

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

2016 Resolution Plan – Public Section

I. Business of Bank Leumi

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 provides a full range of commercial and retail financial products and services in Israel and other jurisdictions outside Israel. Bank Leumi had total consolidated assets of \$106.7 billion as of December 31, 2015. In the United States, Bank Leumi owns (through Bank Leumi le-Israel Corporation, a New York-incorporated bank holding company (“BLLC”)) Bank Leumi USA (“BLUSA”), a New York state-chartered non-member FDIC-insured bank that operates branches in New York, California, Illinois, and Florida and a representative office in Israel. BLUSA in turn owns Leumi Investment Services Inc. (“LISI”), a New York-incorporated SEC-registered broker-dealer and investment adviser with offices in New York, California, Florida, and Illinois. Bank Leumi does not maintain any branch, agency or representative office in the United States. The described U.S. subsidiaries had combined assets of approximately \$6 billion as of December 31, 2015.

II. Executive Summary

Bank Leumi is subject to U.S. resolution planning requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act because it has consolidated assets on a global basis of over \$50 billion. Because of the limited size and simple structure of its U.S. operations, Bank Leumi’s initial resolution filed an abbreviated or “tailored” resolution plan in December of 2013. Based on their review of the 2013 plan, the FDIC and the Board of Governors of the Federal Reserve System (collectively, the “Agencies”) authorized Bank Leumi to file a resolution plan for 2014 focused solely on certain changes since the 2013 plan. Based on their review of the 2014 plan, the Agencies authorized Bank Leumi in 2015 to file a resolution plan focused solely on (i) material changes requiring modification to Bank Leumi’s 2014 plan, (ii) any actions taken by Bank Leumi since its 2014 plan to improve the effectiveness of its resolution plan, and (iii) if applicable, Bank Leumi’s strategy for ensuring that any of its insured depository institution subsidiaries would be adequately protected from risks arising from the activities of any nonbank subsidiaries of Bank Leumi (other than those that are subsidiaries of an insured depository institution). By letter dated June 10, 2016 and subject to certain conditions outlined therein¹, the Agencies authorized Bank Leumi to reduce the informational content

¹ Generally, that neither (1) the U.S. assets of Bank Leumi shall not equal \$50 billion or more, nor (2) that Bank Leumi shall have experienced a “material event” as specified in Section 381.3(b)(2) of the Resolution Plan Rule.

required to be submitted in its resolution plans for each of 2016, 2017 and 2018 (each such plan, a “Reduced Plan”). The Reduced Plan is required to include information pertinent to the three categories described above at items (i), (ii) and (iii), as well as a public section including an executive summary of the Reduced Plan describing the business of Bank Leumi, and to the extent material to an understanding of Bank Leumi, those informational elements outlined in Section 381.8(c) of the Resolution Plan Rule.

Bank Leumi had total U.S. assets of approximately \$6 billion as of December 31, 2015, and has not experienced any material event since the submission of its previous resolution plan. Accordingly, Bank Leumi is qualified to file the Reduced Plan in 2016.

A. Material changes that requiring modification to Bank Leumi’s 2015 resolution plan:

There have been no material changes to Bank Leumi’s December 2015 tailored resolution plan.

B. Actions taken by Bank Leumi to improve the effectiveness of its resolution plan:

In light of the size and structure of its U.S. operations, Bank Leumi has not deemed it necessary to take any action to improve the effectiveness of its resolution plan.

C. If applicable, Bank Leumi’s strategy for ensuring that any of its insured depository institution subsidiaries will be adequately protected from risks arising from the activities of any nonbank subsidiaries of Bank Leumi (other than those that are subsidiaries of an insured depository institution):

Bank Leumi has reviewed the relationships between and among its nonbank subsidiaries and BLUSA and has determined that BLUSA has no material relationship with any such subsidiaries of that would expose BLUSA to any material risk.

D. Section 381.8(c) information material to an understanding of Bank Leumi:

1. Names of material entities

None material to an understanding of Bank Leumi. For the purpose of the Resolution Plan Rule, “material entity” 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.” Bank Leumi does not conduct “critical operations” nor maintain “core business line” in the United States.

2. Description of core business lines

Bank Leumi’s business lines include Banking, Corporate and Commercial, International Credit and Real Estate, and Capital Markets. BLUSA provides commercial and private banking services and products as a part of the Banking and Corporate and Commercial

lines of business, and its subsidiary broker-dealer/investment adviser provides securities brokerage and investment advisory services as a part of the Banking and Capital Markets lines of business in the United States.

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

Consolidated balance sheet of Bank Leumi as of December 31, 2015 in New Israeli Shekels in millions.

Assets	NIS in millions
Cash and deposits with banks	60,455
Securities	69,475
Securities borrowed or purchased under agreements to resell	1,764
Credit to the public	265,070
Allowance for credit losses	(3,671)
Credit to the public, net	261,399
Credit to governments	453
Investments in companies included on equity basis	924
Buildings and equipment	3,095
Intangible assets and goodwill	18
Assets in respect of derivative instruments	11,250
Other assets	7,666
Total assets	416,499
Liabilities and equity	
Deposits of the public	328,693
Deposits from banks	3,859
Deposits from governments	750
Securities lent or sold under agreements to repurchase	938
Debentures, bonds and subordinated notes	21,308
Liabilities in respect of derivative	11,098

instruments	
Other liabilities	20,746
Total liabilities	387,392
Non-controlling interests	340
Equity attributable to shareholders of the banking corporation	28,767
Total equity	29,107
Total liabilities and equity	416,499

On May 30, 2013, the Supervisor of Banks in Israel issued final directives for the implementation of Basel III in Israel by an amendment of Proper Conduct of Banking Business Regulation 201-211. These directives came into force on January 1, 2014. As of December 31, 2015, Bank Leumi had a total risk-based capital ratio of 13.74%, and a Tier 1 capital ratio of 9.58%.

