giving rise to concern of affiliation on my part, may be regarded as circumstances not constituting affiliation according to the Banking Ordinance and subject to the position of the Banking Supervision Department, with the Bank or with any material holder thereof, and alternatively, are negligible connections according to the position of the Banking Supervision Department. A concise summary of the audit committee's resolutions as aforesaid appears in the invitation to the general meeting to which this declaration is appended.

- 8.4 A director who was nominated by the Committee for the Appointment of Directors under Section 11D(a)(1) to the Banking Ordinance (hereinafter – the “Committee”) hereby adds and states that:

8.4.1 As of the appointment date, I have **no** affiliation with a Committee member;

8.4.2 I am **not** a minister, deputy minister or member of the Knesset, nor do I have a personal, business or political affiliation with a minister or deputy minister or government employee or an employee of a statutory corporation;

8.4.3 I **have not** been convicted of an offense which due to its nature, severity or circumstances renders me unfit to serve in the position, and no indictment for such an offense is pending against me.

Please provide specifics, as necessary:

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For the purpose of section 8 above:

**“Close association”** – A relationship between a person and his/her relative, partner, employer, to whom he/she is directly or indirectly subordinate, and a corporation in which he/she is the controlling shareholder;

**"Affiliation"**- employment relationship, regular business or professional relations, with the exception of negligible relations, as well as service as an officer; however, retail business relations between the corporation and a customer shall not be deemed an affiliation.

**"Material holder"**- A person who holds more than two and a half percent of a certain type of means of control in the banking corporation, a person who controls such holder, a person controlled by any of them, a member of a body of holders as defined by Section 11D(a)(3)(b), whoever controls such a member or a body of holders, and whoever is controlled by any of them. For a list of the Bank's material holders, please see the Bank's website at [www.leumi.co.il](http://www.leumi.co.il).

**"Officer"**– As defined in the Companies Law, and any other employee reporting to them directly.

9. I hereby declare that there is no impediment or restriction whatsoever for my appointment as director with the Bank, including, among other things, under Proper Conduct of Banking Business Directive No. 301; the Banking Ordinance, 1941; the

Banking (Licensing) Law, 1981, and/or under any law, including, among other things, due to any other office I hold in other corporations.

10. The Bank has provided me with all the information regarding the compensation of directors customary with the Bank and I agree to same.
11. If, and to the extent, any change occurs in the aforesaid, including if I no longer meet any condition required by law to serve as a director in the Bank, I hereby undertake to inform the Bank Secretariat immediately of same.
12. This is my name, my signature and all of the above is true.

Date: **November 6, 2019** Signature of declarant: **[signature]**

**Certification:**

I, the undersigned, Adv. **Sa'ar Plinner**, hereby confirm that **Ira Sobel**, whom I know personally/who identified himself/herself to me with his/her ID card no. **027611546**, after I warned him/her that he/she should state the truth and that he/she will be subject to penalties prescribed by law if he/she fails to do so, confirmed his/her above declaration, and signed it in my presence.

Date: **November 6 2019** Name and Signature of attorney: **[stamp and signature: Sa'ar Plinner, Adv. License no. 15730]**

## **Conditions for Service as a Director in a Bank Without a Controlling Core**

### **Sections 11E(b)–(e) of the Banking Ordinance**

- (b)(1) In a banking corporation without a controlling core, no person shall be appointed nor serve as director if one of the following is met:
- (a) He or his relative holds means of control of any kind in the banking corporation, in a corporation controlled by the banking corporation or in a material holder other than the holding of marketable shares at a rate not exceeding one quarter of one percent of the issued and paid up share capital of any of the above.
  - (b) A person who in the two years preceding the date of the appointment or from the date of the appointment and thereafter, has, or a person to whom he is closely associated has, an affiliation to the banking corporation or a corporation controlled by the banking corporation, an officer of the banking corporation or a material holder, and whoever, from the date of the appointment and thereafter has an affiliation to a relative of an officer of the banking corporation, a relative of a material holder or a partner of a material holder; for this purpose, service as director in a banking corporation without a controlling core by a candidate for re-election as aforesaid shall not be deemed an affiliation.
- (2) Without derogating from the provisions of Section (1)(b), an individual may not serve as a director if he, or a person with whom he has a close association, has business or professional relations with the banking corporation or with a corporation controlled by the banking corporation, with an officer of the banking corporation, or with a material holder who nominated that candidate to serve as a director, even if such relations are not regular, except for negligible relations;
- (3) Without derogating from the provisions of Sections (1) and (2), a director who was nominated by the Committee under Section 11D(a)(1) shall not be appointed and shall not serve if any of the following applies to him:
- (a) He has an affiliation to a member of the Committee at the time of the appointment;
  - (b) The provisions of Section 36B(b)(3) of the Banking (Licensing) Law apply to him;
  - (c) He was convicted of an offense which due to its nature, severity or circumstances renders him unfit to serve in the position, and an indictment is pending against him for such an offense;
  - (d) The provisions of Section 240(c) of the Companies Law apply to him;

- (4) A director who was nominated by the Committee under Section 11D(a)(1) shall have the professional qualifications or possess accounting and financial expertise, pursuant to the provisions of Section 240(a1) of the Companies Law.
- (c) Notwithstanding the provisions of subsection (b), a director serving in a banking corporation on the eve of its becoming a banking corporation without a controlling core may continue to serve until the end of his term in office even if the conditions prescribed in the said subsection do not apply to him, but no more than three years from the date on which the banking corporation became a banking corporation without a controlling core, according to the earlier.
- (c1) The Banking Supervision Department may approve the appointment or service as a director of a person who, in the two years preceding the date of appointment or from the date of appointment and thereafter, had or a person with whom he is closely associated had an affiliation to a material holder, relative of a material holder or a partner of a material holder, even if this affiliation is not negligible, if the Banking Supervision Department finds that, under the circumstances, this affiliation does not give rise to a concern of conflict of interest in such office.
- (d) The provisions of this section shall prevail over any conflicting provision of the law.
- (e) In this section –

“General Meeting” “Special Meeting” and “Annual Meeting” – as defined in the Companies Law;

“Close association” – as defined in section 36B(a) of the Banking Law (Licensing);

“Affiliation” – employment relationship, regular business or professional relations – with the exception of negligible relations, as well as service as officer; however, retail business relations between a corporation and a customer shall not be deemed an affiliation.

