

Bank Leumi le-Israel B.M., Tel-Aviv, Israel

2018 U.S. Resolution Plan – Public Section

I. Summary of Resolution Plan

On September 13, 2011, the Federal Deposit Insurance Corporation (the “FDIC”) and the Board of Governors of the Federal Reserve System (the “Federal Reserve Board,” and together with the FDIC, the “Agencies”) jointly adopted a final rule (the “Resolution Plan Rule”) pursuant to Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The Resolution Plan Rule requires that a bank holding company or foreign banking organization that is treated as a bank holding company and that has \$50 billion or more in total consolidated assets (a “covered company”) submit periodically to the Agencies a plan that provides for the rapid and orderly resolution of the covered company’s U.S. operations in the event of material distress or failure (a “U.S. Resolution Plan”).

Bank Leumi le-Israel B.M. (“Bank Leumi”) is a publicly held banking corporation organized and operating under Israeli law, and subject to comprehensive supervision by the Bank of Israel. Bank Leumi had more than \$50 billion in total consolidated assets as of December 31, 2017, and is therefore deemed to be a covered company pursuant to the Resolution Plan Rule. Accordingly, Bank Leumi is required to submit a Resolution Plan with the Agencies.

In this Public Section of the 2018 Resolution Plan, Bank Leumi is providing the information required by the Resolution Plan Rule:

- A. The name of the material entity for its U.S. operations (the “ME”);
- B. A description of the core business line for its U.S. operations (the “CBL”);
- C. Consolidated or segment financial information regarding its assets, liabilities, capital and major funding sources;
- D. A description of its derivative activities and hedging activities;
- E. A list of its memberships in material payment, clearing and settlement systems;
- F. A description of its non-U.S. operations;
- G. The identities of its material supervisory authorities;
- H. The identities of its principal officers;
- I. A description of its corporate governance structure and processes related to U.S. resolution planning;

- J. A description of its material management information systems; and
- K. A description, at a high level, of its U.S. resolution strategy.

Section K below describes how in the Resolution Plan the ME and CBL for Bank Leumi's U.S. operations can be orderly wound-down under the Federal Deposit Insurance Act ("FDIA"). Bank Leumi has a limited footprint in the United States and the failure or discontinuance of its U.S. operations would not pose a threat to the financial stability of the United States.

A. Name of the material entity

For the purpose of the Resolution Plan Rule, an ME is defined as "a subsidiary or foreign office of the covered company that is significant to the activities of a critical operation or core business line." Based on this definition, Bank Leumi has a single ME:

- **Bank Leumi USA ("BLUSA")** is a New York state-chartered non-member FDIC-insured bank that operates branches in New York, California, Florida, and Illinois and a representative office in Israel. Bank Leumi owns BLUSA through Bank Leumi le-Israel Corporation ("BLLC"), a New York-incorporated bank holding company.

B. Description of the core business line

For the purpose of the Resolution Plan Rule, a CBL is defined as "those business lines of the covered company, including associated operations, services, functions and support, that, in the view of the covered company, upon failure would result in a material loss of revenue, profit, or franchise value." On the basis of this definition, Bank Leumi identified one CBL for its U.S. operations, which is described in more detail below:

- **U.S. Banking:** As a subsidiary of Bank Leumi, BLUSA provides commercial and private banking services and products in the United States (these services and products comprising the U.S. Banking CBL) as part of Bank Leumi's overall overseas activity.

C. Consolidated or segment financial information regarding assets, liabilities, capital and major funding sources

Bank Leumi and its subsidiaries constitute one of the largest banking groups in Israel, with a history spanning more than one hundred years. Bank Leumi, either directly or through its representative offices and subsidiaries, provides a variety of commercial and retail financial products and services to its customers within and outside Israel, including the United States, United Kingdom, and Romania. Each of Bank Leumi's main lines of business concentrates on a different market segment, providing banking and financial services to meet a particular customer's needs.

