



Convenience Translation Only.

The Hebrew Immediate Report is the binding report – Bank Leumi le-Israel B.M.

March 30, 2026

Update on Special Payment Legislation on the Banks

Further to what is stated in Note 8 (m) to the financial statements of Bank Leumi le-Israel B.M. ("**the Bank**") as at December 31, 2025, the Bank would like to update that on March 30, 2026 the Knesset plenum approved, in its second and third readings, the Economic Efficiency (Legislative Amendments for Attaining Budgetary Objectives for the Budget Year 2026) Bill, 5786-2026 ("**the Budget Law**").

Under the Budget Law, it was established that a bank that is not a small-scale operation, and the Bank ("**paying bank**"), shall make a payment to the State Treasury in an amount equal to 12% of the profit it generated from its operations in Israel in 2026 (pro rata from 1.4.2026 to 31.12. 2026) and a payment equal to 0.5% of the profit it generates from its operations in Israel in 2027. This amount will be capped at a total annual amount, for all the paying banks, of NIS 3 billion in 2026 and NIS 125 million in 2027 ("**the cap**"). Each paying bank's share of the total payment shall be commensurate with its share of the total profit of all the paying banks for the same year.

Furthermore, alongside the foregoing legislation, it was agreed that the banking system would act to establish a fund totaling NIS 175 million for the sake of assisting small businesses in the north ("**the fund**"). As part of the agreement regarding taxation and participation in the war efforts, as stated, a letter was delivered to the banking system, signed by the Minister of Finance, stating that this legislation replaces the original legislative proposal, which was approved in its first reading by the Knesset, which had proposed to impose a special tax on the banks for five years until 2030.

In accordance with the Bank's preliminary assessment, based on the Bank's relative share of the profits of the paying banks for 2025 and on the assumption of full payment up to the cap, the effect of the special payment in 2026 and 2027 is expected to manifest in a special payment in the sum of approximately NIS 900 - 950 million in 2026 and approximately NIS 40 - 60 million in 2027.



Within the framework of the financial statements for 2025 (page 7 of the statement), the Bank published the targets of its strategic plan, which were based on various assumptions detailed there, including, among others, the assumption that the effect of the special tax on the banking system on the Bank's results in 2024 and 2025 would be similar in 2026 and 2027 as well. In light of the enactment of the Budget Law, and without updating the other assumptions on which the targets were based, there will be no material change in the average return on equity target for 2026 – 2027, which stood at 14.5% - 16% (the return on equity target for 2026 will be reduced to a range of 13.75% - 15.25%, while the return on equity target for 2027 will be increased to a range of 15% - 16.5%). The net profit target for 2026 will be reduced to a range of NIS 9 – 11 billion and for 2027 will be increased to a range of NIS 10.5 – 12.5 billion (in lieu of NIS 10 – 12 billion for the both years).

It should be clarified that the foregoing information with regard to the assessment of the legislation's expected effect on the Bank's business results and financial targets is within the realm of forward looking information as defined in the Securities Law, 5728-1968, which is based solely on an assessment that relies on past information and on the assumption of full payment up to the cap and therefore there is no certainty that the actual data will correspond and/or materialize and therefore the total payment that the Bank will actually pay may differ materially from such estimate, in part, bearing in mind the volume of the Bank's profits in the relevant years and the total profits of the paying banks in accordance with the Budget Law. At no time will the Bank be required to update the information regarding the financial targets.

Respectfully,

Bank Leumi le-Israel B.M.

Argov Hagit, Head of Finance and Accounting Division

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