“Material holder” – a party holding more than two and one half percent of a particular type of means of control in the banking corporation; a party controlling such a holder, or controlled by any of them; a member of a body of holders as defined in Section 11D(a)(3)(b), a party who controls a member of such a body of holders, and a party controlled by any of them.

## Curriculum Vitae

**Ira Sobel, CPA**

Email: [irsobel@netvision.net.il](mailto:irsobel@netvision.net.il)

Telephone: 050-6460098, fax: 03-6491294

Address: **6 Bat Yiftah St., Tel Aviv 6993213**

General: Extensive experience in strategy, corporate governance, risk management, audit and controls in public companies, to which should be added extensive experience in banking both as a director at Bank of Jerusalem for the past six years and as chief auditor of banks at a CPA firm. Over the years, I have been a member of all Bank of Jerusalem's board of directors' committee (Audit, Risk Management Capital and Strategy, Resources and Technology, and Compensation). In 2015, I was also a member of the ad hoc CEO search committee. At Somekh Chaikin, I managed the following customer accounts: Investec Bank, Mishkan Mortgage Bank, Leumi Mortgage Bank, and Mercantile Discount Bank. My education includes accounting, business administration, organization research (thesis), and economic topics (doctorate, close to completion).

### Professional experience

**2002-current      Self-employed, consultant and economic advisor to private companies and director at public companies and Bank of Jerusalem**

Noteworthy points in these years:

2006                      As external CFO, I managed the sale and merger of information security software company to McAfee Inc.

2004-2008              Consultant to startups seeking Israeli and foreign investment, financial planning, building strategy and vision, raising capital, pitches to venture capital funds, and valuations

2002-current              Consultant to private companies on investment, taxation, obligo, and financial statements

Independent director and ED under Proper Conduct of Banking Business Directive No. 301 at Bank of Jerusalem (2013-2019) – member of the bank's CEO search committee in 2015, and a member of all bank committees

2011-2014              ED at Ilex Medical, Chairwoman of the Compensation Committee

2011-2015              Independent director at Lodzia Rotex Investment

2011-2014	ED at Medipower Overseas Ltd., Chairwoman of the Balance Sheet and Compensation Committees
2008-2012	ED at Nisko Electronic Industries Ltd., chairwoman of the Audit and Balance Sheet Committees
1994-2001	<b>CPA, last position, senior audit manager, KPMG Somekh Chaikin</b>

During my years at Somekh Chaikin, I specialized in banking, and was engaged in numerous diverse fields, including audits, taxation, issues, due diligence, and merger agreements. As Senior Audit Manager, the banks I handled included Investec (U-Bank), Mishkan Mortgage Bank, Leumi Mortgage Bank, and Mercantile Discount Bank. I also coordinated the handling of strategic customers, including holding, high-tech, and industrial companies. My work included dealing with complex accounting and tax issue and managing employees in different disciplines.

## **Education**

2015	Tel Aviv University, close to completing my <b>doctorate</b> , Department of Sociology and Anthropology, Faculty of the Social Sciences (expected completion – end of 2019) Dissertation title: Aging in Risk: late life transitions and the dynamics of wealth and wellbeing in a comparative perspective
2009-2014	Tel Aviv University, <b>M.A. summa cum laude</b> , Gender Studies Program, Faculty of the Humanities Thesis: One step forward, two steps back – adopting work-family plans at organizations in Israel, Department of Sociology and Anthropology
2002-2004	Northwestern University, Chicago and Tel Aviv University, <b>MBA</b> Kellogg Recanati Program in Business Administration for Executives
1990-1994	College of Management Academic Studies, Rishon LeZion, <b>B.A.</b> in Business Administration, major in accounting
1997	CPA certification

## **Lectures and conferences**

2013-current	I gave presentations on the subject of my M.A. thesis and doctoral dissertation at academic conferences in Israel and overseas – organizations, assets and liabilities of households in Israel from a
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comparative perspective, and privatization policy and welfare policy from a comparative perspective. I also won research and outstanding student scholarships from Tel Aviv University

1994-1997      I taught courses on accounting at a number of forums, including preparing students for certification exams by the Israel CPA Council, College of Management, Rishon LeZion

**Volunteer activity**

2018-current      Support of discharged soldiers ahead of their academic studies

To July 2018      Member of the management committee, Open Doors NGO, which helps youths at risk

2015              Financial education for underprivileged communities

2016              Financial education for youths at the Nitzotzot social project

**Bank Leumi Le-Israel B.M.**

**Proxy statement in accordance with the Companies Regulations (Voting by Ballot and Position Statements), 2005 (the “Regulations”) in respect of an extraordinary general meeting which shall convene on December 23 2019.**

**Part One**

1. **Company:** Bank Leumi of Israel Ltd. (hereinafter: the “Bank”).
2. **Type, date and location of general meeting:** The Bank’s extraordinary general meeting. The extraordinary general meeting will convene on Monday, December 23 2019, at 14:00 at the Bank’s offices at Beit Lin, 35 Yehuda Halevy Street, Tel Aviv. If the meeting is postponed, it will be held on Monday, December 30 2019, at the same location, at 14:30.
3. **List of items on the agenda of the general meeting which may be voted on by means of a proxy statement:**

**3.1. Topics 1 to 2 on the agenda – appointment of one (1) external director (pursuant to the provisions of the Companies Law) to the Bank’s Board of Directors**

One (1) external director to the Bank’s Board of Directors shall be appointed in this General Meeting, pursuant to the provisions of the Companies Law, 1999 (hereinafter, respectively: the “**Companies Law**” and “**ED**”) for a period of three years, out of the candidates who were proposed by the Committee for the Appointment of Directors in Banking Corporations, which was appointed pursuant to Section 36A of the Banking Law (Licensing), 1981 (hereinafter – the “**Banking Law**”) and pursuant to Sections 11D(a)(1) and (2) to the Banking Ordinance, 1941 (hereinafter, respectively – the “**Banking Ordinance**” and the “**Committee for the Appointment of Directors**”).

