

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

Outline

for an offering of securities to officers (who are not directors and who are not the CEO) and employees of the Bank and/or the Bank Group pursuant to Section 15B(1)(a) of the Securities Law, 1968 (hereinafter - the “**Securities Law**”), in accordance with the Securities Regulations (Details of an Outline of an Offer of Securities to Employees), 2000 (hereinafter - the “**Outline Regulations**”), and an immediate report of a private offering that is immaterial and not exceptional pursuant to Regulation 21 of the Securities Regulations (Private Offering of Securities in a Listed Company), 2000 (hereinafter - the “**Private Offering Regulations**”)

for an offering of

up to 5,000,000 authorized options which are not listed for trading on the Tel Aviv Stock Exchange Ltd. (hereinafter - the “**TASE**”), exercisable into up to 5,000,000 ordinary shares of par value NIS 1 of the Bank (subject to adjustments as detailed in Section 11 below), in accordance with the option plan of the Bank of 2022, including options out of the aforesaid amount that are allocated and expire, or the right of the offeree to receive which is revoked, which shall not be exercised into shares and shall revert to the pool of options, all as described in this outline.

In addition to

an outline and offering report

of up to 2,460,399 options (of the total options included pursuant to this outline), authorized, which are not listed for trading on the TASE, exercisable into up to 2,460,399 ordinary shares of par value NIS 1 of the Bank (subject to adjustments as detailed in Section 11 below), in accordance with the option plan of the Bank of 2022, for 108 employees of the Bank and/or employees of subsidiaries of the Bank, of which 13 officers of the Bank (who are not directors and who are not the CEO) and 95 employees of the Bank and/or subsidiaries of the Bank, including options out of the aforesaid amount

that are allocated and expire, or the right of the offeree to receive which is revoked, which shall not be exercised into shares and shall revert to the pool of options, all as described below.

Hereinafter, jointly: the “**Options**”

Date: August 16, 2022

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1. Definitions

In this Outline, the following terms will have the meanings set out alongside them:

- 1.1. The “**Bank**” – Bank Leumi le-Israel B.M.
- 1.2. The “**Board of Directors**” – Including a committee of the board of directors authorized by the board of directors for the purposes of the plan, if authorized.
- 1.3. The “**Trustee**” – As defined in Section 102 of the Income Tax Ordinance, and, as of the date of publication of the outline, IBI Capital Compensation and Trusts (2004) Ltd.
- 1.4. The “**Companies Law**” - the Companies Law, 1999.
- 1.5. “**Share**” or “**Shares**” – Ordinary shares of par value NIS 1 each in the issued and paid-up share capital of the Bank¹.
- 1.6. The “**Ordinance**” or “**Income Tax Ordinance**”- The Income Tax Ordinance [New Version], 1961.
- 1.7. The “**Exercise Price**” – The exercise price specified in Section 8.2 or 8.3, as relevant.
- 1.8. The “**Base Price**” – The closing price in NIS of the Bank's share on the TASE on the trading day preceding the date of approval of the Board of Directors, subject to the adjustments detailed in Section 12 below, with the exception of adjustments for dividend distribution, which are detailed in Section 12.5 below.
- 1.9. The “**First Tranche,**” the “**Second Tranche,**” and the “**Third Tranche**” – As defined in Section 10.2 below.
- 1.10. The “**Ceiling Rate**” – In reference to the First Tranche, the Base Price multiplied by 1.5; in reference to the Second Tranche, the Base Price multiplied by 1.6; and in reference to the Third Tranche, the Base Price multiplied by 1.7.

¹All issued Shares of the Bank have been converted into authorized common stock. The common stock is transferable in units of par value NIS 1 each. The terms “shares” and “shareholder” in this outline include “stock” and “stockholder,” respectively, and one ordinary Share of NIS 1 par value means par value NIS 1 of common stock.

2. Introduction

- 2.1. The Bank is a company registered in Israel. The ordinary Shares of the Bank are of par value NIS 1 each, and are listed for trading on the TASE.
- 2.2. On June 1, 2022, the Board of Directors of the Bank approved an option plan for employees and officers of the Bank, which was submitted to the Israel Tax Authority on June 30, 2022 (hereinafter - the “**Option Plan**”).
- 2.3. On August 15, 2022, the Board of Directors (after receiving the approval of the Compensation Committee) approved the filing of this outline (hereinafter - the “**Outline**”), which allows up to 5,000,000 non-marketable Options to be granted to employees of the Bank and/or the Bank Group, without consideration, each exercisable into an ordinary Share of par value NIS 1 each of the Bank, authorized (hereinafter - “**Ordinary Share**,” “**Total Offered Options**,” or the “**Pool**”), which also includes the grant within the Options offered in practice below.

In the event that the eligibility of an offeree for an Option granted to and not exercised by the offeree expires and/or is revoked, the Option shall revert to the Pool used by the Bank, from which the Bank shall be permitted to grant Options in accordance with the provisions of the plan and the Outline, at its sole discretion.

- 2.4. Furthermore, on August 15, 2022, the Board of Directors of the Bank (after the receipt of the approval of the Compensation Committee, and the approval of the Audit Committee with respect to the Internal Auditor) approved the allocation without consideration of 2,460,399 non-marketable Options (of the total offered Options), exercisable, assuming full exercise, into up to 2,460,399 Ordinary Shares of par value NIS 1 each of the Bank, to 108 offerees, of which 13 offerees are officers who are not directors and who are not the CEO (hereinafter - “**Officers**”) and 95 offerees are employees of the Bank and/or employees of subsidiaries of the Bank (hereinafter - the “**Actual Allocated Options**” or the “**Options**” and the “**Offerees**,” respectively).
- 2.5. The Offerees must consider the tax implications concomitant with participation

in the plan. The statements in the Outline do not purport to constitute an authoritative or exhaustive interpretation of the provisions of the law, or an exhaustive description of the provisions of the tax laws pertaining to the plan, and are not a substitute for professional consultation on these matters.

2.6. The allocation of the Options pursuant to this Outline is in accordance with the compensation policy papers of the Bank (including the officer compensation policy of the Bank), and is in addition and without prejudice to the wage agreements between the Bank and the employees of the Bank, inasmuch as such agreements exist. For details regarding the officer compensation policy of the Bank, as approved on August 4, 2022, see the Immediate Report of the Bank regarding the convening of an annual meeting of July 14, 2022 (Ref. No.: 2022-01-089413).

2.7. It is clarified that no allocation pursuant to this Outline shall be made to an Offeree who is an interested party (as defined in Section 270(5) of the Companies Law) or a party at interest (as defined in Section 1 of the Securities Law) due to their holdings in Shares of the Bank prior to the allocation, or who would become such an interested party, such a party at interest, or a controlling party of the Bank due to the allocation.

2.8. It is clarified that employee-employer relations exist between all of the Offerees and the Bank and/or subsidiaries of the Bank.

3. Interpretation

The introduction to the Outline constitutes part of the Outline. In any case of contradiction between the introduction and the statements in the Outline, the statements in the Outline shall prevail.

4. Purpose and management of the plan

4.1. The purpose of the Outline and of the grant of the options is to promote the best interests of the Bank and of its shareholders by providing equity compensation that incentivizes the Offerees who are Officers, managers, and employees, connects them with the goals of the Bank from a long-term perspective, and provides tools for the recruitment of

employees and officers with appropriate qualifications for the Bank. All of the foregoing is **while maintaining the risk-management framework of the Bank and the risk appetite of the Bank**, and subject to the restrictions of the Law for Officer Compensation in Financial Corporations (Special Permit and Non Tax-Deductible Expenses Due to Exceptional Compensation), 2016, and the Proper Conduct of Banking Business Directives.

- 4.2. The Board of Directors of the Bank shall establish the terms and conditions and prices of the Options, including the manner of granting the Options to be allocated under the plan to the Offerees. The exercise price of each Option shall be established in the individual allocation agreement of each Offeree.
- 4.3. The Board of Directors shall have the exclusive authority and absolute discretion, subject to all laws, to also make decisions, among other matters, regarding the following:
 - 4.3.1. To determine who the Offerees are and the number of Options to be granted to each of the Offerees;
 - 4.3.2. To determine the terms and conditions of the agreements of the Options, including the quantity of Options granted to each Offeree, the number of Shares subject to each Option, the exercise dates and method of the Option, the exercise price, restrictions regarding the transferability of the Option and/or the Shares, and terms and conditions pertaining to the forfeiture and expropriation of the Option and Shares;
 - 4.3.3. To revoke and suspend grants;
 - 4.3.4. To determine the type of Option to be granted;
 - 4.3.5. To determine and change limits and terms and conditions applicable to the Options or to Shares subject to the Options (and, with regard to Options already allocated, with the consent of the Offeree);
 - 4.3.6. To interpret the terms and conditions of the plan and supervise the management of the plan;
 - 4.3.7. To fully or partially accelerate the exercise dates of the Options granted to each Offeree;
 - 4.3.8. To freeze, terminate, or revoke the plan, in full or in part, and to amend or alter the plan and the provisions thereof (and, with regard to Options already allocated, with the consent of the Offeree);

4.3.9. To decide and determine any other matter necessary for the management of the plan;

4.3.10. To determine the end date of the plan.

5. The approvals and permits required

Subject to the statements below, the Bank has received all of the permits and approvals required under any law for the offering of the securities pursuant to this Outline, for the issuance thereof, and for the publication of the Outline.

