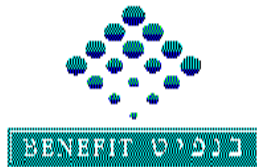


ACTUARIAL VALUATION OF EMPLOYEE RIGHTS





**The Employee Benefits Experts
Benefit Ltd., Part of The Phoenix Group**

March 4, 2018

Israel Discount Bank Ltd.

**Expert Opinion Regarding Actuarial Provisions for the Rights of Employees of
Israel Discount Bank Ltd.**

Purpose of the Opinion

I have been requested by Israel Discount Bank Ltd. (“**the Bank**”) to assess its actuarial liabilities for employees' rights to severance and retirement pay, annuities and to Jubilee (long-service) bonuses for employees and with respect to pensioners, as of the date of their computation – December 31, 2017 (“**the Liabilities**”), in accordance with the Public Reporting Directives of the Supervisor of Banks and with generally accepted accounting principles in Israel.

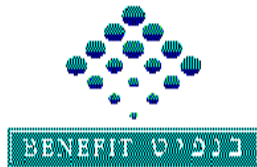
Identity of the Actuary

I hereby declare that my work is performed independently and that I have no business relations with the Bank, I am not an interested party of the Bank and I am not an employee of the Bank. No stipulations have been made with regard to the fee I am paid for providing this opinion. I did not receive from the Bank any indemnification with regard to this opinion. The Bank appointed me to act as actuary on its behalf on December 31, 2009. I have also been appointed by Mercantile Discount Bank Ltd., with effect from June 30, 2011, to act as its actuary.

I hereby state that, from September 30, 2014 through March 31, 2015 (for the Bank alone) and from September 30, 2016 through March 27, 2017 (for the Bank and Mercantile Discount, “**the Banks**”) and from September 30, 2017 through January 31, 2018 (for the Bank alone), business relations existed between Benefit and the Banks, the nature of which was assisting with the retirement program and advising employees of the Banks interested in said program.

I hereby declare that there is no dependence between myself and Discount Bank and its subsidiaries, as the term “dependence” is defined in legal staff position 105-30, “Disclosure regarding existence of dependence between an appraiser and the corporation and disclosure regarding an appraiser whose valuations are very material to the corporation”, which the Israel Securities Authority published in July 2015.

I am aware, and consent thereto, that the Bank will make use of the actuarial opinion for the purpose of computing the required provisions and that said opinion will be presented in the



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Bank's Annual Report and/or will be included by means of a reference in a shelf prospectus that the Bank intends to publish during 2017.

Details of my education:

MA in Actuarial Science (2008), University of Haifa.

BA in Statistics (1993), University of Haifa.

Fellow of the Israel Association of Actuaries (F.I.L.A.A.).

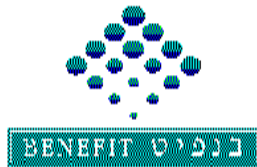
Details of my experience:

Actuary of Benefit Ltd. since 1996, in which capacity I have served as actuary for organizations having a scope similar to that of the subject of my opinion.

Lecturer in actuarial studies at the University of Haifa since 1992.

Scope of the Actuarial Opinion

1. For the purpose of computing the Liabilities of the Bank, I have relied on data furnished to me by the Bank. My requests for information and data were met satisfactorily for the purpose of assessing the Liabilities as required for the financial statements. I have examined the reasonableness and the adequacy of the data, including making a comparison of the data for the year to which the report relates to the data for previous years. I have also compared the valuation data against the sensitivity analyses that were included in my actuarial opinion for the computation date of December 31, 2016.
2. Where necessary, I have also relied on data received from other reliable sources. I have examined the extent to which such data are appropriate and also their relevance.
3. The actuarial assumptions employed by me in my work, as well as the methods for assessing the Liabilities, were determined by me using my best professional judgment, and subject to the criteria, directives and principles set forth in section 3 below.

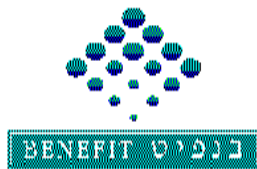


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Opinion

4. I have assessed the Liabilities in accordance with generally accepted actuarial criteria, the Reporting to the Public Directives and generally accepted accounting principles.
5. After having examined the data mentioned in clause 1 above, I reached the conclusion that the data are reasonable and adequate and that they can be relied upon for the purposes of my opinion.
6. The assumptions and methods have been determined by me using my best professional judgment and in accordance with the guidelines and rules set forth below.
7. The Liabilities detailed in the actuarial report represent, to the best of my knowledge and belief, the entire liability for covering the obligations for severance pay, Jubilee (long-service) bonuses and awards to pensioners.