The candidates who were proposed by the Committee for the Appointment of Directors to serve as ED are as follows:

- 3.1.1 Mr. Yitzhak Edelman, ED, who will be resuming a first term of office on February 1 2020 and is a candidate for reelection.
- 3.1.2 Mr. Mordechai Rosen.

For more information regarding the appointment of the directors to the Bank’s Board of Directors, including the motions for resolution on Topics 1 and 2 on the meeting’s agenda, please see Section 2.1 to the immediate report on the convening of a extraordinary general meeting, attached to this Proxy Statement (hereinafter: the “**Immediate Report**”).

**The vote shall cast separately for each of the candidates. Voters may vote for any of the candidates to serve as ED.**

**Set forth below are the details regarding candidates up for re-election to serve as directors in the Bank’s Board of Directors pursuant to Regulations 26 and 36B(a)(10) to the Reports Regulations:**

**Regarding Topic No. 1 on the agenda – appointment of Mr. Yitzhak Edelman as ED**

<b>Name of the candidate</b>	<b>Yitzhak Edelman</b>
<b>ID number</b>	<b>50066174</b>
<b>Date of birth</b>	<b>July 1 1950</b>
<b>Address for serving court documents</b>	<b>Beit Leumi, 34 Yehuda Halevi St., Tel Aviv, 6513616</b>
<b>Citizenship</b>	<b>Israeli</b>
<b>Membership in Board of Directors Committees</b>	<b>Member of the Audit Committee (which also serves as compensation committee and as committee for review of the financial statements), Risk Management Committee, Prospectuses Committee, Procedure Committee, Investment Committee, and Technology, Information and Technological Innovation Committee</b>
<b>ED as defined in the Companies Law/ External director pursuant to Proper Conduct of Banking Business Directive No. 301</b>	<b>External director as defined in the Companies Law, who also meets the eligibility conditions of External director pursuant to Proper Conduct of Banking Business Directive No. 301, subject to appointment by the General Meeting and to receipt of the approval or notice of non-objection by the Supervisor of Banks.</b>
<b>Independent Director as defined by the Companies Law</b>	<b>Yes</b>
<b>Employee of the Bank, a subsidiary, related company or an interested party of the Bank</b>	<b>No</b>
<b>Date on which began serving as director</b>	<b>February 2 2017</b>
<b>Date on which began second term as director</b>	<b>Insofar as he is elected by the meeting and his appointment shall be approved by the Supervisor of Banks, his second term shall commence after the end of</b>

	<p>the first term, i.e., on February 2 2020 or on the date of receipt of approval and/or non-objection by the Supervisor of Banks, whichever is later.</p> <p>(For more information, please see Section 2.1.5 of the Immediate Report).</p>
Education/professional qualifications	Please see the curriculum vitae attached to this report
Employment during the past five years and list of corporations in which he served as director	Please see the curriculum vitae attached to this report
A relative of another interested party in the corporation	No
Possesses accounting and financial expertise pursuant to Section 92(a)(12) to the Companies Law	Yes

### **Audit Committee's Resolution**

On September 24 2019, the Audit Committee approved, based on the facts it was presented with and the candidate's declarations, that the circumstances described below in connection with the candidate and/or anyone closely associated with him/her do not constitute an interest in accordance with the Banking Ordinance and in accordance with the position of the Banking Supervision Department or, alternatively, that these circumstances constitute, at most, negligible interests. Furthermore, and after discussing the matter, the Audit Committee decided that neither do the circumstances described below constitute an interest pursuant to Section 240(b) to the Companies Law, or, alternatively, that those circumstances constitute, at most, negligible interests and therefore do not constitute an interest, in accordance with the Companies Regulations (Matters that Do Not Constitute an Interest), 2006.

The circumstances include:

1. Retail relationship between a service provider and a customer in the ordinary course of business, that may include management of a current account and securities, credit facility and/or credit, management of investment portfolios, investment in provident funds and/or other financial products, in Bank Leumi, in a company controlled by Bank Leumi or in a material shareholder of Bank Leumi.
2. Business relations between any of his relatives and some of the Bank's material shareholders.

The proposed resolution:

*To appoint Mr. Yitzhak Edelman as External director in accordance with the Companies Law, 1999, for a period of 3 years, subject to receipt of the approval of the Supervisor of Banks or her non-objection, and not before February 2 2020 (after the end of his first term).*

### **Regarding Topic No. 2 on the agenda – appointment of Mr. Mordechai Rosen as ED**

Name of the candidate	Mordechai Rosen
ID number	054664271
Date of birth	November 26 1956
Address for serving court documents	75 HaPardes St., Hod Hasharon 4522575
Citizenship	Israeli
Membership in Board of Directors Committees	TBD  If he is appointed to serve as ED, he shall serve, as part of his role, in the Audit Committee, which also serves as a compensation committee and as

	the committee for review of the financial statements.
ED as defined in the Companies Law/ External director pursuant to Proper Conduct of Banking Business Directive No. 301	Yes, according to the classification of the Committee for the Appointment of Directors in and the declaration of the candidate, which is attached to this Immediate Report and subject to appointment by the General Meeting and to receipt of the approval or notice of non-objection of the Supervisor of Banks.
Independent Director as defined by the Companies Law	Yes, according to the declaration of the candidate, which is attached to the Immediate Report and subject to appointment by the General Meeting and to receipt of the approval or notice of non-objection of the Supervisor of Banks.
Employee of the Bank, a subsidiary, related company or an interested party of the Bank	No
Date on which began serving as director	Subject to appointment by the General Meeting and receipt of the approval or notice of non-objection of the Supervisor of Banks but not before February 2 2020.
Education/professional qualifications	Please see the curriculum vitae attached to this report
Employment during the past five years and list of corporations in which he served as director	Please see the curriculum vitae attached to this report
A relative of another interested party in the corporation	No
Possesses accounting and financial expertise pursuant to Section 92(a)(12) to the Companies Law	Please see according to the candidate's declaration and subject to the approval of the Bank's Board of Directors.