5.1. Approval by the relevant organs of the Bank, as required under any law – On August 15, 2022, the Board of Directors of the Bank, after receipt of the approval of the Compensation Committee of the Bank and the Audit Committee of the Bank,² approved the publication of the Outline and the allocation pursuant to this Outline.

5.2. Approval by the TASE

The allocation of the Options to the Offerees is subject to receipt of the approval of the TASE for listing for trading of the exercise shares referenced by the Options. Closely following the publication of this Outline, the Bank will submit a request to the TASE accordingly.

5.3. Approval of the Option Plan by the Israel Tax Authority

30 days after the date of submission of the Option Plan to the Israel Tax Authority, and subject to no comments being received from the Israel Tax Authority in connection with the aforesaid Option Plan – the Bank, through the Trustee of the Option Plan, filed the plan with the Israel Tax Authority, on June 30, 2022, and no comments were received from the Israel Tax Authority in connection with the aforesaid plan.

5.4. Powers of the Israel Securities Authority

Pursuant to Regulation 9 of the Securities Regulations (Details of an Outline of an Offer of Securities to Employees), 2000, within fourteen (14) business days

² With regard to the equity compensation to be granted to the Internal Auditor of the Bank.

of the date of filing of the Outline, the Israel Securities Authority is authorized to instruct the Bank to provide explanations, specifics, information, and documents pertaining to the Outline, and to instruct the Bank to amend the Outline, within a period it shall determine. If the Israel Securities Authority orders the amendment of the Outline, it is authorized to order deferral of the commencement of the period for granting securities to a date no earlier than three business days and no later than fourteen business days from the date of publication of the amendment of the Outline. The amendment of the Outline shall be performed in accordance with the statements in the aforesaid regulations.

6. The offered securities

- 6.1.** As of the date of the Outline, the registered share capital of the Bank is NIS 3,215,000,000 and the issued and paid-up share capital of the Bank is NIS 1,615,629,355, divided into 1,615,629,355 Shares of par value NIS 1 each (without the exclusion of dormant shares included in the capital of the Bank³).
- 6.2.** Within the allocation pursuant to this Outline, the Bank shall allocate to the Offerees, without consideration, 2,460,399 non-marketable Options exercisable into up to 2,460,399 Ordinary Shares of par value NIS 1 each of the Bank. Subject to adjustments, as detailed in Section 12 below. The actual grant of the Options is contingent upon the receipt of the approvals listed in Section 5 below, including the receipt of the approval of the Tel Aviv Stock Exchange. The Options shall be allocated to the Offerees shortly following the receipt of the approvals listed in Section 5 above. Assuming full exercise, all of the Options offered in practice would impart Shares at a rate of approximately 0.16% of the issued share capital of the Bank (post-allocation, assuming full exercise).
- 6.3.** At the vesting date of the Options, the Offeree shall be entitled to exercise shares in a quantity to be determined based on the benefit value component only. For this purpose, the “benefit value component” is the difference between the closing price of an Ordinary Share of the Bank on the TASE at the exercise date and the Exercise Price.

³ As of the date of the Outline, there are 71,824,258 dormant shares in the capital of the Bank.

- 6.4.** Under the theoretical assumption of exercise of all of the Options that can be allocated pursuant to this Outline, the Ordinary Shares to be allocated to the Offerees as a result of the exercise of Options would constitute approximately 0.32% of the voting rights and approximately 0.32% of the issued and paid-up share capital of the Bank (approximately 0.32% of the voting rights and approximately 0.32% of the issued and paid-up share capital of the Bank, fully diluted).
- 6.5.** Under the theoretical assumption of exercise of all of the Options allocated in practice, the Ordinary Shares to be allocated to the Offerees as a result of the exercise of Options would constitute approximately 0.16% of the voting rights and approximately 0.16% of the issued and paid-up share capital of the Bank (approximately 0.16% of the voting rights and approximately 0.16% of the issued and paid-up share capital of the Bank, fully diluted).
- 6.6.** It is noted that according to the terms and conditions of the Options, the exercise of the Options shall be performed in accordance with a net exercise mechanism, and therefore, the allocation to the Offerees against the exercise of the Options will not be 2,460,399 Shares, but a smaller quantity of Shares, all in accordance with the calculations described in Section 10 below.
- 6.7.** The allocation of the Options to the Offerees by means of the Outline shall be performed in accordance with the provisions of Section 15B(1)(a) of the Securities Law, the Outline Regulations, and the Private Offering Regulations.
- 6.8.** The Options shall be allocated to the Officers and employees via an equity track (with a trustee), pursuant to Section 102 of the Income Tax Ordinance, and under the material terms and conditions specified in this Outline below.
- 6.9.** The Options to be allocated to the offerees will not be listed on the TASE. The Ordinary Shares arising from the exercise of the Options shall be registered in the shareholder registry of the Bank in the name of the Nominee Company of Bank Leumi Ltd. and listed for trading on the TASE, and shall be, as of the date of their allocation, equal in rights for all intents and purposes to the existing Shares in the capital of the Bank.

- 6.10.** The sale of the exercise shares, including instructing the Trustee to sell them, in full or in part, shall be subject to the procedure for approval of the use of insider information at the Bank.

7. The Offerees

- 7.1.** The offering of the Options allocated in practice pursuant to the Outline is directed to 108 employees and Officers of the Bank and of subsidiaries of the Bank.
- 7.2.** The Options to be allocated under this Outline shall be granted, without consideration, only to employees and Officers who are not considered controlling parties of the Bank (as defined in Section 268 of the Companies Law, 1999) or interested parties (as defined in Section 270(5) of the Companies Law) or interested parties due to their holdings in Shares of the Bank prior to the allocation, and who would not become such controlling parties, interested parties, or parties at interest due to the allocation.

8. Consideration for the Offered Securities and Exercise Price

- 8.1.** The Options are offered to the Offerees without consideration, as part of the terms and conditions of their employment at the Bank.
- 8.2.** The Exercise Price of the Options allocated in practice shall be NIS 34.3, determined based on the closing price in NIS of the Share of the Bank on the TASE on the trading day preceding the date of approval by the Board of Directors of the allocation of the Options, subject to adjustments as detailed in Section 12.
- 8.3.** The Exercise Price of the Options to be allocated to Officers and employees of the Bank pursuant to this Outline in the future, inasmuch as allocated, shall be determined based on the average closing price of the Share of the Bank on the TASE in the period of the 30 trading days preceding the date of approval by the Board of Directors of the allocation of the Options, subject to adjustments as required by the statements in Section 12 below.

9. Notice to the Offerees

- 9.1.** Shortly following the publication of the Outline, the Bank shall deliver, to each of the Offerees under the Outline, at the Offeree's place of work or registered address with the Bank, a written notice of the number of Options the Offeree is entitled to receive. In addition, the Bank shall issue a notice to the Offerees regarding the filing of the Outline, at the place of work of each Offeree, and shall provide, for perusal by the Offerees, at the offices of the Bank, during regular work hours, copies of the reports, as specified in Section 25 below.
- 9.2.** Each of the Offerees shall be required, as a condition of allocation of the Options, to sign a personal option agreement with the Bank, which shall include the following principal provisions and content:
 - 9.2.1.** Details of the specific terms and conditions of the allocation (quantity of Options, vesting dates, exercise method, etc.).
 - 9.2.2.** The consent of the Offeree to receive the Options to be offered to them and their consent to all of the terms and conditions of the Options pursuant to the Option Plan and the personal agreement, including, and without derogating from the generality of the foregoing, consent to bear all tax liabilities and other mandatory payments arising from the offering and allocation of the Options, the exercise thereof, or the sale of the exercise shares.
 - 9.2.3.** The undertaking of the employee to comply with the provisions of Section 102 of the Income Tax Ordinance [New Version], 1961, the regulations enacted thereunder, and the rules established according thereto.
 - 9.2.4.** Confirmation of the receipt of taxation decisions.
 - 9.2.5.** The undertaking of the Offeree to comply with the trusteeship provisions and the procedure for exercise of the Options, as shall be agreed upon by the Bank and the Trustee.

10. The Terms and Conditions of the Options

- 10.1.** All of the Options shall be allocated for the relevant Offeree to the Trustee, for that Offeree, shortly after the receipt of the approvals required in Section 5 above, provided that at least fourteen business days have elapsed from the filing date of the Outline, within the period determined for that purpose, with the approval of the TASE, and after the Offerees have signed the required documents, as stated in Section 9.2 above.