Below is a consolidated balance sheet for Bank Leumi as of December 31, 2017 in New Israeli Shekels in millions. Figures have been prepared in accordance with generally accepted accounting principles in Israel (Israeli GAAP) and the directives and guidelines of the Supervisor of Banks in Israel.

Assets	NIS in millions
Cash and deposits with banks	82,067
Securities	77,299
Securities borrowed or purchased under agreements to resell	1,161
Credit to the public	271,157
Allowance for credit losses	(3,205)
Credit to the public, net	267,952
Credit to governments	715
Investments in companies included on equity basis	807
Buildings and equipment	2,986
Intangible assets and goodwill	16
Assets in respect of derivative instruments	9,573
Other assets	8,262
Total assets	450,838
Liabilities and equity	
Deposits of the public	362,478
Deposits from banks	5,156
Deposits from governments	452
Securities lent or sold under agreements to repurchase	558
Debentures, bonds and subordinated notes	15,577
Liabilities in respect of derivative instruments	9,740
Other liabilities	23,324
Total liabilities	417,285

Non-controlling interests	386
Equity attributable to shareholders of the banking corporation	33,167
Total equity	33,553
Total liabilities and equity	450,838

The combined U.S. operations at BLUSA represent approximately 5.4% of Bank Leumi's total assets as of December 31, 2017.

1. *Capital*

Bank Leumi's capital planning reflects a forward-looking assessment of the risk appetite and profile, the business strategy and the resulting capital adequacy required. Capital planning takes into account the growth in activity of Bank Leumi's various profit centers, and other factors affecting Bank Leumi's compliance with capital requirements, such as: gains forecasts, changes included in other comprehensive income, regulatory adjustments, and the rate of increase in risk-weighted assets. The capital ratio forecast also undergoes sensitivity testing and various stress tests.

The policy approved by the board of directors of Bank Leumi is to maintain a level of capital adequacy higher than the minimum threshold that will be periodically specified by the Bank of Israel and will not be less than the capital adequacy ratio required for covering the risks estimated in the internal capital adequacy assessment process. In addition, Bank Leumi defined minimum thresholds in the event of a stress event.

As part of a regulatory review procedure, the Banking Supervision Department of the Supervisor of Banks in Israel directed the banks to set out internal capital targets, which will match the bank's risk profile. As a result, the board of directors of Bank Leumi approved an increase in Bank Leumi's internal Common Equity Tier 1 target, such that from December 31, 2017, the target stands at 10.5%. As of December 31, 2017, Bank Leumi had a total risk-based capital ratio of 14.99% and a Common Equity Tier 1 capital ratio of 11.43%.

2. *Funding*

On a consolidated basis, Bank Leumi's primary source of funding is deposits. Other sources of funding include short-term borrowings and long-term senior and subordinated debt. Short-term borrowings consist of call money and funds purchased, payables under repurchase agreements, payables under securities lending transactions, due to trust account and other short-term borrowings. From time to time Bank Leumi has issued long-term instruments. Liquidity may also be provided by the sale of financial assets and repayments of loans. Bank Leumi does not have a presence in the United States other than through its subsidiaries. It does not rely on its U.S. subsidiaries to provide funding to its operations outside the United States.

BLUSA funds its activities largely through commercial and private banking customer deposits. BLUSA also funds itself in part with brokered deposits, and Federal Home Loan Bank Advances.

D. A description of derivatives activities and hedging activities

Bank Leumi engages in derivatives activities involving swaps, forwards, futures, options, and other types of derivative contracts. Derivatives are used in trading activities to respond to customers' financial needs, as well as in part to generate trading revenue and fee income for its own account. Derivatives are also used to manage Bank Leumi's counterparty credit and market risk exposures to fluctuations in interest and foreign exchange rates, equity prices and other market factors. In addition, derivatives are used to manage exposures to fluctuations in inflation and interest and foreign exchange rates arising from mismatches of asset and liability positions. Bank Leumi does not operate any branch or agency in the United States and does not maintain, on its own books, any material hedges with respect to its U.S. operations. Each U.S. subsidiary manages and executes its own hedging strategies.