Eyal Buchbinder



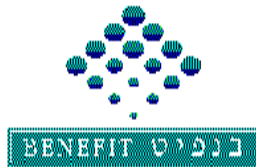
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General

1. The guideline of the Supervisor of Banks, "Strengthening of Internal Control over Financial Reporting in Connection with Employee Rights", prescribes that retirements of employees under preferential terms are to be taken into account at the time of computing the provisions, whereby the determination of the severance pay provision will be made at the higher of the severance pay calculated according to the present method (the latest monthly salary of the employee multiplied by the number of years of employment) and the actuarial computation, taking into account the percentage of employees that will retire under preferential terms and the scope of the benefits to be paid to the employee on the date of his retirement. Implementation of the directive is required with effect from the financial statements as of December 31, 2011.
2. Further to the aforesaid and based on the decisions taken by the Bank's management, it was decided that the core assumptions on which the actuarial computation would be based would be as follows:
 - * The minimum age for retirement under preferred terms is 50.
 - * In the years 2017-2021, the retirements vector will stand at 0.25%, in the years 2022-2027, it will stand a rate of 2% and from 2028 it will be in accordance with research that I have conducted.
3. An actuarial assessment has also been computed for each of the obligations, based on the discount rate determined in accordance with the manner of adopting the transition to computing the obligations in accordance with US standards. The computations were made for the years 2012 through 2017. The discount rate was determined based on the yield to maturity of CPI-linked government bonds with the addition of the average margin on corporate bonds rated AA and above in the United States.

Presented below are details by year of the margin added:

31/12/2012	0.89%
31/12/2013	0.70%
31/12/2014	0.84%
31/12/2015	0.97%
31/12/2016	0.80%
31/12/2017	0.55%



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A. Provision for Jubilee (long service) awards

A1. Methodology

1.1 Bank employees are entitled to Jubilee bonuses and a Jubilee vacation upon completing a set number of years of service with the Bank, as shown in the table below:

No. of Years' Service	No. of Days Jubilee Vacation	No. of Months' Bonus
20	23	5 salaries
30	35	7.5 salaries
40	35	5 salaries

- 1.2 An employee retiring before completing the Jubilee period, but after having completed 15, 25 or 35 years, will be granted a proportional bonus, based on the benefit accumulated during the entire entitling period. The proportional bonuses will be granted to employees who retire prior to reaching retirement age even if they have not yet attained the full number of Jubilee years' service.
- 1.3 The provision is computed on an individual basis for each employee (making appropriate writedowns for the period of service and the salary). The required provision is computed on a proportional basis.
- 1.4 The daily salary for the purpose of computing the monetary value of the Jubilee vacation is the monthly salary divided by 21 days.
- 1.5 The Jubilee vacation computation is based on a higher salary (due to the inclusion of salary components that are excluded in computing the Jubilee bonus).

A2. Economic assumptions

- 2.1 The computation assumes a discount rate in accordance with the interest curve quoted by Shaarey Ribit Ltd. An international risk margin of 0.55% has been added to the interest curve as a fixed increment over the whole length of the curve.
- 2.2 The salary increases that we have been asked to assume are as follows:
2018 – an increase of NIS 500 for junior employees and NIS 550 for managers, plus an increase of 0.7% for managers with respect to the second installment of transferal fees. Moreover, the employees shown on a list were given increases of 1%.



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2019 – 0.7% for managers for converting transferal fees – on the third occasion. Moreover, a 1.8% increase in real salaries has been assumed for all the employees.

2020 – 0.7% for managers for the third conversion installment of transferal fees. Moreover, a 1.8% increase in real salaries has been assumed for all the employees.

2021 and thereafter – a 1.8% increase in real salaries has been assumed.

The increase in real salaries was calculated in accordance with an inflation forecast of 2%.