10.2. Vesting terms and conditions

Unless otherwise determined by the Bank, subject to attainment of the performance targets for vesting (as detailed in Section 10.3 below), and to the Offeree's being employed at the Bank and/or at a company related to the Bank at the vesting date (subject to the provisions of the Option Plan with regard to the termination of employment, including in cases of the end of employment as a result of death or disability), the Options shall vest in three equal annual tranches (each tranche is equal to 33 1/3% of the quantity of Options allocated to each Offeree), beginning at the allocation date, as follows:

- 10.2.1.** The First Tranche shall vest when one year has elapsed from the allocation date, and shall expire 24 months later (hereinafter - the "**First Tranche**"). It is clarified that the exercise of the First Tranche is also subject to the lockup period and to the provisions of Section 102, all as detailed below;
- 10.2.2.** The Second Tranche shall vest when two years have elapsed from the allocation date, and shall expire 24 months later (hereinafter - the "**Second Tranche**");
- 10.2.3.** The Third Tranche shall vest when three years have elapsed from the allocation date, and shall expire 24 months later (hereinafter - the "**Third Tranche**").

At the end of the exercise period of each tranche, the Options of that tranche shall expire (if not previously expired or exercised according to the provisions of the Option Plan), and the Options shall not be exercisable as of that date.

The foregoing notwithstanding, if, at the last expiration date of the Options, the exercise thereof by the Offeree is prohibited due to lockup periods to be established, or periods in which restrictions apply according to the policy of the Bank concerning the prohibition of use of insider information (hereinafter, jointly - the "**Trading Prohibition Periods**"), the exercise period shall conclude at the end of an additional period of a number of days equal to the number of days comprising the Trading Prohibition Periods, in addition to and beyond the end of the Trading Prohibition Period. The Bank shall notify the Offerees of the extension of the period of the Option, as described above.

Any tranche of Options not exercised by the end of its relevant exercise period (and subject to the lockup period pursuant to Section 102 of the Ordinance), including vested Options, shall expire and shall be canceled, as noted, and the Options of that tranche shall

revert to the Pool used by the Bank, from which the Bank shall be permitted to grant Options according to the provisions of the plan and the Outline, at its sole discretion.

Subject to approvals in accordance with the law, the Board of Directors is authorized to decide, at its sole discretion, that certain circumstances justify the extension of the exercise period of all or part of the Options, with respect to all or some of the Offerees, subject to the officer compensation policy of the Bank.

10.3. Performance targets for vesting

In addition and subject to the statements in Section 10.2 above, the vesting of the Options is contingent upon the fulfillment of the following condition: the total capital adequacy ratio and the common equity tier 1 capital adequacy ratio, according to the consolidated annual financial statements of the Bank, in the calendar year ended prior to the vesting date of the relevant tranche, shall not be lower than the minimum ratios set forth in the directives of the Banking Supervision Department.

Hereinafter - the “**Vesting Performance Target**”

If, at the relevant effective vesting date, as stated above, the Vesting Performance Target is not fulfilled, the vesting date of the relevant tranche of Options shall be deferred to the following year (hereinafter - the “**Deferred Vesting Date**”). At the Deferred Vesting Date, the fulfillment of the Vesting Performance Target shall be reexamined for the purpose of vesting of the tranche of Options, and the tranche of Options shall vest only subject to compliance with the Vesting Performance Target, provided that the Offeree remains an employee of the group at the Deferred Vesting Dates. In the event of non-fulfillment of the Vesting Performance Target at the Deferred Vesting Date, the vesting date of the tranche of Options shall be deferred for an additional year, and the statements in this section shall apply. The vesting date of the Options can be deferred in this manner until the expiration date of the relevant tranche of Options.

In the event that the expiration date of an Option of any tranche arrives before the Vesting Performance Target has been attained (without impairment of Options included in other tranches), the Offeree shall not be permitted to exercise any Option of the Options included in the relevant tranche. The Options shall revert to the Pool used by the Bank, from which the Bank shall be permitted to grant Options in accordance with the provisions of the plan and the Outline, at its sole discretion.

10.4. Proceeding of exercising the Options

Subject to the provisions of the law, the lockup period and the other terms and conditions of Section 102 of the Income Tax Ordinance and the rules enacted thereunder, the guidelines of the Israel Tax Authority, and the receipt of the advance approval of the Israel Tax Authorities (if required), the exercise of all or part of the Options shall be effected on a net exercise basis, where the Offeree shall be entitled to receive Shares reflecting the benefit component inherent in the exercised Options, according to the formula below. For the avoidance of doubt, it is hereby clarified that according to this exercise method, the Options are exercisable into a quantity of Shares reflecting the benefit component only. The Offeree shall not pay the Exercise Price, which is used solely to calculate the benefit component. For the purpose of calculation of the benefit component, the price of the Share (at the exercise date) shall be calculated as the lower of: (a) the closing rate of the Share of the Bank on the TASE on the trading day preceding the exercise day; and (b) the Ceiling Rate (hereinafter - the “**Share Price for Benefit Calculation**”).

In this instance, the number of exercise shares shall be calculated according to the following formula:

$$\frac{(AB) - (AC)}{D}$$

D

A = Number of Options the Offeree wishes to exercise, stated in the exercise notice.

B = Share Price for Benefit Calculation.

C = Exercise price.

D = Closing price in NIS of the Share of the Bank on the TASE on the trading day preceding the exercise day.

The following statements refer to any quantity of Shares which the Offeree chooses to exercise that have vested at that date, and with respect to which the performance target has been attained: the Bank shall transfer to the Trustee, in trust for the Offeree, exercise shares at a market value, according to the determinant rate, equal to the amount of the

monetary benefit only, as defined below, and accordingly, no cash payment shall be transferred by the Offeree for the conversion of the Options into the exercise shares.

In accordance with the foregoing, at the exercise date of the Options, the Offeree shall not pay the Bank, in practice, in respect of the exercise of the Options, and the Bank, inasmuch as required by law, shall capitalize into share capital the par value of the exercise shares allocated, out of profits, as defined in Section 302(B) of the Companies Law, 1999 (the “**Companies Law**”), from a premium on Shares, or from any other source included in its shareholders’ equity stated in its most recent financial statements at the relevant date, all in accordance with and subject to the provisions of Section 304 of the Companies Law.

Shortly following the exercise date of the Options, in accordance with the aforesaid terms and conditions, the Bank shall credit the account of the TASE member, to be opened in the name of the Trustee, in respect of the exercise shares, which the Bank shall allocate in the name of the Nominee Company of Bank Leumi Ltd. The Offeree shall be permitted, at their discretion, to instruct the Bank whether to credit an account in their name in respect of the Shares, provided that prior to the crediting of the account the Offeree has paid the Bank and/or the Trustee any tax applicable by law in respect of the release of the Shares from the Trustee, either in cash or through an irrevocable order to sell the quantity of Shares the value of which, after withholding of tax at source, is identical to the tax liability in respect of the transfer of the Shares to an account in the name of the employee.

It is clarified that for the purpose of the calculation of the number of exercise shares within the net exercise mechanism, the Board of Directors shall be authorized to set, at the time of the execution of the allocations, provisions and conditions regarding the application of the aforesaid mechanism, in accordance with and subject to the provisions of Section 102 and the directives of the Israel Tax Authority. In any case in which, as a result of the calculation of the number of exercise shares within the net exercise mechanism, the Bank is required to allocate fractions of Shares, the Bank shall not allocate fractions of Shares, as stated, and the number of Shares to be allocated to the Offeree shall be rounded down for any fraction of a Share lower than 0.5, and rounded up for any fraction of a share higher than or equal to 0.5.

10.5. Limits on the exercise date according to the provisions of the TASE Rules and Regulations

Despite the aforesaid, no exercise of the Options will be made on the effective date for the distribution of bonus shares, an offer by way of rights, dividend distribution, capital consolidation, capital split or capital reduction (each of the above will be called hereinafter a "**Company Event**") and the exercise date will be postponed. If the ex-date of a Company Event falls before the effective date of a Company Event, no exercise of the Options will be made on such ex-date.

11. Terms and conditions of the plan in the event of the termination of employment or service

11.1. In the event of the termination of the contractual engagement between the Bank and any of the Offerees (hereinafter in this section - the "**Termination of Engagement**"), other than as a result of disability or death, and other than in the circumstances described in Section 11.4 below, the right of the Offeree to exercise the Options allocated to them shall only apply to Options the Offeree's entitlement to exercise which formed up to the date of the end of their work or service (as relevant), and the Options shall be exercisable (subject to the limits in the provisions of Section 102 of the Ordinance) only during a period not to exceed 180 days from the day of termination of their work, or, as relevant, the day of termination of their term of service (unless the expiration of the Options occurs earlier, in which case the last exercise date shall be moved to the aforesaid expiration date), and as detailed in the allocation agreement (hereinafter - the "**Exercise Period at Termination of Employment**"). All the other options will expire on the date the offeree's employment or service ends. For the avoidance of doubt, it is clarified that for the purposes of this section, if the termination of the employment relationship occurs during a year at the end of which the Offeree would be eligible for additional Options that have not yet been allocated, such Options shall not be considered Options the Offeree's right to which had formed by the termination date of their work, and the Offeree shall not be entitled to exercise these Options. It is hereby clarified that if the exercise date of the Options has not yet arrived, an employee whose employment has ended, as stated above, shall not be entitled to exercise the Options.