#### Audit Committee's Resolution

On September 24 2019, the Audit Committee approved, based on the facts it was presented with and the candidate's declarations that the relationships described below between the candidate or anyone closely associated with him/her and the Bank or a material shareholder thereof, do not constitute an interest in accordance with the Banking Ordinance and in accordance with the position of the Supervision of Banks

Department. Furthermore, and after discussing the matter, the Audit Committee decided that the relationships described below also do not constitute an interest pursuant to Section 240(b) to the Companies Law, or, alternatively, that those relationships constitute negligible relationships and therefore do not constitute an interest, in accordance with the Companies Regulations (Matters that Do Not Constitute an Interest), 2006:

- (1) Relations between the Bank/a company under the control of the Bank and the candidate, his relatives or close associates who are retail contacts in the ordinary course of business, which may also include cases of having an account and/or facility with Bank Leumi and/or trusteeship and/or securities with a company under the control of Bank Leumi or a material shareholder of Bank Leumi, in the ordinary course of business, by the director or any of his relatives or anyone closely related to him or other companies and entities in which the director or person to whom he is closely related serve in positions which are considered as having business relations with the Bank. In addition, these circumstances also include the director's holdings, or the holdings of anyone with whom he is closely related, of investment portfolios and/or pensions and/or provident funds and/or other financial products with material shareholders of the Bank.
- (2) Business and professional relations between Menorah Group companies, where the candidate previously served as CEO and which is a significant shareholder of the Bank, and the Bank. On the date of the approval of the appointment, more than two years will have elapsed since the end of the candidate's term as CEO of Menorah Mivtachim and more than one year and five months from the termination of his employer-employee relationship with Menorah Mivtachim.

After the Audit Committee examined the circumstances, it concluded that although the relations between the Menorah Group and the Bank are not negligible from the candidate's point of view, as well as from the point of view of the Bank, taking into account all the circumstances according to which, the relations between the candidate and the Menorah Group, which have ended as aforesaid, does not give rise to a concern that his independent discretion be affected, and therefore do not constitute an interest.

The above is subject to that, for a period of 7 months from the date of Mr. Rosen's appointment, Mr. Rosen may not, if appointed, participate in the discussions, nor will he participate in the votes on the Board of Directors and its committees, nor will he receive information and data from the Bank regarding the Menorah Group, in order to complete, for the sake of caution, a two-year cooling-off period since the termination of Mr. Rosen's employer-employee relationship with Menorah Mivtachim.

The proposed resolution:

***To appoint Mr. Mordechai Rosen as External director in accordance with the Companies Law, 1999, for a period of 3 years, subject to receipt of the approval of the Supervisor of Banks or her non-objection, and not before February 2 2020.***

### **3.2. Topics 3 to 4 on the agenda – appointment of one (1) director with the status of “Other Director” to the Bank’s Board of Directors**

In this general meeting, one (1) director with the status of “Other Director” (a director who is not an external director pursuant to the provisions of Section 11D(a)(2) to the Banking Ordinance, 1941 (hereinafter – the “Banking Ordinance”, the “Director Having the Status of Other Director”) for a period of three years, from among the candidates who were proposed by the Committee for the Appointment of Directors.

Among the candidates who were nominated by the Committee for the Appointment of Directors for election as Director Having the Status of Other Director, the following candidates were proposed:<sup>2</sup>

3.2.1 Ms. Esther Dominissini, a director who is due to end her first term on February 16 2020 and is a candidate for reelection;

3.2.2 Ms. Ira Sobel.

For more information regarding the appointment of the directors to the Bank's Board of Directors, including the motions for resolution on Topics 3 and 4 on the Meeting's agenda, please see Section 2.1 to the Immediate Report.

**The vote shall cast separately for each of the candidates. Voters may vote for any of the candidates to serve as Director Having the Status of Other Director.**

**Set forth below are the details regarding candidates up for re-election to serve as directors in the Bank's Board of Directors pursuant to Regulations 26 and 36B(a)(10) to the Reports Regulations:**

**Regarding Topic No. 3 on the agenda – appointment of Ms. Esther Dominissini as a director with the status of "Other Director"**

<b>Name of the candidate</b>	<b>Esther Dominissini</b>
<b>ID number</b>	<b>060525441</b>
<b>Date of birth</b>	<b>April 22 1950</b>
<b>Address for serving court documents</b>	<b>Beit Leumi, 34 Yehuda Halevi St., Tel Aviv, 6513616</b>
<b>Citizenship</b>	<b>Israeli</b>
<b>Membership in Board of Directors Committees</b>	<b>Member of the Credit Committee, Procedure Committee, Strategy Committee.</b>

<sup>2</sup> Among the candidates nominated by the Committee for the Appointment of Directors to serve as Other Director was Dr. Yitzhak Sharir, who completed his term at the Bank on November 7 2019 (for more information regarding the decision of the Committee for the Appointment of Directors, please see immediate report dated May 5 2019 (Ref. No. 2019-01-043441) and for more information regarding the end of Dr. Sharir's term, please see immediate report published on November 7 2019 (Ref. No. 2019-01-095424). Subsequent to the end of Dr. Sharir's term, the Board of Directors decided on November 5 2019 to nominate one director to serve with the status of Other Director (in lieu of two directors with this status, as published in the preliminary announcement as defined in Section 2.1.3 of the Immediate Report). (For more information, please see Section 2.1.4 of the Immediate Report).



ED as defined in the Companies Law/ External director pursuant to Proper Conduct of Banking Business Directive No. 301	No
Independent Director as defined by the Companies Law	No
Employee of the Bank, a subsidiary, related company or an interested party of the Bank	No
Date on which began serving as director	January 17 2017
Date on which began second term as director	Insofar as she is elected by the meeting and her appointment shall be approved by the Supervisor of Banks, her second term shall commence after the end of the first term, i.e., on January 17 2020 or on the date of receipt of approval and/or non-objection by the Supervisor of Banks, whichever is later.(For more information, please see Section 2.1.6 of the Immediate Report).
Education/professional qualifications	Please see the curriculum vitae attached to this report
Employment during the past five years and list of corporations in which he served as director	Please see the curriculum vitae attached to this report
A relative of another interested party in the corporation	No
Possesses accounting and financial expertise pursuant to Section 92(a)(12) to the Companies Law	Yes.