BLUSA enters into certain derivatives solely to facilitate customer activity and to hedge interest rate risk, credit risk, or foreign exchange risk, in compliance with applicable law. When a customer request for a derivative product is received, BLUSA executes the transaction with the customer, and enters into an offsetting derivative transaction with the market to hedge the risk of the position on its balance sheet. BLUSA does not use derivatives for speculative purposes.

E. A list of memberships in material payment, clearing and settlement systems

Bank Leumi is a member of Continuous Linked Settlement and Society for Worldwide Interbank Financial Telecommunication ("SWIFT") in the United States.

BLUSA participates in the following material clearing and settlement systems: Fedwire Funds Services, Clearing House Interbank Payments System, and SWIFT.

F. A description of non-U.S. operations

As described above, Bank Leumi and its subsidiaries constitute one of the largest banking groups in Israel, with a history spanning more than one hundred years. Bank Leumi, either directly or through its representative offices and subsidiaries, provides a variety of commercial and retail financial products and services to its customers within and outside Israel, including the United States, United Kingdom and Romania. Its policy is to provide customers with comprehensive banking and financial solutions and a high level of professional service. Each of Bank Leumi's four main lines of business concentrates on a different market segment, providing banking and financial services to meet a particular customer's needs.

G. The identities of material supervisory authorities

Bank Leumi is a publicly held banking corporation organized and operating under Israeli law, and subject to comprehensive supervision by the Bank of Israel. In the United States, as a foreign banking organization under Regulation K of the Federal Reserve Board, Bank Leumi

(and its U.S. subsidiaries) is subject to the comprehensive supervision of the Federal Reserve Board.

Bank Leumi's U.S. subsidiaries are also subject to supervision of their respective primary regulators: BLUSA, as a New York state-chartered non-member bank, is subject to supervision of the New York State Department of Financial Services and the FDIC. Bank Leumi's other U.S. subsidiary (which is wholly owned by BLUSA), Leumi Investment Services, Inc. ("LISI"), is not a ME. LISI, as a registered broker-dealer and a registered investment adviser, is regulated by the Securities Exchange Commission and Financial Industry Regulatory Authority, as well as state insurance commissioners in the states where it is licensed as an insurance agent.

H. The identities of principal officers

For Bank Leumi:

Rakefet Russak-Aminoach, C.P.A., President and Chief Executive Officer

Ronen Agassi, C.P.A., First Executive Vice President, Head of Capital Markets Division

Shlomo Goldfarb, C.P.A., First Executive Vice President, Chief Accounting Officer and Head of Accounting Division

Shmulik Arbel, First Executive Vice President, Head of Corporate and Commercial Division

Hilla Eran-Zick, First Executive Vice President, Head of Human Resources Division

Tamar Yassur, First Executive Vice President, Head of Digital Banking Division

Shay Basson, First Executive Vice President, Head of Leumi Technologies Division

Dan Cohen, First Executive Vice President, Chief Risk Officer, Head of Banking Division

Bosmat Ben-Zvi, First Executive Vice President, Head of Risk Management Division

Omer Ziv, C.P.A., First Executive Vice President, Chief Financial Officer, Head of Finance Division

Irit Roth, Adv., First Executive Vice President, Chief Legal Counsel, Head of Legal Division and Legal Risk Manager

Sharon Gur, First Executive Vice President, Chief Internal Auditor, Head of Internal Audit Division

Ilan Buganim, First Executive Vice President, Head of CTO, CDO and Infrastructures Department

Hanan Friedman, Adv., First Executive Vice President, Head of Strategy and Regulation Division

Livnat Ein-Shay Wilder, Adv., Bank and Group Secretary

Liat Shuv, C.P.A., Chief Compliance Officer and Head of Compliance and Enforcement Department

For BLUSA:

Avner Mendelson, President and Chief Executive Officer

Nisan Blum, Executive Vice President and Chief Compliance Officer

Raja Dakkuri, Executive Vice President, Chief Financial Officer, and Chief Operations Officer

Dafna Dothan, Executive Vice President and Chief Risk Officer

Martin Droney, Executive Vice President and Chief Information Officer

Kate Etinger, Executive Vice President and Chief Human Resources Officer

John McGann, Executive Vice President and Chief Administrative Officer

Shawn McGowen, Executive Vice President and Chief Banking Officer

Jeremiah Murnane, III, Executive Vice President and Chief Auditor

Natalie Myshkina, Senior Vice President and Head of Strategy and PMO

Andrew Sherman, Executive Vice President and General Counsel

Maya Zafir, First Senior Vice President and Chief Marketing Officer

I. A description of the corporate governance structure and processes related to U.S. resolution planning

Bank Leumi's senior management is responsible for the implementation of its U.S. Resolution Plan and the continuing compliance with the Resolution Plan Rule. The board of directors of Bank Leumi is ultimately responsible for approving any significant changes to the

U.S. Resolution Plan. A working group, consisting of senior management and officers of Bank Leumi and BLUSA, was involved in the preparation and review of the Resolution Plan.

The Resolution Plan has been approved by Avner Mendelson, Chief Executive Officer of BLUSA, pursuant to delegated authority by the board of directors of Bank Leumi.

J. A description of material management information systems

Bank Leumi utilizes information technology (“IT”) and management information systems (“MIS”) to support various business functions. IT and MIS include applications used to generate management reports, conduct trading, lending operations, risk and compliance management and front office support.

Bank Leumi’s U.S. operations are conducted through its U.S. subsidiaries. In most cases, BLUSA maintains its own MIS that does not rely on Bank Leumi for provision of MIS or IT support functions. BLUSA is working with Bank Leumi to further segment BLUSA onto stand-alone platforms.

BLUSA utilizes IT to support various business functions. IT applications are used to perform both banking and trading transactions. In addition, BLUSA maintains systems of recordkeeping for customer and bank information, supports front office and backroom operations and generates appropriate management and regulatory/compliance reporting. BLUSA partners with a managed IT service provider in order to manage and maintain the IT infrastructure supporting its operations. BLUSA connects with Bank Leumi in order to ensure uniform financial reporting and to ensure strict data security monitoring. In addition, BLUSA and Bank Leumi maintain a combined catalogue of e-mail addresses and phone numbers for personnel.

K. A description, at a high level, of the covered company’s U.S. resolution strategy

Bank Leumi has a limited footprint in the United States, the failure of which would not pose a threat to or have a material adverse effect on the financial stability of the United States. Bank Leumi has designated one ME — BLUSA.

For the purposes of the Resolution Plan, Bank Leumi assumes the material financial distress or failure (entry into appropriate insolvency proceedings) of Bank Leumi occurring under severely adverse economic conditions, and describes a strategy for resolving Bank Leumi’s U.S. operations under such circumstances. It also assumes a scenario under which all U.S. entities fail at the same time as Bank Leumi.

With respect to its sole ME, BLUSA, the FDIC would be appointed receiver of BLUSA promptly upon Bank Leumi entering into Israeli insolvency proceedings. BLUSA would likely be resolved by the sale of substantially all assets to, and the assumption of substantially all deposits and other liabilities by, a single third party (the “Purchase and Assumption”) promptly following the FDIC’s appointment as receiver, which is assumed to occur after the close of business on a Friday (the “Resolution Weekend”). If the Purchase and

Assumption were not to occur during the Resolution Weekend, the FDIC (i) might establish a bridge bank to be sold in whole or substantial part, whether in a single transaction or series of transactions, or (ii) might liquidate BLUSA by suspending its activities and liquidating its assets, whether by asset sale or orderly wind-down. In any such case and given the relative size of BLUSA, its resolution in and of itself would not pose significant risk to the U.S. financial system.