It is clarified that for the purposes of this Section, the end of employment of an employee of the Bank or of a related or subsidiary company thereof for the purpose of commencing work at a subsidiary or related company of the Bank shall not be considered termination of the employment relationship.

11.2. In addition to the foregoing, the Board of Directors of the company is authorized to consider expansion of the entitlement of the Offeree in connection with the exercise of the Options, all in accordance with the Option Plan and subject to the resolutions of the organs of the Bank required for such expansion of entitlement.

11.3. In the event of termination of employment or term in office of the Offeree with the Bank due to his/her dismissal for reasons that in the Bank's opinion gave it, by law, the right to dismiss him/her without payment of severance pay, all options offered to the Offeree under this program shall expire immediately at date of dismissal, including those that the Offeree's right to exercise them had vested by that date but which he/she had not exercised in practice.

11.4. In the event of termination of service due to disability or death, the beneficiary or heir, as relevant, shall be entitled to exercise all of the Options granted, except unvested Options, immediately upon the occurrence of the relevant event (disability or death), until the earlier of: (a) the expiration date thereof, according to the terms and conditions set forth in the allocation agreement, and (b) one year from the date of termination of employment. It is clarified that the aforesaid Options shall be subject to the limits set forth in Section 102 of the Ordinance.

12. Provisions for protection of the Offerees

12.1. Mergers and acquisitions – If the Bank is a party to a share exchange agreement or arrangement (such as a merger transaction or restructuring) (hereinafter - the “**Exchange Transaction**”) in which it is proposed that the shareholders of the Bank exchange the Shares for securities of any other corporation (hereinafter - the “**Other Corporation**”), the Bank shall endeavor to cause the Other Corporation to undertake to allocate to the Offerees, if the Offerees exercised after the Exchange Transaction pursuant to the terms and conditions of the Options, the aforesaid securities offered to the shareholders of the Bank as though the Offerees had been the owners of the exercise shares on the effective date for the aforesaid Exchange Transaction.

In the event of such an Exchange Transaction, the Bank is permitted to obligate the Offerees to receive, in respect of all unexercised Options held by them or on their behalf, Options exercisable into shares of the Other Corporation in exchange for the Options of the Bank that they hold, according to the exchange ratio to be established for all shareholders of the Bank, provided that the sum total of the Exercise Price in respect of all of the exchanged Options to be allocated is equal to the sum total of the Exercise Price in respect of all such unexercised Options held by or on behalf of the Offerees.

12.2. Liquidation – If a decision is made regarding voluntary liquidation of the Bank, while there are unexercised Options under this allocation, in the event of voluntary liquidation each holder of an allocation letter shall be considered to have exercised their right to the exercise of the Option into a Share immediately upon the decision to liquidate, without the need for the condition of the exercise notice. The exercise increment shall be deducted from the payments to be transferred to the shareholders in the course of the liquidation.

12.3. Technical changes in the capital of the Bank – In any event of a change in the issued share capital of the Bank by means of a share split, share consolidation, change in structure of the capital of the Bank, or any similar event by or of the Bank, the number and type of Shares within this grant or the exercisable Shares as a result of the exercise of the Options granted under this grant, and/or the exercise increment, shall be adjusted proportionally in order to preserve the number of Shares and the accrued exercise increment thereof, under the condition that no such adjustments are performed following the distribution of rights in respect of issued Shares.

12.4. Distribution of bonus shares Should the Bank distribute bonus shares during the period in which the conversion right exists, the rights of the holders of the Options shall be maintained, such that the number of Shares arising from the conversion to which the Option holder is entitled upon conversion thereof shall increase or decrease by the number of shares of the same type to which the Option holder would be entitled as bonus shares if they had converted the Options.

12.5. Dividend distribution. If the Bank distributes a dividend, and the effective date for the distribution thereof precedes the exercise date of the Options, including Options the vesting date of which has not yet arrived, the exercise increment shall be reduced by the amount of the dividend distributed by the Bank, and the rights of the Offerees to the Options shall be preserved (hereinafter - "**Dividend Adjustment**"). It is clarified that in

any case in which the Bank distributes a dividend, and at the effective date for distribution of the dividend the Trustee holds exercise shares on behalf of any of the Offerees, the Bank shall transfer, to the Trustee, amounts of the dividend in respect of the exercise shares held by the Trustee, as stated, for each Offeree; the Trustee shall deduct tax at source, in accordance with the law, if and as required, and shall then transfer the dividend amounts (after deduction of the tax) to the Offeree.

12.6. Offering by way of rights. If the Bank offers its shareholders any securities by way of an issuance of rights, in reference to Options not exercised by the effective date for the rights offering, the number of exercise shares shall be adjusted to the benefit component of the rights, as reflected in the ratio of the price of the Share on the TASE on the effective date to the base rate “ex-rights.”

For this section, the “**benefit component**” – the difference between the price of the closing rate of the Share of the Bank on the TASE on the last trading day preceding the ex-date and the base rate of the Share of the Bank ex-rights. This adjustment shall be subject to the TASE Rules and Regulations and guidelines, as they may be from time to time.

12.7. The statements in this section notwithstanding, in any event the exercise increment of each Option shall not be less than the par value or than 30 agorot or another minimum amount to be established in the TASE Rules and Regulations (except with respect to employees regarding which the Board of Directors of the Bank can determine any exercise premium at its sole discretion), all subject to all laws and to the TASE Rules and Regulations.

12.8. For the avoidance of doubt, in any case of adjustments pursuant to this section, the Offerees shall not be entitled to receive part of one whole Share, and the number of Shares allocated to each Offeree shall be rounded upward to the closest Share, and the provisions of the Option Plan on this matter shall apply.

13. Acceleration

Subject to receipt of all approvals required in accordance with the law, and subject to the Tax Ordinance and the approval of the Israel Tax Authority, as required, the Bank is permitted to decide, at its sole discretion, that certain circumstances, to be specified in the resolution or allocation agreement (including in the event of a change in control of the Bank, as shall be defined therein), justify the acceleration of the all or part of the vesting periods, with respect to all or some of the Offerees, subject to the law.

14. Specifics of the lockup provisions applicable to the allocation of the exercise shares

The Options, the exercise shares, and any right in respect thereof shall be locked for a period of at least 24 months from the day of allocation of the Options and the deposit thereof with the Trustee, in accordance with the provisions of Section 102 of the Income Tax Ordinance and the guidelines of the Israel Tax Authority.

The Options cannot be sold or transferred (including by means of a pledge, lien, assignment of rights, and in any other way), and shall not be subject to sale in execution proceedings, seizure, or similar proceedings, except in the case of death or transfer to a legal guardian in the event of legal incapacity, provided that, in the event of such transfer, the transferee undertakes to comply with the provisions of the plan and the allocation agreement.

15. Lockup period

Subject to the receipt of all approvals required in accordance with the law, in addition to the lockup period, within the offering of securities of the Bank to the public secured by an underwriting commitment or within an offering of securities of the Bank outside Israel, the Bank is permitted to decide, from time to time, that exercise shares are to be subject, in addition, to a lockup period of up to 280 consecutive days, or a longer period, as recommended by the Board of Directors of the Bank, during which the Offerees or some of them shall not be permitted to sell these Shares. The statements in this section are subject to the provisions of Section 102 of the Ordinance, the provisions of the Companies Law and the Securities Law, and the TASE Rules and Regulations. It is noted that the Board of Directors of the Bank shall be authorized to impose, from time to time, general restrictions on the employees of the Bank, including the Offerees, concerning lockup periods near the end of a calendar quarter period, until the publication of the financial

statements of the Bank in respect thereof, during which they cannot sell the exercise shares (or exercise the Options).

16. Taxation

- 16.1.** The Offeree alone, and in the event of death, the Offeree's heir, shall bear all tax liabilities in respect of the grant of the Options and the exercise of the Options, payment for Shares due to the exercise of the Options, or in respect of any other action (of the Bank and/or related companies and/or the Trustee and/or the Offeree); the Bank shall not bear such liability, directly or indirectly, and shall not be obliged to gross-up such liability in the salary of the Offeree. The Bank and/or affiliated companies and/or the trustee shall deduct in accordance with the law, regulations and rules, all taxes, including deduction of tax at source. The Offeree agrees to indemnify the Bank and/or affiliated companies and/or the trustee and relieve them of all responsibility in respect of the payment of said taxes, interest charges and fines and any other charges whose obligation arises from the need to deduct tax or a failure to deduct tax from each payment made to the Offeree.
- 16.2.** The Bank does not undertake to apply a particular taxation track to the plan, and shall be entitled to change its selection of the taxation track applicable to future allocations, all subject to and in accordance with the provisions of Section 102. Among other things, the Bank may choose to allocate the Options other than through a Trustee, such that they are not subject to a lockup period, pursuant to the provisions of Section 102(C) of the Ordinance.
- 16.3.** The tax liability of the Offeree shall be determined, in such case, in accordance with the provisions of Section 102 of the Ordinance and the Income Tax Rules (Tax Reliefs in the Allocation of Shares to Employees), 2003.
- 16.4.** The outcomes of any future change in the tax arrangement that may apply to the allocation of securities to the Offeree shall apply to the Offeree in accordance with the provisions of all laws, and the Offeree shall bear the full cost thereof.
- 16.5.** Without detracting from the obligation of the Offeree to pay all taxes that apply to the Offeree, in accordance with the foregoing, the Bank and/or the Trustee shall be permitted to withhold tax at source, according to all laws, from all payments due to the Offeree (including monies of dividends, sale of the exercise shares, etc.), as well as amounts for levies, fees, and other expenses that, according to the judgment of the Board of Directors and/or the Trustee, are required under any law.