#### **Audit Committee's Resolution**

On September 24 2019, the Audit Committee approved, based on the facts it was presented with and the candidate's declarations, that the circumstances described below in connection with the candidate and/or anyone closely associated with her do not constitute an interest in accordance with the Banking Ordinance and in accordance with the position of the Supervision of Banks Department, or alternatively that those circumstances constitute, at most, negligible relationships and therefore do not constitute an interest.

Relations between the Bank/a company under the control of the Bank and the candidate, her relatives or close associates of hers who constitute retail relations in the ordinary course of business. For the avoidance of doubt, it is clarified that these circumstances also include cases of having an account and/or facility with

Bank Leumi and/or trusteeship and/or securities with a company under the control of Bank Leumi or a material shareholder of Bank Leumi, in the ordinary course of business, by the candidate or any of her relatives or anyone closely related to her or other companies and entities in which the candidate or a person to whom she is closely related serves in positions which are considered as having business relations with the Bank. In addition, these circumstances also include the candidate's holdings, or the holdings of anyone with whom she is closely related, of investment portfolios and/or pensions and/or provident funds and/or other financial products with material shareholders of the Bank.

The proposed resolution:

***To appoint Ms. Esther Dominissini as director with the status of “Other Director” for a period of 3 years, subject to receipt of the approval of the Supervisor of Banks or her non-objection, and not before January 17 2020 (after the end of her first term).***

**Regarding Topic No. 4 on the agenda – appointment of Ms. Ira Sobel as a director with the status of “Other Director”**

<b>Candidate</b>	<b>Ira Sobel.</b>
<b>ID number</b>	<b>027811546</b>
<b>Date of birth</b>	<b>July 15 1970</b>
<b>Address for serving court documents</b>	<b>Bat Yiftach 6, Tel Aviv 6993213</b>
<b>Citizenship</b>	<b>Israeli</b>
<b>Membership in Board of Directors Committees</b>	<b>TBD</b>
<b>ED as defined in the Companies Law / External director pursuant to Proper Conduct of Banking Business Directive No. 301</b>	<b>No</b>
<b>Independent Director as defined in the Companies Law</b>	<b>No</b>
<b>Employee of the Bank, a subsidiary, related company or an interested party of the Bank</b>	<b>No</b>
<b>Date when she began serving as a director</b>	<b>Subject to appointment by the General Meeting and receipt of the approval or notice of non-objection of the Supervisor of Banks but not before January 17 2020.</b>
<b>Education/professional qualifications</b>	<b>Please see the curriculum vitae attached to this report</b>
<b>Employment during the last five years and list of corporations in which she served as director</b>	<b>Please see the curriculum vitae attached to this report</b>
<b>A relative of another interested party in the corporation</b>	<b>No</b>
<b>Possesses accounting and financial expertise pursuant to Section 92(a)(12) to the Companies Law</b>	<b>Please see the candidate's declaration and subject to the approval of the Bank's Board of Directors.</b>



### **Audit Committee's Resolutions**

On November 5 2019, the Audit Committee approved, based, inter alia, on the facts and legal opinions it was presented with and the candidate's declarations, that the circumstances described below in connection with the candidate and/or anyone closely associated with her do not constitute an interest in accordance with the Banking Ordinance and in accordance with the position of the Supervision of Banks Department, or alternatively that those circumstances constitute, at most, negligible relationships and therefore do not constitute an interest.

- (1) Relations between the Bank/a company under the control of the Bank and the candidate, her relatives or close associates of hers who constitute retail relations in the ordinary course of business. For the avoidance of doubt, it is clarified that these circumstances also include cases of having an account and/or facility with Bank Leumi and/or trusteeship and/or securities with a company under the control of Bank Leumi or a material shareholder of Bank Leumi, in the ordinary course of business, by the candidate or any of her relatives or anyone closely related to her or other companies and entities in which the candidate or a person to whom she is closely related owns and/or serves in positions which are considered as having business relations with the Bank. In addition, these circumstances also include the candidate's holdings, or the holdings of anyone with whom she is closely related, of investment portfolios and/or pensions and/or provident funds and/or other financial products with material shareholders of the Bank.
- (2) Business relations between the candidate's husband, and corporations from a public company group, in which the candidate's husband is owner (directly or indirectly) and officer, serves and the Bank and/or a material shareholder of the Bank.
- (3) Business relations between various corporations in which the candidate's brother is owner (directly or indirectly) and/or officer, and the Bank.

The proposed resolution:

***To appoint Ms. Ira Sobel as a director with the status of "Other Director" for a term of 3 years. Her tenure in office shall commence after receipt of approval or notice of non-objection of the Supervisor of Banks, and not before January 17 2020.***

### **3.3. Regarding Topic No. 5 on the agenda – approval of the compensation policy**

The proposed resolution:

To approve the Updated Compensation Policy as detailed in Appendix A to the Immediate Report, which shall be in effect from the beginning of 2020 until 2022, according to the provisions of Sections 267A and 267B to the Companies Law, 1999 (hereinafter: the "**Companies Law**") and according to the provisions of the Banking Supervision Department regarding compensation policy in banking corporations and in accordance with the Compensation for Officers in Financial Corporations (Special Approval and Non-Allowance for Tax Expenditure Due to Exceptional Compensation) Law, 2016 (the "**Compensation Limitation Law**"). To further approve, pursuant to Section 2 of the Compensation Limitation Law, that compensation for officers of the Bank may exceed, according to the decision of the Audit Committee and the Board of Directors, the threshold in set in Section 2(a) of the Compensation Limitation Law, in which case part of the salary of those officers will not be tax deductible, in accordance with Section 32(17) of the Income Tax Ordinance.

For more information on the updated compensation policy, please see Section 2.2 of the Immediate Report.