2.3 No employer's taxes have been taken into account.

A3. Demographic assumptions

3.1 Retirement rates – Determined in accordance with the retirement rates used in computing the severance pay provision.

3.2 For the purposes of our review, the retirement age for employees (both men and women) is 67.

A4. Demographic statistics – Active employees' category (Status 1)

	December 31, 2017
Number of employees	2,741
Number entitled to Jubilee vacation	1,152

A5. Computation results in NIS millions (including current maturities)

	Provision for Jubilee bonus	Provision for Jubilee vacation – redeemed	Provision for Jubilee vacation – awarded	Total provision	Jubilee bonus interest	Jubilee vacation interest
31.12.2013	252.3	5.0	33.3	290.6	1.98%	2.10%
31.12.2014	228.9	4.9	30.8	264.6	1.39%	1.45%
31.12.2015	234.0	5.3	31.7	271.0	1.41%	1.45%
31.12.2016	234.7	.57	32.5	272.9	.134%	.132%
31.12.2017	248.8	6.1	34.9	289.9	Interest Curve	



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A6. Sensitivity analysis

The sensitivity analysis was performed for December 31, 2017.

Parameter	Provision for Jubilee bonus (in NIS millions)	Provision for Jubilee vacation – redeemed (in NIS millions)	Provision for Jubilee vacation – utilized (in NIS millions)
Rate of voluntary retirements in the years 2017-2021: 0.75%	247.9	6.1	34.7
0.1% decrease in discount rate	250.5	6.2	35.2

* For various interest rates, the change is linear against a 0.1% change.

B. Provision for pensioners' expenses

B1. Methodology

- 1.1 A Discount Bank pensioner is entitled to various benefits, including health insurance, supplementary insurance, medicines, an annual newspaper subscription and gifts for the Jewish holidays (eligibility differences exist between the Group's various divisions). We were requested to compute the provision required in order to reflect the anticipated expense for a Bank pensioner, as well as the employees who will become pensioners in the future.
- 1.2 The provision is computed according to the size of the workforce and the personal data provided by the Bank and in accordance with the explanations that we received with regard to the retirement arrangements at the Bank and in accordance with fundamental assumptions that were determined in advance.
- 1.3 Entitlement to pensioner status depends on fulfillment of the following two cumulative conditions: reaching the age of 50 and above +25 years and more of employment.
- 1.4 For some of the benefits, the pensioner's entitlements are transferred to the spouse upon the death of the pensioner.
- 1.5 The computation is made separately for six different population categories: a category for active employees and three categories of pensioners: elderly, young and recently joined.



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The recently joined category receives part of the benefits only upon attaining the age of 67 and not from the date of actual retirement.

- 1.6** The provision is calculated assuming that the provision is meant to be certain (from the age of 50 or the age when the employee completes 25 years of service, whichever is the later of the two) and, accordingly, the full amount should be provided for.

B2. Economic assumptions

- 2.1** The computation assumes a discount rate that correlates with the duration period, as follows:

Type of pensioner	Duration	Corporate bond interest rate
Elderly pensioners	7.61	0.6%
New pensioners	10.07	0.93%
Young pensioners	14.23	1.47%
2 nd Generation pensioners	15.53	1.55%
DMB pensioners	10.33	0.96%
Active employees	Long term	1.99%

- * All the expenses are grossed up, except for “expenses reimbursement”.
 - * Grossing-up rate taken into account: for the elderly and new pensioner categories – 0%; for all other categories – 7.5%.
 - * Rate of employer’s taxes taken into account: 14.75%.
 - * Average remaining life expectancy (including spouses): 22.7 years.
 - * It has been assumed that 80% of active employees will choose capitalization.
- Payroll tax for employees choosing capitalization: 17%.

B3. Demographic assumptions

- 3.1** Actuarial coefficients are based on schedules P1 and P6 of the life expectancy tables. These tables are approved and published by the Ministry of Finance and are used by the pension funds in Israel. Mortality during the employment years prior to retirement is ignored.
- 3.2** The retirement date is the exact date on which the employee reaches the age of 67.
- 3.3** It has been assumed that an employee who is unmarried will remain unmarried in the future, and an employee who is married will remain married.
- 3.4** Retirement rates – determined in accordance with the retirement rates used to compute the provision for severance pay, as described in the General section– clause 4 above.



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B4. Demographic statistics – Pensioner categories

December 31, 2017	Elderly pensioners		New pensioners		Young pensioners		2 nd generation pensioners		DMB pensioners	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
No. of pensioners	261	175	263	313	789	1227	0	0	15	23
No. of pensioners' spouses	13	268	14	47	43	59	0	8	No eligibility	

Demographic statistics – Active category

	December 31, 2017	
	Male	Female
No. of employees	1,471	2,384

B5. Computation results

	December 31, 2017	
	Actuarial cost excl. employer's taxes and grossing up	Actuarial cost incl. employer's taxes and grossing up
	In NIS Millions	
Active employees (Status 1)	194.4	233.1
Elderly pensioners (Status 2)	78.7	90.3
New pensioners (Status 3)	56.1	64.4
Young pensioners (Status 4)	156.9	193.6
2 nd generation pensioners (Status 5)	0.03	0.04
DMB pensioners (Status 6)	2.6	3.1



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B6. Sensitivity analysis

The sensitivity analysis was performed for the active employees' category as of December 31, 2017.