16.6. By signing the allocation agreement, the Offeree agrees in advance to the taxation decision in the agreement in connection with the plan and in connection with the tax track to apply thereto, and that the taxation decision in the agreement binds the Offeree to act accordingly and pay any applicable tax.

The statements in this section above refer to the law in Israel applicable at the date of the Outline. The provisions of the law concerning tax aspects pertaining to the Options granted pursuant to this Outline and/or the resulting exercise shares may change from time to time. The foregoing also does not purport to constitute an authoritative interpretation of the provisions of the law pertaining to taxes that may apply in connection with the Options and/or the resulting exercise shares, and is not a substitute for legal and professional counsel on this matter. In accordance with accepted practice in investments in securities, the Offerees must consider the various tax aspects and tax consequences that their investments would have and consult their professional advisors, including legal and taxation counsel, taking into consideration their specific data.

17. Trusteeship arrangement within the provisions of Section 102 of the Income Tax Ordinance and lockup period

17.1. On June 30, 2022, the Option Plan was filed with the Israel Tax Authority as a plan for the allocation of Options through a Trustee in a capital-gains track, in accordance with the provisions of Section 102 of the Ordinance (the aforesaid Section 102 and the regulations enacted and rules established thereunder shall be referred to hereinafter, jointly, as the “**Section 102 Provisions**”). In light of the foregoing, the Section 102 Provisions shall apply to the allocation of Options to employees and Officers pursuant to this Outline, subject to the approval of the plan.

17.2. In accordance with the Section 102 Provisions, the Options shall be allocated to the Trustee for the Offerees, and the Trustee shall act with respect to the Options and the exercise shares in accordance with the Section 102 Provisions, and in accordance with the provisions of the trust agreement and the procedure for the exercise of the Options and sale of the exercise shares, as shall be determined between the Bank and the Trustee.

17.3. According to the provision of Section 102, and without derogating from the generality of the above, the following provisions shall apply:

17.3.1. The Trustee shall hold the Options and the Shares arising from the exercise

thereof for a period of at least 24 months from the day of allocation of the Options and deposit thereof with the Trustee, or for a different period as shall be determined in any amendment to Section 102 of the Ordinance or the rules established thereunder (hereinafter - the “**Section 102 Lockup Period**”). It is clarified that an Offeree shall not be permitted to receive the Options or the exercise shares from the Trustee prior to the release date, and shall not be permitted to instruct the Trustee to sell or transfer the exercise shares before the end of the Section 102 Lockup Period. In addition, during the lockup period the Options and Shares shall not be subject to any act of transfer (including by way of subjection to a power of attorney or a share transfer deed), unless permitted pursuant to the Section 102 Provisions; this includes a prohibition during the lockup period, subject to the Section 102 Provisions and/or the rules thereunder, for the Offerees to exercise, sell, transfer from the Trustee, or take any action with respect to the Options or the exercise shares, until the end date of the lockup period (except if the appropriate approval is received from the tax authorities, including approval for the continued application of the Section 102 Provisions).

17.3.2. The Trustee shall hold the Options for the Offeree throughout the period of existence of the Options, and shall hold the exercise shares until their sale or until payment of the tax applicable to the Offeree, whichever is earlier. If the Offeree seeks to sell the exercise shares before the applicable tax has been paid, the Offeree shall be permitted to do so through the Trustee, subject to the terms and conditions of an arrangement to be established, if established, with the Israel Tax Authority. The Trustee shall be permitted to deduct any amount from the consideration of the sale to ensure the payment of the tax.

17.3.3. It is clarified that the lockup period may overlap or be in addition to the vesting period of the Options. If the lockup period and the vesting period overlap, neither is a substitute for the other, and each constitutes an independent condition.

17.4. In this Outline, the “**Release Day**” – the day of occurrence of the tax event, as defined in Section 102 of the Ordinance, upon the occurrence of the earlier of one of the following events:

17.4.1. Sale of the “exercise shares” by the Trustee for the entitled employee, at the instruction of the entitled employee.

17.4.2. Transfer of the “exercise shares” in the name of the employee, according to the

instruction of the employee.

The statements in this Outline do not purport to constitute an authoritative and exhaustive interpretation of the provisions of the law mentioned in this Outline, and are not a substitute for professional consultation on this matter. Each Offeree must examine the tax situation applicable to them according to their specific individual circumstances and consult their professional advisors.

18. The economic value of the Options

The fair value of the Options offered, at the date of approval of the allocation by the Board of Directors, was calculated using the binomial model and estimated at approximately NIS 15.5 million for the offered Options in aggregate. The principal assumptions used in determining the fair value of the Options are as follows:

18.1. Calculation date: August 14, 2022

18.2. Closing price in NIS of the Share of the Bank on the TASE on the trading day preceding the date of approval by the Board of Directors: NIS 34.3

18.3. Exercise Price per Option: NIS 34.3

18.4. Maximum exercise period of the Options: three equal tranches, when 36 months, 48 months, and 60 months have elapsed from the date of the allocation.

18.5. Risk-free interest rate: 2.1%

18.6. Standard deviation: 20%

19. Agreements between the Offerees and the other shareholders

To the best of the knowledge of the Bank, following an inquiry it conducted on this matter with the Offerees, there are no agreements between any of the Offerees and shareholders of the Bank, or between all or some of the Offerees among themselves, or between them and others pertaining to the acquisition or sale of securities of the Bank or voting rights therein.

20. Summary of the reasons provided by the Compensation Committee and Board of Directors

20.1. The grant of the Options is intended to enable the Bank to compensate and incentivize Officers and managers of the Bank in connection with their work, their contribution, and their efforts towards the development and promotion of the Bank's business, to link

compensation with the share price of the Bank and the goals of the Bank, and to commensurately increase their identification with the Bank and with its medium- and long-term objectives. Thus, the Compensation Committee and the Board of Directors believed that granting Options could substantially improve the ability of the Bank to retain its existing management tier, and the ability of the Bank to recruit new high-quality managers, with due attention to existing conditions in the job market.

- 20.2.** Concurrently, the Option Plan, including the terms and conditions for the grant of the Options and the vesting dates and vesting terms and conditions thereof, was formulated subject to the requirements set forth in the Companies Law and in Directive 301A of the Proper Conduct of Banking Business Directives (on the subject, “Compensation policy at a banking corporation”), subject to the limits in the Law for Officer Compensation in Financial Corporations (Special Permit and Non Tax-Deductible Expenses Due to Exceptional Compensation), 2016, and in accordance with and subject to the limits of the risk appetite of the Bank, all while maintaining a robust capital base.
- 20.3.** The vesting of the Options is contingent upon attainment of the total capital adequacy ratio and common equity tier 1 capital adequacy ratio of the Bank in each of the calendar years ended prior to the vesting date of the relevant tranche of Options. The vesting conditions of the Options thereby reflect appropriate and proper weight accorded to solid and effective risk management.
- 20.4.** In accordance with the Companies Law, a ceiling has been established for the value of the Share at the exercise date, with restriction of the value of the monetary benefit for the Offerees, in a manner that also helps create an appropriate balance between incentives for the Offeree and limiting of incentives to take excessive risks.
- 20.5.** The grant of the Options is performed, as stated, in accordance with the requirements of the Banking Supervision Department, in accordance with the provisions of the officer compensation policy at the Bank, and in accordance with the policy for compensation of key employees of the Bank, as well as in accordance with limits established in these policy papers, including the appropriate ratio established in the policy papers between variable compensation and fixed compensation.
- 20.6.** The grant of Options is a proven, accepted, and effective incentive for the achievement of optimal performance targets, as the monetary benefit to which the Offerees would be entitled according to the terms and conditions of the Options is contingent upon an increase in the price of the Share of the Bank on the TASE relative to the Exercise Price,

and derived therefrom. This differs from the grant of restricted shares, which imparts a monetary benefit to the Offeree even in circumstances of a decrease in the price of the Share relative to the price immediately prior to the grant. In light of the foregoing, and in view of the restriction of the value of the benefit implicit in the Options and the establishment of balancing conditions intended to prevent excessive risk-taking, the Compensation Committee and the Board of Directors were persuaded that compensation in the form of a grant of Options is preferable, at this time and under the circumstances, to a grant of restricted shares.

20.7. Taking all of the foregoing into consideration, after examining the full range of the terms and conditions of employment of the Offeree managers, as stated in this Outline, the Compensation Committee and the Board of Directors believe that the grant of the Options as described serves the best interests of the Bank and is reasonable and fair under the circumstances.