**3.4. Topic No. 6 on the agenda – Approval of the Employment Terms and Conditions of the Chairman of the Board**

The proposed resolution:

To approve, as provided in Section 273 of the Companies Law, 1999 (hereinafter: the "**Companies Law**") and Section 2 to the Compensation for Officers in Financial Corporations (Special Approval and Non-Allowance for Tax Expenditure Due to Exceptional Compensation) Law, 2016 (hereinafter: the "**Compensation Limitation Law**"), the terms of office and employment of the Chairman of the Board of Directors of the Bank, in accordance with the Compensation Policy attached as Appendix A, and as set forth in Appendix B to the Immediate Report, which shall take effect on the date of commencement of his term as Chairman of the Board of Directors (retroactively from July 22 2019), and they will remain in effect as long as he serves as Chairman of Board of the Bank, or, if required by the Banking Supervision directives on this matter, until the end of 2020 or another date which shall be determined in accordance with the directives of the Banking Supervision Department.

For more information regarding the Chairman of the Board of Directors' terms and conditions of service and employment, please see Section 2.3 to the Immediate Report:

**3.5. Topic No. 7 on the agenda – Approval of the Service and Employment Terms and Conditions of the President and CEO**

The proposed resolution:

To approve, as provided in Section 272 (c1) of the Companies Law, 1999 (hereinafter: the "**Companies Law**") and Section 2 to the Compensation for Officers in Financial Corporations (Special Approval and Non-Allowance for Tax Expenditure Due to Exceptional Compensation) Law, 2016 (hereinafter: the "**Compensation Limitation Law**"), the terms and conditions of office and employment of the incoming President and CEO, including granting of an amended indemnification undertaking letter in the version attached as Appendix D to the Immediate Report) in accordance with the revised Compensation Policy attached as Appendix A, and as set out in Appendix C to the Immediate Report.

Subject to the approval of the General Meeting, the terms and conditions of office and employment of the President and CEO of the Bank shall take effect on the date of commencement of his term as President and CEO of the Bank (retroactively from November 1 2019).

For more information regarding the Bank's President & CEO's terms and conditions of service and employment, please see Section 2.4 to the Immediate Report.

**3.6. Topic 8 on the agenda - update of the List of Indemnity Events for the Indemnification Undertaking Letter**

The proposed resolution:

Subject to the approval of the updated compensation policy, as specified in Topic 5 on the agenda, it is proposed to approve an amendment to the List of Indemnity Events for the Indemnification Undertaking Letters to the incumbent directors of the Bank, including those who will serve in the Bank from time to time according to the List of Events for the Indemnification Undertaking Letter attached as Appendix D to the Immediate Report.

It is clarified, that the amendment does not prejudice decisions or previous decisions or commitments by the Bank to indemnify directors and officers in the Bank.

For more information on the amended Indemnification Undertaking Letters, please see Section 2.5 of the Immediate Report.

4. **Place and date for reviewing the full text of the proposed resolutions:**

Documents relating to items on the agenda of the General Meeting may be reviewed at the Bank's secretariat, at the Bank's registered office at 34 Yehuda Halevi St. (Beit Leumi) 11th floor, Tel Aviv, Tel: +972-76-8859419, from Sunday to Thursday between 08:00 to 15:00, as well as in the Israel Securities Authority's publication website and the Tel Aviv Stock Exchange Ltd.'s website, at the addresses detailed in Section 11.

5. **The majority required to pass the resolutions in the meeting on the topics which may be voted on using a proxy statement:**

5.1. For Topics 1 and 2 on the agenda

Pursuant to the provisions of Section 239(b) of the Companies Law, and taking into consideration the fact that the Bank is a corporation without a control core, the majority required in order to pass resolutions on Topics 1 to 2 on the agenda is a simple majority out of the total voting rights of the shareholders that are entitled to vote and that vote themselves, as long as one of the following conditions is met:

- a. the number of majority votes shall include a majority out of the participants in the vote who have no vested interest in the approval of the appointment; or
- b. the total objecting votes from among the shareholders detailed in Subsection (a) above shall not exceed a rate of 2 percent of all voting rights in the Bank.

Abstaining votes shall not be taken into account in counting the votes of the said shareholders.

5.2. For Topics 3 and 4 and Topic 8 on the agenda

A simple majority of the total voting rights of shareholders who may vote and vote by themselves or through their proxies. Abstaining votes shall not be taken into account in counting the votes of the said shareholders.

5.3. For Topic 5 on the agenda

Pursuant to the provisions of Section 267A(b) of the Companies Law, and taking into consideration the fact that the Bank is a banking corporation without a control core and is not a sub-subsidiary that is a

public company, the majority required in order to pass resolutions on the above topic (Approval of the Compensation Policy) is a simple majority out of the total voting rights of the shareholders who are entitled to vote and that vote themselves, or their proxies, as long as one of the following conditions is met:

- a. The number of majority votes shall include a majority out of the participants in the vote who have no vested interest in the approval of the relevant resolution, mutatis mutandis; or
- b. The total objecting votes from among the shareholders detailed in Subsection (a) above shall not exceed a rate of 2 percent of all voting rights in the Bank.

Abstaining votes shall not be taken into account in counting the votes of the said shareholders.

It is clarified that, in accordance with Section 267A(c) to the Companies Law, the Board of Directors may approve and determine the updated compensation policy even if the General Meeting opposes the approval of the policy, if the Audit Committee and subsequently the Board of Directors decide, based on detailed reasoning, and after having discussed the compensation policy, that the updated compensation policy, despite the opposition by the General Assembly, is for the benefit of the Bank.

#### 5.4. For Topic 6 on the agenda

Pursuant to the provisions of Section 273 of the Companies Law and pursuant to Section 2(a) of the Compensation Limitation Law,<sup>3</sup> the majority required in order to pass a resolution for Topic 6 on the agenda (Approval of the Terms and Conditions of Service and Employment of the Chairman of the Board) above is a simple majority out of the total voting rights of the shareholders who are entitled to vote and who vote themselves or by proxy, as long as one of the following conditions is met:

- a. The number of majority votes shall include a majority out of the participants in the vote who have no vested interest in the approval of the relevant resolution, mutatis mutandis; or
- b. (The total objecting votes from among the shareholders detailed in Subsection 1 above, mutatis mutandis, shall not exceed a rate of 2 percent of all voting rights in the Bank.

Abstaining votes shall not be taken into account in counting the votes of the said shareholders.