	Actuarial cost excl. employer's taxes and grossing up
	In NIS Millions
0.1% decrease in discount rate	197.5
Rate of voluntary retirements in the years 2017-2021: 0.75%	194.4

C. Provision for early pension and annuities

C1. Methodology

1.1 During 2012, a group of employees retired from the Bank, opting for an early pension track.

This group was offered the option of choosing one of a number of alternatives:

- * Pension solely for the retiree.
- * Pension solely for the retiree, including various guarantee periods (the guarantee period was determined on the basis of the age of the retiree).
- * Pension for the retiree and his spouse (100%) until the death of the later of them.
- * Pension for the retiree and his spouse (100%) until the death of the later of them, including various guarantee periods.

With each of these options, the pension is to be paid by the Bank until the retiree reaches the age of 85; in the event of the retiree dying before the age 85 and his having chosen a track that includes dependents and his spouse still being alive and being younger than 85, the Bank will continue to pay the pension until the spouse reaches the age of 85; subsequent to reaching this age, insurance coverage is bought from an insurance company.

1.2 During the years 2014-2016, a group of employees retired from the Bank, some of whom opted for an early pension track. This group was offered the option of choosing one of a number of alternatives:

- * Pension solely for the retiree.



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- * Pension solely for the retiree, including various guarantee periods (the guarantee period was determined on the basis of the age of the retiree).
- * Pension for the retiree and his spouse (100% or 60%) until the death of the later of them.
- * Pension for the retiree and his spouse (100% or 60%) until the death of the later of them, including various guarantee periods.

With each of these options, the pension is to be paid by the Bank until the retiree reaches the age of 60; subsequent to reaching this age, insurance coverage is bought from an insurance company.

1.3 In addition, there is a group of employees that are entitled to receive an annuity from the Bank, for a limited, predefined period. The pensions for this group is paid by the Bank and is linked to the CPI.

1.4 The provision for each of the groups is computed individually for each employee.

C2. Economic assumptions

2.1 The computation assumes a discount rate that correlates with the duration period, as follows:

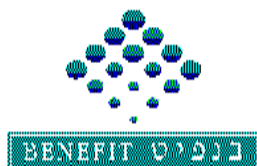
Type of group	Duration	Corporate bond interest rate
2012 retirees	9.65	0.87%
2014 retirees	Long term	1.99%
2016 retirees	Long term	1.99%
Annuity recipients	5.84	0.45%

2.2 The actuarial coefficients are taken from schedules P1 and P3 of the life expectancy tables published by the Ministry of Finance in March 2013 and used by the pension funds in Israel. The tables are adjusted for 100% of the white collar employees.

C3. Demographic statistics

Early pension:

Group	No. of women	No. of men	No. of retirees that opted for pension for his/her spouse	No of retirees that opted for pension with a guaranteed period
2012 retirees	88	35	67	117
2014 retirees	21	1	13	22
2016 retirees	48	5	35	52



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Annuities:

Total annuity recipients	Average payment period
31	11.7

C4. Computation results – As of December 31, 2017

Group	Total retirees	Total liability (in NIS)	Total assured benefits	Remaining service period
2012 retirees	123	178,292,260	-	19.3
2014 retirees**	22	33,552,906	9,114,676	-
2016 retirees	53	88,802,639	22,399,023	-
Annuity recipients	31	41,321,657	-	11.67

** Excluding obligation for other work calculated separately, amounting to NIS 7,495 thousand.

D. Provision for severance pay

D1. Methodology

- 1.1 The provision is computed individually for each employee, taking into account the percentage of a full-time engagement that the employee works.
- 1.2 The percentage of the increased severance pay was checked in a study conducted on the 2004-2010 data. The rates of increased severance pay have been set based on the Bank's experience, according to the age of the employee.
- 1.3 The population of the Bank's employees is divided into four categories:
 - Employees included in the first generation collective agreement (Status 1 and 2) – to whom Section 14 of the Severance Pay Law partially applies, with effect from January 2008, pursuant to an extension order.
 - Management and Chairman (Status 10 and 11) – to whom Section 14 does not apply. From the end of 2011, for Status 11 employees, Section 14 will apply in full, except for the period prior to January 2008, if relevant.
It has been assumed that this category will not be entitled to enlarged severance pay.
 - Temporary employees (Status 3 and 13) – to whom Section 14 applies in full with effect from January 2008.
 - Second generation employees (Status 14 and 15) – to whom Section 14 applies in full, except for the period prior to January 2008, if relevant.