21. Details of rights attached to Bank's shares

21.1. General

The rights attached to the Shares of the Bank, main points of which are described below, are those derived from the Articles of Association of the Bank, the provisions of which are subject to the provisions of the law, including the Companies Law, 1999, the Banking (Licensing) Law, 1981 (hereinafter - the “**Banking (Licensing) Law**”), and the Banking Ordinance, 1941 (hereinafter - the “**Banking Ordinance**” or the “**Ordinance**”), with the amendments thereto. In any case of contradiction between the provisions of the Articles of Association and unconditional provisions pursuant to the provisions of the law, including directives issued by the Banking Supervision Department, the aforesaid provisions shall prevail over the provisions of the Articles of Association.

The following description is a summary and does not replace a review of the full and binding version of the Bank's articles of association. A full and up-to-date version of the provisions of the Articles of Association of the Bank was attached to the Immediate Report of the Bank regarding changes in the Articles of Association – see the Immediate Report of the Bank regarding the convening of an annual meeting of July 14, 2022 (Ref. No.: 2022-01-089413).

21.2. The Bank's share capital as of Outline date

With regard to the expansion of capital, issuance of new Shares, and changes in the capital of the Bank, see Articles 46 to 50B in the Articles of Association of the Bank.

21.3. Main rights attached to the shares

Subject to the provisions of the Articles of Association of the Bank and subject to all laws, the Ordinary Shares shall impart, to the holders thereof, the right to be invited, participate, and vote in all general meetings of the Bank, and the right to one vote in respect of each Ordinary Share in their possession, and the right to participate in the distribution of profits and/or assets of the Bank (including in the liquidation of the Bank), at a rate proportional to the amounts paid or credited as paid up on the par value of these Shares.

21.4. Conditions and rates for participation in dividend distribution and bonus shares

Articles 112-113 of the Bank's Articles of Association stipulate that the Board of Directors may declare a dividend, which is to be paid to the shareholders according to their rights and interests in the profits and may fix the time for payment. No dividend shall be paid except out of the profits of the Bank, and no dividend shall carry interest as against the Bank.

For more information about the conditions and rates for participation in dividend distribution and the issuance of bonus shares, see Article 5 and Articles 111-124 of the Bank's Articles of Association.

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

21.5. Rights upon liquidation

In the event of liquidation of the Bank, its surplus assets, taking into account rights assigned to any other type of shares issued at that time, belong to the holders of the Ordinary Shares, and shall be distributed among them at a rate proportional to the amounts paid or credited as paid up on the par value of these Shares.

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

21.6. Bank directors' term in office

In accordance with Articles 82 and 83 of the Articles of Association of the Bank, one-third of the directors shall resign from office at the ordinary general meeting each year, or, if the number of directors is not a multiple of three, the closest number to one-third that does not exceed one-third, and they shall be eligible for reelection. The one-third or other number closest to one-third of the directors who resign shall always be the longest serving directors. As between two directors who have been in office an equal length of time the director to retire shall be determined - in default of agreement between them - by lottery. The length of time a director has been in office shall be computed from his/her last election or appointment where he/she has previously vacated office. A retiring director shall be eligible for re-election and shall act as a director throughout the meeting at which he retires.

21.7. Provisions of the Articles of Association of the Bank regarding the right to appoint directors

Articles 82 to 89 of the Bank's Articles of Association provide details regarding the appointment or termination of service of directors in the Bank, their term in office, and the manner of passing resolutions in the general meeting in this matter; Article 83A of the Bank's Articles of Association stipulates that so long as the Bank is deemed a bank without a controlling core, proposing and appointing candidates and terminating their service, including the maximal number of directors that can be proposed and the maximal number of directors that can be replaced in a general meeting shall be executed in accordance with the provisions of the Banking Ordinance. It has further been established that this article prevails over any conflicting provision in the Articles of Association. Set forth below are the details of the articles:

21.7.1. Article 84 of the Bank's Articles of Association stipulates that subject to the provisions of the Articles of Association, the Bank may, subject to the provisions of the Articles of Association, appoint new directors from time to time in a general meeting, and may increase or reduce the number of directors in office at that time.

21.7.2. Article 84A of the Bank's Articles of Association stipulates that the resolutions of the general meeting regarding the appointment or termination of directors shall be adopted by a majority vote of the participants in the vote. The count of the

participants' votes shall not take into account abstaining votes. Voting on the appointment and termination of directors shall be executed separately for each candidate or director.

- 21.7.3.** Article 84A of the Bank's Articles of Association further stipulates that a person shall not agree with another regarding their votes for appointment of a director in the Bank, including regarding their votes for termination of a director, unless this is done in accordance with the Banking Law (Licensing) and the Banking Ordinance
- 21.7.4.** Article 85 of the Bank's Articles of Association stipulates that at any general meeting at which any directors retire by rotation the Bank may fill up the vacated office by electing a like number of persons to be directors.
- 21.7.5.** In accordance with Article 85A of the Bank's Articles of Association, the term in office of a director will begin at the time of his/her appointment, unless a later date is set for the beginning of his/her term in office.
- 21.7.6.** Article 85B of the Bank's Articles of Association stipulates that if the number of people being put forward for election as directors at a general meeting, and receiving an ordinary majority of the total voting rights of shareholders entitled to vote and who voted (by themselves, by their proxies or by voting papers) at a general meeting, exceed the number of available positions for directors due to be filled pursuant to the agenda of the general meeting, the candidates receiving a higher number of supporting votes at the general meeting than the other candidates (hereinafter - the "Elected Directors") shall be elected for the available positions. Should a determination need to be made between a number of candidates who received the same number of votes, the determination as to who shall be elected as director shall be made by lottery.
- 21.7.7.** Article 85C of the Bank's Articles of Association stipulates that if prior to actual commencement of office of any of the elected directors it became clear that he/she will not commence office for any reason whatsoever, the next candidate in line to be deemed elected as director by the general meeting among the remaining candidates in lieu thereof, who possesses the same type of competence (External Director in accordance with the Companies Law, External Director in accordance with Proper Conduct of Banking Business Directives of the Banking Supervision Department of the Bank of Israel, other director) will be the one who

has received the majority vote required for election; and where there are a number of candidates who have received the required majority as specified, then the candidate among them, who has received the highest number of supporting votes in the general meeting, will be the one deemed elected (hereinafter - "Next in Line"). The provisions stated in this article shall also apply the Next in Line.

- 21.7.8.** Article 86 of the Bank's Articles of Association stipulates that subject to what is stipulated in the Banking Ordinance and in the Banking Law (Licensing), and subject to what is stated in Section 85C of the Articles of Association, if at any general meeting at which an election of directors ought to take place the place of any director retiring by rotation is not filled up that director shall, if willing to do so, continue in office until the ordinary general meeting in the next year and so on from year to year until his place is filled up unless it shall be determined at such meeting to reduce the number of directors in office.
- 21.7.9.** Article 87A of the Bank's Articles of Association stipulates that the Board of Directors shall not be allowed to appoint directors in the Bank and to put forward before the Directors' Appointments Committee candidates to serve as directors. Notwithstanding the above, Article 88 stipulates that the Board of Directors may appoint directors to the Bank if a vacancy has become available in the Board of Directors after the last general meeting, or at the approval of the Supervisor of Banks, so long as the tenure in office of a director who was appointed as aforesaid will end no later than the next annual meeting, and provided that the total number of directors at any given time shall not exceed the maximal set number.
- 21.7.10.** Article 89 of the Bank's Articles of Association stipulates that subject to the provisions of Article 84A to the Articles of Association, the Bank may, at the approval of an ordinary majority of the general meeting, remove any director from office before the end of his tenure and, in a resolution approved by an ordinary majority, appoint another qualified person in his stead. The person thus appointed shall hold this office only for the period of time during which the director in whose stead they were appointed would have held the office if they had not been removed.
- 21.7.11.** As aforesaid, so long as the Bank does not have a controlling core, the provisions of Article 83A of the Articles of Association will apply, and in the event of contradiction between these provisions and any other provision of the Articles of

Association, these provisions shall prevail, as follows:

21.7.11.1. Proposing and appointing candidates and terminating their service, including the maximum number of candidates that may be put forward and the maximum number of directors that may be replaced in the general meeting shall be executed in accordance with the provisions of the Banking Ordinance.

Without derogating from the generality of the aforesaid, an officer of the Bank, other than a director who is a member in the Directors' Appointments Committee, shall not act to appoint a certain director or to prevent his appointment; however, a director may put forward before the Directors' Appointments Committee his appointment as a director.

21.7.11.2. The tenure in office of a director who is not an ED or an External Director shall be in accordance with the provisions of the Banking Ordinance, and the number of tenures in office shall not exceed the number of tenures in office set in the Banking Ordinance.

21.7.11.3. Any person who does not meet the terms and conditions set out in the Banking Ordinance shall not be appointed and shall not serve as a director, and the special provisions set out in the Banking Ordinance in that respect shall apply to those who serve as directors in the Bank shortly before it becomes a banking corporation without a controlling core.

