

Q3

ADDITIONAL REGULATORY DISCLOSURES

The actuarial valuation of employee rights, the document "Disclosure requirements detailed in the third Pillar of Basel and additional disclosure regarding risks", and the document "Additional regulatory disclosures" are available for perusal at the Magna site of the Israeli Securities Authority: www.magna.isa.gov.il

This report is a translation from the Hebrew and has been prepared for convenience only. In case of any discrepancy the Hebrew will prevail.

TABLE 2A – A DESCRIPTION OF THE PRINCIPAL FEATURES OF ISSUED REGULATORY CAPITAL INSTRUMENTS:

No.		(1) Ordinary share capital	(2) Ordinary shares issued by a subsidiary of the banking corporation to third party investors	(3) Subordinated capital notes - Series "A" (hybrid tier 1 capital)	(4) Subordinated capital notes - Series "B" (hybrid tier 1 capital)	(5) Subordinated debt notes - Series "L" (tier 2 capital)	(6) Subordinated capital notes - Series 1 (upper tier 2 capital)
1	The legal entity of the issuer	The Bank	ICC	The Bank	The Bank	The Bank	Discount Manpikim Ltd.
2	Unique feature - Security No.	691212		691095	6910111	Will be completed following the issuance	7480098
3	The legal framework/frameworks applying to the instrument	The laws of the State of Israel	The laws of the State of Israel	The laws of the State of Israel	The laws of the State of Israel	The laws of the State of Israel	The laws of the State of Israel
4	The Tier to which the instrument belongs during the transitional period of Basel III and which is being gradually cancelled	Not relevant	Not relevant	Additional tier 1 capital	Additional tier 1 capital	Tier 2 capital	Tier 2 capital
5	The Tier to which the instrument belongs in accordance with the Basel III instructions, regardless of the transitional instructions	Common equity tier 1	Common equity tier 1	Unqualified	Unqualified	Tier 2 capital	Unqualified
6	Is the instrument qualified as a regulatory capital component on a standalone basis, the banking group or on a standalone basis and the banking group	The component is qualified as a regulatory capital component on a banking group basis	The banking group	The banking group	The banking group	The banking group	The banking group
7	Type of instrument	Ordinary share capital	Ordinary shares issued by a subsidiary of the banking corporation to third party investors	Debt notes	Debt notes	Debt notes	Debt notes issued by a subsidiary company of the banking corporation to investors being a third party
8	The amount recognized as regulatory capital (in NIS millions as of the most recent reporting date)	4,850	290	681	209	784	1,405
9	The par value of the instrument (in NIS millions)	116	Less than NIS 1 million (NIS 31)	NIS 1,147	350	784	1,252
10	Accounting classification	Shareholders' equity	Non-controlling interests in a consolidated subsidiary	Liability – computed on the basis of amortized cost	Liability – computed on the basis of amortized cost	Liability – computed on the basis of amortized cost	Liability – computed on the basis of amortized cost

11	Original date of issue	The Bank was established in 1935. Its shares have been issued at different dates since then.	Different dates	December 31, 2006; May 13, 2007; September 25, 2008	March 29, 2009	January 10, 2017	April 13, 2009; May 7, 2009; May 27, 2009; July 13, 2009 and July 29, 2009
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated
13	Original redemption date	No redemption date	No redemption date	January 1, 2106	January 1, 2106	One payment on January 10, 2017	One payment on April 20, 2058
14	Available for early redemption at the option of the issuer, with a prior approval of the Supervisor of Banks	No	No	Yes	Yes	Yes	Yes
15	The earliest possible date of early redemption at the option of the issuer, date of exercise of an early redemption option conditional upon the occurrence of a certain event, and the amount of redemption			May be redeemed in full on January 1, 2022.	May be redeemed in full on January 1, 2022.	Redemption in full may not be made before January 10, 2022 and not later than February 10, 2022.	May be redeemed in full on April 1, 2020.
16	Existence and frequency of later early redemption dates			Every five years	Every five years	No	Every five years
	Interest/dividend coupons						
17	Fixed or variable Interest/dividend coupons	-	-	Is fixed at present and will turn variable in the future	Is fixed at present and will turn variable in the future	Fixed	Is fixed at present and will turn variable in the future
18	The rate of the interest coupon and any linkage terms to a certain index	-	-	CPI-linked interest of 5.1% for the first period (until January 2022)	CPI-linked interest of 8.7% for the first period (until January 2022)	Non-linked annual interest of 3.6% for the first period. Following the end of five years, the interest rate shall be increased or decreased by the difference in respect of the base interest at date of change in the interest rate.	6.4% of CPI-linked interest in the first period (until April 2020).
19	Any dividend stopper condition applying to ordinary shareholders	-	-	No	No	No	Yes
20	Subject to full discretion, partial discretion or free of discretion	-	-	Partial discretion	Partial discretion	No	Partial discretion
21	Existence of interest step-up terms or other redemption incentives	-	-	Yes	Yes	No	Yes
22	The instrument is accruing or non-accruing as regards	-	-	Non-accruing	Non-accruing	Not relevant	Accruing