#### 5.5. For Topic 7 on the agenda

Pursuant to the provisions of Section 267A(b) and 272(c1) of the Companies Law, and Section 2(a) of the Compensation Limitation Law, and taking into consideration the fact that the Bank is a banking corporation without a control core and is not a sub-subsidiary that is a public company, the majority required in order to pass resolutions on Topic 7 (Approval of the Employment Terms and Conditions of the President and CEO) is a simple majority out of the total voting rights of the shareholders who are entitled to vote and who vote themselves, or through their proxies, as long as one of the following conditions is met:

- a. The number of majority votes shall include a majority out of the participants in the vote who have no vested interest in the approval of the relevant resolution, mutatis mutandis; or
- b. The total objecting votes from among the shareholders detailed in Subsection (a) above shall not exceed a rate of 2 percent of all voting rights in the Bank.

<sup>3</sup>Since the cost of employment of the Chairman of the Board exceeds NIS 2.5 million, it is brought to the approval of the General Meeting, at the majority required by Section 2(a) of the Compensation Limitation Law.



Abstaining votes shall not be taken into account in counting the votes of the said shareholders.

It is further clarified that, in accordance with Section 272(c1)(1)(c) of the Companies Law, the Audit Committee (also serving as the Compensation Committee) and subsequently the Board of Directors may, in special cases, approve the resolution on Topic 7 on the agenda (Approval of the Employment Terms and Conditions of the Bank's President and CEO), even if the General Meeting opposes its approval, provided that the Audit Committee and subsequently the Board of Directors decide on the matter, on the basis of detailed reasoning, and after re-discussing the said resolution and examining, inter alia, the objection of the General Meeting.

#### 5.6. Personal interest, interested party in the Bank, senior officer and institutional investor

- a. The provisions of Section 276 of the Companies Law shall apply, mutatis mutandis, to anyone having a vested interest in approving resolutions 1, 2, 5, 6 and 7. Section 276 to the Companies Law stipulates that: "If a shareholder participates in a vote under section 275, then he shall inform the company before the vote – and if the vote is by voting ballot, on the voting ballot – whether or not he has a personal interest in the approval of the transaction; if the shareholder failed to inform as aforesaid, then he shall not vote and his vote shall not be counted."
- b. It is hereby clarified that Section 1 to the Companies Law stipulates that a personal interest is also "a personal interest of a person who votes according to a power of attorney given to him by another person, even if that other person has no personal interest, and the vote of a person who was given a power of attorney to vote on behalf of a person with a personal interest shall also be considered as the vote of a person with a personal interest, regardless of whether the voter can exercise discretion regarding the vote or not."
- c. Therefore, a shareholder participating in a vote is required to inform the Bank before casting his vote in the Meeting or, if he votes via a proxy statement, on the proxy statement or through an electronic proxy statement (if voting in this manner), if he has a vested interest in the approval of the resolution in Topics 1, 2, 5, 6 and 7 on the agenda of the General Meeting (the election of Mr. Yitzhak Edelman or Mr. Mordechai Rosen as ED, approval of the Compensation Policy, Approval of the Terms and Conditions of Office and Employment of the Chairman of the Board of Directors and Approval of the Terms and Conditions of Office and Employment of the President and CEO). **A shareholder who fails to give such notice shall not be regarded as having voted on that item, and his vote shall not be counted.**
- d. Furthermore, pursuant to Regulation 36D to the Reports Regulations and pursuant to the Voting by Ballot Regulations, a shareholder participating in a vote is required to inform the Bank before casting his vote in the Meeting or, if he votes via a proxy statement, on the proxy statement, if he is an interested party of the Bank (as the term "interested party" is defined in Section 1 of the Securities Law, 1968), a senior officer in the Bank (as the term "senior officer" is defined in Section 37(d) of the said law), an institutional investor, as defined in Regulation 1 to the Supervision of Financial Services Law (Provident Funds) (Participation of a Management Company in a General Meeting), 2009, or a joint investment in trust fund manager as defined in the Joint Investment in Trust Law, 1994). If the participating shareholder is an interested party, senior officer, institutional entity or manager of a joint investment in trust fund, he is required to provide details regarding other relationships he has with the Bank or senior officers of the Banks and regarding the nature of those relationships. If the vote is cast under power of attorney, such details shall also be given to the grantor and the recipient of the power of attorney.

6. A proxy statement shall have effect only if it is attached a certificate of ownership of the unregistered shareholder on the effective date (i.e. any person to whose credit the Bank's shares are registered with a Stock Exchange Member, when such shares are included in the registered shares in the shareholder register, in the name of a nominee company) (hereinafter: "**Unregistered Shareholder**") or if such a Ownership Confirmation is sent to the Bank through the electronic voting system, and in case of a shareholder registered in the Bank's shareholder register, the proxy statement shall have effect only if it is attached a photocopy of an identity card, passport or certificate of incorporation. The Bank must be delivered, at the address detailed in Section 8 below, this Proxy Statement together with the documents attached thereto, as foregoing, no later than four hours before the time of the convening of the meeting, i.e. by 10:00 on Monday, December 23 2019.
7. Time of turning off the Electronic Voting System - Unregistered shareholders may also vote with respect to all of the items on the agenda of the General Meeting via an electronic voting ballot that will be sent to the Bank through the Electronic Voting System. Voting shall be possible starting from the end of the effective date and until 6 hours before the convening of the general meeting, i.e. until 08:00 AM on Monday, December 23 2019.
8. The Bank's address for the delivery of proxy statements and position statements: Beit Leumi, 34 Yehuda Halevi St., Tel Aviv 6513616, care of the Bank's Secretariat (Floor 11).
9. The deadline for submission of position statements to the Bank: December 13, 2019 (inclusive).
10. Deadline for producing the Board of Directors' response to statements of position: by Wednesday, December 18, 2019 (inclusive).
11. Address of the Israel Securities Authority's publication website and the Tel Aviv Stock Exchange Ltd.'s website (hereinafter: "the TASE") where the proxy statements and the statements of position are available:
  - The Israel Securities Authority's publication website: <http://www.magna.isa.gov.il/>
  - The TASE's website: <http://maya.tase.co.il/>
12. An unregistered shareholder may receive the certificate of ownership at the branch of the TASE member or by postal delivery, if it so requests. An application on this matter shall be delivered in advance for a particular securities account. An unregistered shareholder may instruct the Member of the Stock Exchange to deliver his Ownership Confirmation to the Bank via the Electronic Voting System.
13. An unregistered shareholder is entitled to receive by email, free of charge, a link to the format of the proxy statement and position statements on the distribution website of the Israel Securities Authority, from the Stock Exchange member through which it holds its shares, unless it informs the Stock Exchange member that it is not interested in receiving such a link, or that it is interested to receive proxy statements by mail in consideration for a fee; a notice on the matter of the proxy statements shall also apply to the matter of receiving position statements.
14. One or more shareholders holding on the effective date (Monday, November 18 2019) a rate constituting five percent or more of the total voting rights in the Bank, and any person holding such a rate out of the total voting rights that are not held by the controlling shareholder in the Bank as defined in Section 268 of the Companies Law ("Controlling Shareholder"), may review whether by itself or through an agent on its behalf, after the convening of the general meeting, at the Bank's registered headquarters, during regular work hours, the statements of proxy as detailed in Regulation 10 of the Regulations.  
The quantity of shares constituting 5 percent of the total voting rights in the Bank is: NIS 73,442,141.7 par value ordinary shares of the Bank (as of November 6 2019).