21.7.12. Furthermore, the provisions of the Banking Ordinance apply to the appointment of directors as follows:

21.7.12.1. The resolutions of the general meeting regarding the appointment of a director or the termination of his tenure in office shall be passed by a majority vote of the participants in the vote. Abstaining votes shall not be counted towards the total number of participating votes, unless otherwise stipulated in the Articles of Association of the banking corporation. The general meeting's voting on the appointment of directors and the termination of their

tenure in office shall be carried out separately for each candidate or for each director, as the case may be.

21.7.12.2. The Board of Directors shall not be allowed to appoint directors in the banking corporation and to put forward before the Directors' Appointments Committee candidates to serve as directors. Notwithstanding the above, the Board of Directors may appoint directors to the banking corporation if a vacancy has become available on the Board of Directors after the most recent general meeting, or at the approval of the Banking Supervision Department, so long as the tenure in office of a director who was appointed as aforesaid will end no later than the next annual meeting, unless the banking corporation's articles of association does not allow it.

21.7.12.3. If the number of candidates for service as directors who win the majority of votes of the participants in the vote at the general meeting exceeds the number of vacant positions for such service, the candidates who won the largest number of supporters in the vote at the general meeting shall be elected, unless the Articles of Association of the banking corporation establish a different equitable mechanism that has been approved by the Supervisor.

21.7.12.4. A general meeting, the agenda of which includes the appointment or termination of service of directors, shall not convene unless the banking corporation published a prior notice of the above in the way a notice about the convening of a general meeting is published, at least 21 days prior to the notice regarding the convening of the general meeting and the prior notice has been delivered to the Banking Supervision Department on that date.

21.7.13. For provisions regarding the termination of service of the directors, see Articles 80, 80A, 82, 83, 83A and 84A of the Bank's Articles of Association.

21.8. Legislative provisions regarding the appointment of directors in the Bank

21.8.1. The Banking Ordinance sets out provisions regarding the appointment of directors in the Bank. On March 19 2012, the Banking Law (Legislative Amendments), 2012 (hereinafter in this Section – the “**Law**”) was published in the Official Gazette; the main purpose of the law is to make further adjustments to the Banking Law (Licensing) and the Banking Ordinance in order for them to be aligned with the required supervisory framework of a banking corporation without a controlling core. The Law focuses mainly on the manner of putting up candidates for election as directors in the banking corporation as aforesaid, their appointment and service, while maintaining a balance between the right of those who hold the means of control to put up candidates for election as directors and to act for their election, and the desire to prevent a situation where effective control in the Bank is achieved without the approval of the Governor of the Bank of Israel. Set forth below are provisions relating to the appointment and tenure of directors. It should be emphasized that those provisions do not provide the full details of the provisions of the said legislation in its entirety.

21.8.2. Pursuant to Section 36a(a) of the Banking Law (Licensing), a committee was set up for the appointment of directors in Banks (hereinafter – the “**Committee**”), whose function is to appoint directors in banks upon the occurrence of the circumstances set out in Section 35A of the Banking Law (Licensing), and to put forward candidates for service as directors before the general meeting of banking corporations without a controlling core.

21.8.3. Putting forward candidates for election as directors

Pursuant to the provisions of the Banking Ordinance, only the following may put forward candidates for election as directors in a banking corporation without a controlling core:

21.8.3.1. The Committee, which will put forward a number of candidates that will be equal to the number of vacancies required to reach the maximal number of directors pursuant to the provisions of Proper Conduct of Banking Business Directives on the Board of Directors, and one further candidate for each type of directors that should be appointed: External Directors pursuant to the Companies Law, External Director pursuant to Directive 301 of

the Proper Conduct of Banking Business Directives, and other director - all of which shall comply with the terms and conditions stipulated in Section 11E(b);

In addition to the Committee, only the following shall be permitted to propose candidates for service as directors to the general meeting of the banking corporation:

21.8.3.2. A holder of more than 2.5% of a certain class of means of control in the banking corporation (hereinafter – a “**Holder**”);

21.8.3.3. Two or three holders of means of controls in the banking corporation, each of which holds more than 1% but no more than 2.5% of a certain types of means of control in the banking corporation, and which jointly hold no less than 2.5% and no more than 5% of such means of control (hereinafter – “**Group of Holders**”), provided that each member of the Group of Holders has submitted to the banking corporation a report on its holdings as set out in Section 36(b)(1) to the Banking Law (Licensing), and during at least 3 months prior to the notice on the convening of the general meeting that member of the Group of Holders has not objected to the disclosure as stated in Section 36(b)(1)(c) to the Banking Law (Licensing).⁴

21.8.4. A Holder or a Group of Holders, including any member of the Group of Holders, shall not put forward more than one candidate for the office of director in accordance with the provisions of the above clause, and will not put forward any further candidates for the office of director so long as a director whom they put forward is in office, unless the Governor has given them a permit to do so after consulting the Licenses Committee. This provision shall not apply to the proposition of a candidate who will replace a serving director who was elected at the suggestion of the Holder or Group of Holders, as the case may be.

⁴ In connection with this matter, it should be noted that as part of the amendment of Directive 312 of the Proper Conduct of Banking Business Directives, which deals with the Bank’s business with related persons, the definition of the term “related person” was extended to include those who put forward a candidate for the office of director in a bank without a controlling core and his relatives (so long as the director who was put forward by him is in office).

21.8.5. Rules regarding non-existence of interest

Pursuant to the provisions of the Banking Ordinance, candidates to the office of director in a banking corporation without a controlling core shall be subject to restrictions regarding interest in the relevant bank. Those provisions stipulate, among other things, that the following persons shall not be appointed or serve as directors in a banking corporation without a controlling core, if they meet any of the following:

- 21.8.5.1.** He/she or a relative thereof holds any type of means of control in the banking corporation, in a corporation controlled by the banking corporation or in a substantial holder, excluding holding of marketable shares at a rate that does not exceed a quarter of a percent of the issued and paid up share capital of any of them;
- 21.8.5.2.** Anyone who, during the two years prior to the appointment date or as from the appointment date and thereafter, has an affiliation with the banking corporation or a corporation controlled by the banking corporation, has an association with an officer in the banking corporation or with a substantial holder, or anyone who is in a close relationship therewith, and anyone who as from the date of appointment and thereafter has an association with a relative of an officer in the banking corporation, a relative of a substantial holder or a partner of a substantial holder; for this purpose, the service as director of a candidate for an additional term as aforesaid in a banking corporation without a controlling core shall not be considered as an affiliation.
- 21.8.5.3.** An individual who has a business or professional relationship with the banking corporation or with a corporation controlled by the banking corporation, or whoever is in a close relationship therewith, an officer in the banking corporation or with a substantial holder who put forward that candidate for the office of director, even if such relationships are not routine, except for negligible relationships.

21.8.5.4. A person whose candidacy was proposed by the Committee pursuant to Section 11D(a)(1) of the Ordinance, if one of the following applies thereto:

21.8.5.4.1. He/she has an affiliation with a Committee member as of the appointment date;

21.8.5.4.2. A person who served as a minister, deputy minister or member of the Knesset, or who has a personal, business or political affiliation with a minister or deputy minister or government employee or an employee of a statutory corporation.

21.8.5.4.3. Anyone who has been convicted of an offense which, by its nature, gravity or circumstances, renders them unfit to fulfill the position, or such an offense is pending against them.

21.8.5.4.4. Anyone whose other roles or occupations create or might create conflict of interest with his role as a director, or may impair his ability to serve as a director.

The Banking Supervision Department may approve the appointment or term in office as a director of anyone who, in the two years preceding the appointment date or subsequent to the appointment date has had, or anyone he is in close contact has had, an affiliation with a substantial holder, a relative of a substantial holder or a partner of a substantial holder, even if such affiliation is not negligible, if it has found that, under the circumstances, this affiliation does not give rise to concerns regarding conflict of interest in the term in office.

21.8.6. The Banking Ordinance adds and establishes further restrictions regarding the appointment of directors at a banking corporation. Among other things, it was

stipulated that a person who controls or who is related to a controlling shareholder of a substantial non-financial corporation, or an officer of a substantial non-financial corporation, as defined in the Market Concentration Law, may not be appointed as director or serve as director in a banking corporation which is a substantial financial entity.

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

21.8.7.1. The Banking Ordinance sets out further special provisions regarding the appointment of directors, their tenure in office and the termination thereof, that will be applied to a banking corporation without a controlling core, notwithstanding any other provisions of the law. Among other matters, a provision was set forth stating that voting for the appointment or termination of service of directors shall take place only at an annual meeting or a meeting convened according to Section 35A of the Banking (Licensing) Law, unless the Supervisor has approved such a vote at an extraordinary meeting; a provision prohibiting officers at a banking corporation, other than an external director in the course of their service on the Director Appointment Committee, from taking action to appoint or to prevent the appointment of a particular director, but permitting the director to propose the candidacy to the committee; a provision limiting the term of service of a director who is not an external director as defined in Section 36A(b)(3) of the Banking (Licensing) Law to three years, and the cumulative term of service thereof to nine years; and a provision stating that the number of directors to be replaced every year shall not exceed half of the directors serving immediately after the previous annual meeting, unless the Supervisor has granted approval; it was further determined that under certain circumstances, the Supervisor may grant approval for a director, other than an external director as defined in the Companies Law, whose term of service has ended to continue in office for a period of 6 months, or until certain events occur, whichever is earlier.