	interest/dividend						
23	The instrument is convertible or non-convertible	-	-	Convertible	Convertible	Non-convertible	Non-convertible
24	If convertible, what are the exercise point/points	-	-	See below under "Additional details", item (3)	See below under "Additional details", item (4)	Not relevant	Not relevant
25	If convertible, is it in full or in part	-	-	See below under "Additional details", item (3)	See below under "Additional details", item (4)	Not relevant	Not relevant
26	If convertible, what is the conversion ratio	-	-	See below under "Additional details", item (3)	See below under "Additional details", item (4)	Not relevant	Not relevant
27	If convertible, is conversion optional or mandatory	-	-	Optional or mandatory, according to circumstances - See below under "Additional details", item (3)	Optional or mandatory, according to circumstances - See below under "Additional details", item (4)	Not relevant	Not relevant
28	If convertible, what would be the Tier of the instrument received after conversion	-	-	Common equity tier 1	Common equity tier 1	Not relevant	Not relevant
29	If convertible, state the issuer of the instrument received after conversion	-	-	The Bank	The Bank	Not relevant	Not relevant
30	Does a feature exist requiring a write-down of the instrument	-	-	No	No	Yes	No
31	Where a write-down feature exists, what are the exercise point/points	-	-	-	-	The Supervisor's decision regarding a trigger event of non-viability and/or of the common equity tier 1 ratio having fallen below 5% (Appendix D of Directive No.202)	-
32	Where a write-down feature exists, is it in part or in full	-	-	-	-	Full or partial	-
33	Where a write-down feature exists, is the write-down permanent or temporary	-	-	-	-	Temporary	-
34	Where a temporary write-down feature exists, describe the mechanism of the write-up	-	-	-	-	At the discretion of the Bank and after the Bank's common equity tier 1 ratio has risen above the minimum capital ratio prescribed by the Supervisor	-
35	Position in subordination hierarchy in liquidation –	Subordinate capital notes Series "A" and "B" (columns	Subordinate capital notes Series "A" and "B" (columns	Subordinate debt notes (Series "L")	Subordinate debt notes (Series "L")	Not relevant, unless the instrument is not written-	Subordinate debt notes (columns 6 - 15).

Noting the immediate preceding instrument to this instrument in the subordination hierarchy.	3 and 4).	3 and 4).			off in accordance with its terms at the time of liquidation – subordinate capital notes Series 1 (column 6)	
36 Are there components matching the definition of regulatory capital due only to non-compliant transitioned features	No	No	Yes	Yes	No	Yes
37 If so, these components should be noted	-	-	Unqualified tier 1: Appendix "C" items 4,7,11 to the Directive *. Qualified tier 2; Appendix "D" items 4(c), 9 to the Directive.	Unqualified tier 1: Appendix "C" items 4,7,11 to the Directive. Qualified tier 2; Appendix "D" items 4(c), 9 to the Directive.	Not relevant	Item 4(c) to Appendix "D" – increased interest: the instrument does not include a mechanism for the absorption of losses in accordance with Appendix "E" to the Directive.

*The Directive, here and hereafter: Proper Conduct of Banking Business Directive No. 202.

