

Translation of Immediate Report

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Public

Bank Leumi le-Israel B.M.

Registration No. 520018078

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

Abbreviated Name: Leumi

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25 June 2019

Reference: 2019-01-063337

To: Israel Securities Authority (www.isa.gov.il)

The Tel Aviv Stock Exchange (www.tase.co.il)

Immediate Report

Nature of Event: Agreements with Workers' Union

See Annex attached hereto: [Revised Immediate Report.pdf](#)

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

Date and time at which the corporation first became aware of the event or matter: 25 June 2019, at 13:40.

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

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

Name of Electronic Reporter: David Raoul Sackstein, Position: Advocate, General Secretary
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June 25 2019

To:

The Tel Aviv Stock Exchange (TASE)
2 Ahuzat Bayit Street
Tel Aviv 6525216

The Israel Securities Authority (ISA)
22 Kanfei Nesharim Street
Jerusalem 95464

Dear Sir/Madam,

Re: **Agreements with Workers' Union: New Collective Agreement, Efficiency Plan and Transitioning of Headquarters Units to the Bank's Lod Compound**

Bank Leumi Le-Israel Ltd. (hereinafter: the "**Bank**") hereby announces as follows:

1. The Bank and the Bank's Workers' Union have reached agreements on a special collective agreement (hereinafter: the "**Collective Agreement**") for 2019-2022, which were approved by the Bank's Board of Directors and Workers' Committee. The entry into force of the Collective Agreement is subject to signing a detailed agreement.
2. Leumi intends to increase its efficiency by 700 positions by the end of 2020. To implement the plan, the Bank's Board of Directors approved a voluntary retirement plan for approximately 250 employees. The plan will be completed no later than the end of 2019.
3. The Bank's Board of Directors approved, as part of the efficiency plan measures, to concentrate the Bank's headquarters functions currently in the Tel Aviv area in a single compound in Lod, which currently houses Leumi Technologies and other functions - the Keshev Compound.
4. Following are additional details about the main points of the Collective Agreement:
 - 4.1. Salary updates - Annual salary updates at an average rate of 3.5% in each of the years 2019-2022.
 - 4.2. A one-time salary bonus for joining the efficiency plan totaling 2%, which will be granted in two installments: 1% in 2019 and 1% in 2020.

All salary updates detailed in Sections 4.1 and 4.2 above will be differential, according to each employee's performance.
 - 4.3. Adjusting Leumi to the new era in banking - A new collective agreement, with special terms, will be signed, under which up to 450 employees specializing in technology, digital and data will be employed, with the understanding that these fields are essential for taking the Bank forward and taking the Bank

forward towards the new era in banking, and due to the changes in the banking domain, where more and more transactions are technology-based. The new agreement will not include permanent employee status or additional components, and will provide the Bank with the flexibility needed to hire and manage its human resources in these areas.

- 4.4. The minimum monthly salary for contribution purposes will be revised to NIS 6,200 in two phases, in 2019 and 2021.
- 4.5. An additional component will be included in the salaries of tenured employees eligible for contributory pension.
- 4.6. Various agreements regarding revision of additional payments, global overtime arrangements as well as increasing the number of employees hired under individual professional agreements.
- 4.7. As part of the new agreements, the Bank will pay a signing bonus.
5. The Bank estimates that, due to the collective agreement, it will incur a one-time increase in its actuarial liabilities totaling NIS 400 million before tax (about NIS 250 million after tax) and a pre-tax increase of approximately NIS 100 million increase in salary expenses due to the signing bonus, in 2019, which includes a one-time bonus of approx. NIS 60 million.
6. Following are additional details about the voluntary retirement plan (hereinafter: the **"Plan"**):
 - 6.1. Under the plan, approximately 250 employees will be eligible for early retirement from the Bank, by the end of 2019. The voluntary retirement plan constitutes one of the elements of the efficiency plan for 700 employees by the end of 2020.
 - 6.2. The main benefits offered, as a function of defined criteria, are as follows: (a) An early retirement arrangement until the employee reaches legal retirement age for employees eligible for unfunded pension who meet the plan's criteria; or (b) Increased severance pay of approx. 260% subject to the plan's criteria.
 - 6.3. The total cost of the plan is estimated by the Bank at approx. NIS 200 million before tax (hereinafter: the **"Efficiency Plan Cost"**). The Efficiency Plan Cost constitutes an actuarial loss, which will be stated in Other comprehensive income. In subsequent periods, the plan's costs will be amortized to profit or loss on a straight-line basis over the employees' average service period.

6.4. The Bank estimates the effect of the efficiency plan on capital adequacy to be immaterial.

It is clarified that the above data, including regarding the expected impact of the Collective Agreement, the scope of the efficiency plan and its accounting and actuarial effect, as well as transitioning the Bank's headquarters functions, constitute forward-looking information. The actual scope of the efficiency plan depends, inter alia, on the employees' responsiveness to the retirement proposals under the terms of the plan and on the actuarial characteristics of the employees participating in the plan. Therefore, the actual results of the efficiency plan may be materially different than the data outlined above. In addition, at this stage, there is no certainty regarding the timing or pace of the plan's execution or regarding the construction and transition costs of the headquarters functions.

Respectfully,

Bank Leumi Le-Israel Ltd.

By:

Hila Eran Zik, First Executive Vice President, Head of Human Resources Division
Shlomo Goldfarb, First Executive Vice President, Head of Accounting Division