21.8.7.2. The Banking Ordinance requires to give the Banking Supervision Department a 60-day prior notice before the appointment of certain officers, including directors, and the appointment is subject to the Banking Supervision Department's approval or non-objection to the appointment. The Banking Supervision Department may also instruct the termination of a director's service in certain cases listed in the Ordinance.

21.9. Rights to receive notifications of shareholder meetings, the right to participate and vote therein, and the legal quorum required.

21.9.1. Legal quorum in the general meeting

21.9.1.1. Pursuant to Article 59 of the Articles of Association of the Bank, three shareholders present shall constitute a legal quorum in a general meeting, and no matter shall be discussed in a general meeting unless the required legal quorum is present when such discussion begins.

21.9.1.2. In accordance with Article 61 to the Bank's Articles of Association, 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 the same day in the following week, at the same time and at the same place, or to another date, time or place, as determined by the Board of Directors in a notice to the shareholders, regardless of whether the meeting was convened by the Board of Directors or otherwise. In the absence of a quorum at the adjourned meeting, two shareholders who are present in person shall constitute a quorum, and they shall be entitled to address matters for which the Meeting was convened.

21.9.2. Appointment of a chairperson to a general meeting

Article 60 of the Articles of Association of the Bank states that the chairperson of the Board of Directors, or in the absence thereof, a director appointed by the chairperson in advance, shall be entitled to chair every general meeting. If there is no chairperson or directed appointed as stated above, or if at any meeting

he/she shall not be present within 15 minutes after the time appointed for holding such meeting or is unwilling to act, the directors present may elect a chairperson and in default of their so doing the shareholders present may elect one of the directors a chairperson, and if no director present be willing to take the chair, they shall elect one of their number to be chairperson.

21.9.3. Voting in the general meeting

21.9.3.1. Pursuant to Article 62 of the Articles of Association of the Bank, any question submitted to the meeting shall be decided in a vote, by a count of the votes. In case of an equality of votes, the Chairperson shall have a casting vote in addition to the vote or votes to which he/she may be entitled as a shareholder.

21.9.3.2. Pursuant to Article 63 of the Articles of Association of the Bank, at every general meeting, the declaration of the chairperson that a resolution has passed by a certain majority of the votes and a record in this regard in the book of minutes of the Bank shall serve as conclusive evidence of the fact, and there shall be no need to prove the number of votes or the ratio of votes recorded in favor of or against such resolution. It was also stipulated that drafting of the minutes of the general meeting shall be made subject to the provisions of the Banking Ordinance

21.9.3.3. For further information regarding the right to participate and vote in general meetings, see Articles 58 to 75 of the Articles of Association of the Bank.

21.9.4. Rights to receive notifications of general meetings:

The Bank shall give notice of the convening of general meetings at the times and terms and conditions established by law (including in accordance with the provisions of the Companies Regulations (Announcement and Notification of a General Meeting and a Class Meeting at a Public Company and Addition of an Item to the Agenda), 2000), which shall include, among other matters, the place, date, and time of the general meeting, as well as the agenda and reasonable specifics of the items for discussion at the meeting.

For further information regarding the rights to receive notifications of meetings of shareholders of the Bank, see Articles 54 to 57A of the Articles of Association of the Bank.

It is noted that, in accordance with the provisions of the Bank's Articles of Association and in accordance with the Banking Ordinance, a general meeting, the agenda of which includes the appointment or termination of service of directors, shall not convene unless the Bank published a prior notice of the above in the way a notice about the convening of a general meeting is published, at least 21 days prior to the notice regarding the convening of the general meeting and the prior notice has been delivered to the Banking Supervision Department on that date.

21.10. Restriction on transfer of shares

21.10.1. Pursuant to Article 36 of the Articles of Association of the Bank, the Board of Directors is permitted to refuse to record a transfer of Shares upon which the company has a lien, and, in the case of Shares that have not been paid in full, the Board of Directors is permitted to refuse to record a transfer in favor of a recipient it does not desire. Should the Board of Directors refuse to record a transfer of Shares, it shall notify the transfer recipient of the refusal within two months of the date of submission of the transfer to the Bank.

21.10.2. For additional information about the transfer and transmission of shares, see Articles 34-42 to the Bank's Articles of Association.

21.10.3. For details regarding special restrictions on the holding of Shares of the Bank and the duty to report means of control of the Bank, see the shelf prospectus published by the Bank in the Immediate Report of May 27, 2021 (Ref. No.: 2021-01-090921), in Chapter 3 of the aforesaid prospectus ("Management of the Bank"), Section 3.7.

21.10.4. Furthermore, as the Bank is a controlling party of banking corporations outside Israel, the acquisition of control of the Bank may be subject to the receipt of approvals in various places, according to the laws applicable to the banking corporations controlled by the Bank.

21.11. Terms and conditions for change of the rights attached to the Shares

For information about the change of the rights attached to the shares, see Articles 6 to 7 of the Articles of Association. Changes to the Articles of Association of the Bank shall be effected by a resolution passed by the general meeting, by a simple majority.

21.12. Transfer of authority among organs of the Bank

Pursuant to Directive 301 of the Proper Conduct of Banking Business Directives, the statements in Sections 50(A) and 58(B) of the Companies Law notwithstanding, at a banking corporation, authority accorded to another organ shall not be undertaken by the general meeting, and authority shall not be transferred from the general manager to the board of directors.

21.13. Exemption

According to Article 143A to the Bank's Articles of Association, the Bank may give an exemption in advance to an officer thereof in respect of his/her liability, in whole or in part, in respect of damage caused due to his/her breach of the duty of care towards the Bank. Notwithstanding the above, the Bank may not give an exemption in advance to a director in respect of his/her liability towards the Bank due to breach of his/her duty of care in the case of "distribution" (as this term is defined in the Companies Law).

22. The price of the Bank's share on the TASE

The following are data regarding the high and low rates of the Share of the Bank on the TASE in the years 2020, 2021, and 2022, until near the date of publication of this Outline (in agorot):

The Bank's share price	For 2020		For 2021		For 2022	
	Date	Agorot per share	Date	Agorot per share	Date	Agorot per share
Highest	January 2, 2020	2,366.91	December 28, 2021	3,310.48	March 24, 2022	3,564.83
Lowest	September 24, 2020	1,400.09	January 4, 2021	1,777.08	June 13, 2022	3,023.00

The share price of the Bank on the TASE on August 14, 2022, was NIS 34.30.

All of the aforesaid prices are prices at the end of the trading day and are dividend-adjusted.

23. Labor Law

23.1. Income to be credited to a participant as a result of the acquisition of the Shares, transfer thereof in their name, or sale thereof, and anything related thereto, shall not be taken into account when calculating the basis for the entitlement of the participant to any social benefits in relation to the Bank. Without derogating from the generality of the foregoing, such income shall not be taken into account for the purpose of calculating executive insurance, study funds, provident funds, severance pay, vacation pay, and similar social benefits.

23.2. None of the statements in the Outline and/or in the Share offering documents shall grant or impart any right to the participant in connection with the continuation of their work at the Bank, and shall not impair, in any manner, the right of the Bank to terminate the employment, in practice, of the participant at any time.

24. Expenses and proceeds

The Bank shall bear all expenses associated with the administrative execution of the plan, including expenses and costs associated with services provided in accordance with this plan by the Trustee.

25. Non-compliance with the terms and conditions of the Outline

In addition to the other remedies at the disposal of the Bank, noncompliance of a participant with the statements in this Outline or in the provisions of other documents to be issued by the Bank and/or the state in connection with the offering of the Shares, if not remedied by the participant within thirty (30) days after being notified accordingly by the Bank, shall constitute grounds for revocation and forfeiture of the Shares not yet transferred to the Trustee for the participant (in full or in part), as decided by the Board of Directors of the Bank or by anyone it authorizes, at their sole discretion.

26. Referral to the financial statements and immediate reports

The Bank calls to the attention of the participants additional information regarding the Bank that can be found in the Periodic Report of the Bank for 2021, published March 9, 2022 (Ref. No.: 2022-01-027658), which includes the financial statements (where the information contained in the aforesaid report is presented herein by way of reference), and to the immediate and quarterly reports issued by the Bank after the date of publication of the aforesaid periodic report. All of the aforesaid reports can be perused at the Magna website, at the address www.magna.isa.gov.il, or at the offices of the secretariat of the Bank during ordinary business hours, with advance coordination by telephone at 076-885-9419.

Bank Leumi le-Israel B.M.

Bank Leumi le-Israel B.M.

Via:

August 16, 2022

Date

Hanan Friedman

The Bank's President and CEO

Omer Ziv

Executive Vice President