15. After the publication of the proxy statement, changes may take place in the agenda and position statements may be published. In such a case, it shall be possible to review the up-to-date agenda and the position statements published in the Bank's reports on the distribution website as provided in Section 11 above.

**A shareholder shall state its vote with regard to the topics on the agenda in the second part of this Proxy Statement.**

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**Proxy Statement - Part Two**

The Companies Regulations (Voting by Ballot and Position Statements), 2005 (the “**Regulations**”)

Company: Bank Leumi of Israel Ltd.

The Company’s address (for the delivery and mailing of proxy statements): Beit Leumi, 34 Yehuda Halevi St., Tel Aviv 6513616, Floor 11, care of the Bank’s Secretariat.

Company no.: 52-001807-8

Time of the meeting: Monday, December 23, 2019, 14:00.

Type of meeting: Extraordinary.

Record date: Monday, November 18 2019.

**Shareholder Information**

Shareholder name - \_\_\_\_\_

ID no. - \_\_\_\_\_

If the shareholder does not have an Israeli ID card -

Passport no. - \_\_\_\_\_

Country of issue - \_\_\_\_\_

Expiry date - \_\_\_\_\_

If the shareholder is a corporation -

Corporation no. - \_\_\_\_\_

Country of incorporation - \_\_\_\_\_

**Manner of voting**

No. of topic on the agenda	Manner of voting <sup>1</sup>			Concerning the approval of a transaction under Sections 255 and 272 to 275 of the Companies Law, the majority required for approval is not a simple majority, or the compensation policy under Section 267A - do you have a vested interest in this resolution? <sup>2</sup>		On the matter of the appointment of an External director (Section 239(b) or 245(a1) of the Companies Law) - Are you an interested party or do you have any personal interest in approving the appointment? <sup>2</sup>	
	In favor	Against	Abstainin g	Yes	No	Yes	No
1. To appoint Mr. Yitzhak Edelman as External director in accordance with the Companies Law, 1999, for a period of 3 years, subject to receipt of the approval of the Supervisor of Banks or her non-objection, and not before February 2 2020 (after the end of his first term).							
2. To appoint Mr. Mordechai Rosen as External director in accordance with the Companies Law, 1999, for a period of 3 years, subject to receipt of the approval of the Supervisor of Banks or her non-objection, and not before February 2 2020.							
3. To appoint Ms. Esther Dominissini as director with the status of "Other Director" for a period of 3 years, subject to receipt of the approval of the Supervisor of Banks or her non-objection, and not before January 17 2020 (after the end of her first term).							
4. To appoint Ms. Ira Sobel as a director with the status of							

"Other Director" for a term of 3 years. Her tenure in office shall commence after receipt of approval or notice of non-objection of the Supervisor of Banks, and not before January 17 2020.					
5. Approval of the Compensation Policy					
6. Approval of the employment terms and conditions of the Chairman of the Board					
7. Approval of the employment terms and conditions of the President and CEO					
8. Approval of update of List of Indemnity Events for the Indemnification Undertaking Letter					

**Details:**

Are you an interested party, senior officer,<sup>3</sup> fund manager<sup>4</sup> or institutional investor?<sup>5</sup> Yes \_\_\_\_\_ No \_\_\_\_\_.

If yes, please provide details regarding additional relations between you and the Bank or senior officers in the Bank, and the nature of such relations:

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Please detail your interest or other characteristic as a shareholder or your personal interest, as relevant, in passing Resolution 1 detailed above:

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Please detail your interest or other characteristic as a shareholder or your personal interest, as relevant, in passing Resolution 2 detailed above:

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Please detail your interest or other characteristic as a shareholder or your personal interest, as relevant, in passing Resolution 5 detailed above:

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Please detail your interest or other characteristic as a shareholder or your personal interest, as relevant, in passing Resolution 6 detailed above:

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Please detail your interest or other characteristic as a shareholder or your personal interest, as relevant, in passing Resolution 7 detailed above:

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**For shareholders holding shares through a Stock Exchange member (pursuant to Section 177 (1) of the Companies Law) - This Proxy Statement is effective only when attached a certificate of ownership, excluding cases where voting is performed through the system.**

**For shareholders registered in the Bank's shareholder registry - The Proxy Statement is effective when attached a photocopy of the ID card/passport/certificate of incorporation.**

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Date

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Signature

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\*Provide details in the lines designated for this purpose below the table.

<sup>1</sup> Failure to mark shall be deemed as abstaining from voting on that topic.

<sup>2</sup> The vote of a shareholder who does not fill this column or who signs "yes" and does not specify, shall not be counted.

<sup>3</sup> As the term "senior officer holder" is defined in Section 37(d) of the Securities Law, 1968.

<sup>4</sup> As the term is defined in the Joint Investments in Trust Law, 1994.

<sup>5</sup> As the term "institutional investor" is defined in Regulation 1 of the Companies Regulations (Voting by Ballot and Position Statements), 2005.