As of December 31, 2015, BLUSA had a total risk-based capital ratio of 15.13%, a Tier 1 risk based capital ratio of 12.33%, and a Tier 1 leverage ratio of 9.98%.

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 State 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 retail customer deposits. BLUSA also funds itself in part with brokered deposits, FHLB Advances, and Fed Funds borrowing.

4. *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, and equity prices. In addition, derivatives are used to manage exposures to fluctuations in 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 any material

hedges with respect to its U.S. operations through subsidiaries. Each such 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 the Volcker Rule. 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.

5. *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.

6. *A description of foreign operations*

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 the 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. Bank Leumi focuses on “new banking”, based on digital and technological innovation, while maintaining “traditional banking” values, continuing to provide professional and quality services.

7. *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 Federal Deposit Insurance Corporation (the “FDIC”). LISI, as a registered broker-dealer and a registered investment adviser, is subject to supervision of the Securities Exchange Commission and

Financial Industry Regulatory Authority, as well as state insurance commissioners where it is licensed as an insurance agent.

8. *The identities of the principal officers*

For Bank Leumi:

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

Itai Ben-Zeev, First Executive President, Head of Capital Markets Division

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

Yaacov (Kobi) Harber, First Executive Vice President, Head of Corporate and Commercial Division

Michal Dana, First Executive Vice President, Head of Human Resources Division

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

Dan Yerushalmi, First Executive Vice President, Head of Leumi Technologies Division

Dan Cohen, First Executive Vice President, Head of Banking Division

Yoel Mintz, First Executive Vice President, Head of International Credit and Real Estate Division

Hila Eran-Zik, First Executive Vice President, Chief Risk Officer, Head of Risk Management Division

Omer Ziv, First Executive Vice President, Head of Finance Division

Hanan Friedman Adv., First Executive Vice President, Chief Legal Counsel, Head of Legal Division and Legal Risks Manager

Sasson Mordecai, First Executive Vice President, Chief Internal Auditor, Head of Internal Audit Division

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

Somekh Chaikin, Kost Forer Gabbay & Kasierer, Joint Auditors of Bank Leumi

For BLUSA:

Avner Mendelson, President and Chief Executive Officer

Ian Bernstein, Head of Private Banking

Nisan Blum, Executive Vice President and Chief Internal Auditor

Raja Dakkuri, Executive Vice President and Chief Financial Officer

Dafna Dothan, Executive Vice President and Chief Risk Officer
Kate Etinger, Executive Vice President and Chief Human Resources Officer
Michael Fegan, Chief Technology and Operations Officer
Gerri Alfino, Executive Vice President and General Counsel²
John McGann, Executive Vice President and Chief Administrative Officer
Shawn McGowen, Executive Vice President and Head of Commercial Banking
Jeremiah Murnane, III, Executive Vice President and Chief Compliance Officer
Natalie Myshkina, Senior Vice President and Head of Strategy and PMO

9 *A description of the corporate governance structure and processes related to resolution planning*

Bank Leumi's senior management is responsible for the implementation of its resolution plans 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 resolution plan. The board approved a resolution on October 24, 2013 delegating authority to approve the resolution plan to Avner Mendelson, Chief Executive Officer of BLUSA. A working group, consisting of senior management and officers of Bank Leumi and BLUSA, is involved in the preparation and review of the resolution plan.

10. *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 subsidiaries. BLUSA maintains MIS that does not rely on Bank Leumi for provisions of MIS or any IT support functions. BLUSA utilizes IT to support various business functions. IT applications are used to perform both banking and trading transactions. In addition, BLUSA keeps systems of records around customer and bank information, supports front office and backroom operations and generates appropriate management and regulatory/compliance reporting. BLUSA employs skilled IT personnel 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.

² Effective October 31, 2016.

11. *A description, at a high level, of the covered company's resolution strategy, covering such items as the range of potential purchasers of the covered company, its material entities and core business lines*

Bank Leumi's resolution strategy 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 BLUSA and its subsidiary broker-dealer/investment adviser: Under the aforescribed scenario, the FDIC would be appointed receiver of BLUSA promptly upon Bank Leumi entering into Israeli insolvency proceedings and BLLC commencing Chapter 11 proceedings. BLUSA would likely be resolved by sale of substantially all assets and assumption of substantially all liabilities to a single third party (the "Purchase and Assumption") promptly following the FDIC's appointment as receiver (the "Resolution Weekend"). If the Purchase and Assumption were not to occur during the Resolution Weekend, the FDIC (i) might itself conduct the Purchase and Assumption, (ii) might establish a bridge bank to be sold in whole or substantial part, whether in a single transaction or series of transactions, or (iii) might liquidate BLUSA by suspending its activities and liquidating its assets, whether by asset sale or run-off. 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.

BLUSA's subsidiary broker-dealer/investment adviser would be resolved under Chapter 11 of the U.S. Bankruptcy Code and wound down in an orderly manner.