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- Pursuant to a collective agreement from June 2011, Section 14 will apply in full to all new employees engaged from June 2012.

D2. Economic assumptions

2.1 The computation assumes a discount rate in accordance with the interest curve quoted by Shaarey Ribit Ltd. An international risk margin of 0.55% has been added to the interest curve as a fixed increment over the whole length of the curve.

2.2 The salary increases that we have been asked to assume are as follows:

2018 – an increase of NIS 500 for junior employees and NIS 550 for managers, plus an increase of 0.7% for managers with respect to the second installment of transferal fees. Moreover, the employees shown on a list were given an increase of 1%.

2019 – 0.7% for managers for converting transferal fees – on the third occasion. Moreover, a 1.8% increase in real salaries has been assumed for all the employees.

2020 – 0.7% for managers for the third conversion installment of transferal fees. Moreover, a 1.8% increase in real salaries has been assumed for all the employees.

2021 and thereafter – a 1.8% increase in real salaries has been assumed.

The increase in real salaries was calculated in accordance with an inflation forecast of 2%.

D3. Demographic assumptions

3.1 It has been assumed that the retirement age for employees (both men and women) is 67.

3.2 Retirement rates – as described in the General section – clause 4 above.

D4. Demographic statistics

December 31, 2017	Status 10/11	Status 1/2	Status 3/13	Status 14/15
Number of employees	95	2,958	1,347	896



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D5. Computation results – Provision for severance pay in NIS millions

	Liability for severance pay, gross (not including ex gratia fund)		Discount rate	Remaining service period
December 31, 2017	1,893		Interest curve	12.9

D6. Sensitivity analysis

The sensitivity analysis was performed for December 31, 2017.

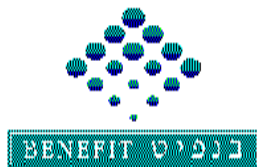
Parameter	Liability for Severance Pay, Gross (in NIS millions)
Voluntary retirements at rate of 0.75% instead of 0.25%	1,921
10% increase in rate of severance pay paid	1,922
0.1% decrease in discount rate	1,842
-0.1% salary increase	1,909
+0.1% salary increase	2,087

* For various interest rates, the change is linear against a 0.1% change.

E. Implementation of the Authority's guideline regarding a deep market

At the request of the Bank, we also made a computation regarding the amount of the actuarial provision that would be required were the discount rate to be set in accordance with the Israel Securities Authority's guideline regarding a deep market.

Pursuant to this, the discount rate in accordance with the curve quoted by Shaarey Ribit Ltd., which is based on highly-rated corporate bonds, would be set according to the duration of the Liabilities, as per the details below:



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Class of Liability	Duration	Interest	Liability Amount in NIS millions
Severance pay*	9.75	Curve	1,801
Jubilee*	Jubilee bonus Jubilee vacation	Curve	Jubilee bonus – 239.8 Jubilee vacation – 39.6 Total – 279.4
Annuity*	5.84	0.77%	40.5
2012 retirees*	9.65	1.40%	169.7
2014 retirees*		2.01%	33.5
2016 retirees*		2.01%	87.8
Benefits for active pensioners (Before employer's taxes and grossing up)		2.56%	176.8 (per the sensitivity analysis and interest gap)
Benefits for pensioners* (Before employer's taxes and grossing up)	Elderly pensioners – 7.46 New pensioners – 10.07 Young pensioners – 14.23 2 nd generation – 15.53 DMB – 10.33	Elderly pensioners – 1.08% New pensioners – 1.46% Young pensioners – 1.94% 2 nd generation – 2.05% DMB – 1.50%	Elderly pensioners – 75.9 New pensioners – 53.2 Young pensioners – 147.6 2 nd generation – 0.3 DMB – 2.4 Total – 277.2
Total balance of the actuarial liability if it were to be computed on a deep market basis*			2,868
Total balance of the actuarial liability computed according to the Banking Supervision Department's guideline, as detailed in the sections above*			3,014

* Before related expenses and employer's taxes.

** No new duration computation (the duration would be slightly shorter).