

Immediate Report regarding Approvement of a Buyback Plan

Regulation 31L(A) to the Securities (Periodic and Immediate Reports) Regulations, 1970

1 Type of acquirer: The Company

Name of the corporation controlled by the Company: \_\_\_\_\_

Name of the corporation controlled by the Company in English: \_\_\_\_\_

The Company controls the corporation by virtue of: \_\_\_\_\_

Percentage by which the corporation is held by the Company: %

Type of ID no.: Registrar of Companies

ID of holder: 520018078

Country of incorporation or registration: Israel

1 Type of securities bought: Ordinary shares No. of securities on the TASE: 604611

Date on which the buyback plan's execution is scheduled to begin: May 28 2019

Estimated dates for conducting further buybacks: On each trading day on the TASE, during the period set for executing the plan and according to its terms and conditions, as detailed below.

The period set for the plan's execution: May 28 2019 to May 27 2020

Date of approval of the buyback plan by the Board of Directors: May 26 2019

The reasons provided by the Board of Directors for the buyback plan:

1. The buyback plan will allow the Bank to manage its share capital more efficiently and its adoption will not have a material adverse effect on the Bank's share capital or on the Bank's ability to continue to execute its business strategy.
2. The buyback plan shall be discontinued, effective immediately, if during the plan period, it shall become apparent that the Bank fails to meet a Common Equity Tier 1 capital ratio of 10.9%.
3. The buyback plan meets the distribution tests under Section 302 to the Companies Law and Proper Conduct of Banking Business Directives, as outlined below:
  - A. The Bank has distributable retained earnings (before deducting the dividend amount approved on May 26 2019) totaling NIS 27,591 million;
  - B. The Bank's shareholders' equity as at March 31 2019 is 129% compared to a regulatory target of 100%. The execution of the buyback plan will not harm the Bank's ability to meet its current and expected liabilities on a timely basis and will not change the ratio materially;
  - B. The Bank meets the restrictions for related persons, individual borrowers and borrower groups and the said buyback plan shall not alter compliance with these restrictions;
  - D. The buyback plan meets the terms and conditions of the safe harbor protection mechanism for a corporation buying back its own securities, in accordance with Legal Opinion 199-8 of the Israel Securities Authority.
  - E. The scope of the buyback plan does not exceed 3% of the Bank's issued and paid up share capital at the date on which the plan was approved.

The estimated total cost of the buyback plan: up to NIS 700 million.

Or the number of securities expected to be purchased under the buyback plan: \_\_\_\_\_

Tax effects of the buyback plan on the Company and securities holders:

The purchase of the shares in accordance with the share buyback plan does not give rise to a taxable event for the Bank or the Bank's shareholders retaining their stock. For the avoidance of doubt, the above does not pertain to the tax effects which may be applicable to shareholders who have sold their shares to the Bank under the plan. Such effects are determined according to the specific data of each share buyback transaction as aforesaid and in accordance with the tax provisions applicable to each shareholder as aforesaid and each shareholder must examine their own individual tax effects.

The buyback plan is financed by a loan:

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Total loan amount : \_\_\_\_\_ Outstanding loan amount: \_\_\_\_\_

Interest rate: \_\_\_\_\_ Loan currency: \_\_\_\_\_

Loan repayment dates: \_\_\_\_\_

Funding sources for executing the buyback plan:

The funding sources for executing the buyback plan will be from sources available to the Company in its regular course of business, and shall constitute "permitted distribution" in accordance with Section 3 to Proper Conduct of Banking Business Directive No. 331.

Manner of executing the buyback plan: Other

Details: The share buyback plan will take place as part of the trading on the Tel Aviv Stock Exchange (TASE) and/or outside the TASE, through an external, independent member of the TASE, which will act under an irrevocable power of appointment, in accordance with the safe harbor mechanism published by the Israel Securities Authority (hereinafter: "External TASE Member").

The buyback plan will take place in two separate stages, each of which shall be irreversible, in accordance with the safe harbor mechanism (hereinafter: "Stage A" and "Stage B"). Stage A will begin on May 28 2019 and will end on the earlier of (a) August 2 2019; or (b) Purchase of the Bank's shares in the amount of NIS 350 million. After the completion of Stage A, if the Bank decides to proceed to Stage B, it shall give the Tel Aviv Stock Exchange member an irreversible order to initiate Stage B on the first trading day following the publication of the first financial statements after the decision to go forward with Stage B has been made. In such a case, Stage B will end on the earlier of: (a) May 27 2020; or (b) Purchase of the Bank's shares in the amount of NIS 700 million, less the total amount purchased as part of Stage A. If, following the end of Stage A, a decision will be made not to proceed with Stage B, the Bank will publish an immediate report to that effect.

Details of the buyback plans approved in the three years preceding the date of the current financial statements:

On March 5 2018, the Bank's Board of Directors approved a share buyback plan which ended on November 22 2018, in which the Bank purchased shares totaling NIS 700 million.

The buyback plan is for shares or securities converted into shares: YES

1 The corporation's profits within their meaning in Section 302 to the Companies Law: 27,591

Is the buyback expected to materially impact the shareholders' holding rates and voting rights: NO

Details: \_\_\_\_\_

The abovementioned profits of the corporation are denoted in NIS millions (i.e., NIS 27,591,000,000).

According to Proper Conduct of Banking Business Directive No. 332, the share buyback plan is subject to approval by the Banking Supervision Department. The Bank received the approval of the Bank of Israel to carry out the buyback plan, subject to meeting the restrictions and capital targets, including the condition whereby the plan will be discontinued effective immediately if, during the plan term, the most recent financial statements published by the Bank will not comply with a Common Equity Tier 1 capital ratio of at least 10.9 percent.

The Bank will report the share buybacks executed according to the plan, as required by law.

The report was signed on behalf of the corporation in accordance with Regulation 5 to the Securities (Periodic and Immediate Reports) Regulations, 1970, by Mr. Omer Ziv, Head of the Finance Division.

Ref. Nos. of previous documents on the topic (the reference does not constitute inclusion by way of reference):