**PART A – TABLE 2A – A DESCRIPTION OF THE PRINCIPAL FEATURES OF ISSUED REGULATORY CAPITAL INSTRUMENTS
(CONTINUED)**

No.		(7) Subordinate debt notes Series "J"	(8) Subordinate debt notes Series "K"	(9) Private debt notes	(10) Subordinate debt notes - Series "A"- Manpikim	(11) Subordinate debtnotes - Series "B" - Manpikim
1	The legal entity of the issuer	The Bank	The Bank	The Bank	Discount Manpikim Ltd.	Discount Manpikim Ltd.
2	Unique feature - Security No.	6910127	6910137	-	7480015	7480023
3	The legal framework/frameworks applying to the instrument	The laws of the State of Israel	The laws of the State of Israel	The laws of the State of Israel	laws of the State of Israel	The laws of the State of Israel
4	The Tier to which the instrument belongs during the transitional period of Basel III and which is being gradually cancelled	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	The Tier to which the instrument belongs in accordance with the Basel III instructions, regardless of the transitional instructions	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
6	Is the instrument qualified as a regulatory capital component on a standalone basis, the banking group or on a standalone basis and the banking group	The banking group	The banking group	The banking group	The banking group	The banking group
7	Type of instrument	Debt notes	Debt notes	Debt notes	Subordinate debt notes issued by a subsidiary company of the banking corporation to investors being a third party	Subordinate debt notes issued by a subsidiary company of the banking corporation to investors being a third party
8	The amount recognized as regulatory capital (in NIS millions as of the most recent reporting date)	228	164	428	-	89
9	The par value of the instrument (in NIS millions)	426	325	527	80	360
10	Accounting classification	Liability – computed on the basis of amortized cost	Liability – computed on the basis of amortized cost	Liability – computed on the basis of amortized cost	Liability – computed on the basis of amortized cost	Liability – computed on the basis of amortized cost
11	Original date of issue	June 18, 2010	June 18, 2010	Issued on different dates	March 21, 2004	November 11, 2004; September 21, 2006
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated
13	Original redemption date	Once in each of the years June 10, 2019 to June 10, 2022.	Once in each of the years June 10, 2019 to June 10, 2022.	Different redemption dates	Once in each of the years March 31, 2009 to March 31, 2018.	Once in each of the years November 30, 2015 to November 30, 2019.

14	Available for early redemption at the option of the issuer, with a prior approval of the Supervisor of Banks	No	No	No	No	No
15	The earliest possible date of early redemption at the option of the issuer, date of exercise of an early redemption option conditional upon the occurrence of a certain event, and the amount of redemption	-	-	-	-	-
16	Existence and frequency of later early redemption dates	-	-	-	-	-
Interest/dividend coupons						
17	Fixed or variable interest/dividend coupon	Permanent	Permanent	Different instruments	Permanent	Permanent
18	The rate of the interest coupon and any linkage terms to a certain index	3.85% linked to the CPI	6.40% non-linked	Different instruments	5.5% linked to the CPI	5.25% linked to the CPI
19	Any dividend stopper condition applying to ordinary shareholders	No	No	No	No	No
20	Subject to full discretion, partial discretion or free of discretion	-	-	-	Without discretion	Without discretion
21	Existence of interest step-up terms or other redemption incentives	No	No	No	No	No
22	The instrument is accruing or non-accruing as regards interest/dividend	-	-	-	-	-
23	The instrument is convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, what are the exercise point/points	-	-	-	-	-
25	If convertible, is it in full or in part	-	-	-	-	-
26	If convertible, what is the conversion ratio	-	-	-	-	-
27	If convertible, is conversion optional or mandatory	-	-	-	-	-
28	If convertible, what would be the Tier of the instrument received after conversion	-	-	-	-	-

29	If convertible, state the issuer of the instrument received after conversion	-	-	-	-	-
30	Does a feature exist requiring a write-down of the instrument	No	No	No	No	No
31	Where a write-down feature exists, what are the exercise point/points	-	-	-	-	-
32	Where a write-down feature exists, is it in part or in full	-	-	-	-	-
33	Where a write-down feature exists, is the write-down permanent or temporary	-	-	-	-	-
34	Where a temporary write-down feature exists, describe the mechanism of the write-up	-	-	-	-	-
35	Position in subordination hierarchy in liquidation – Noting the immediate preceding instrument to this instrument in the subordination hierarchy.	Bonds and bank deposits	Bonds and bank deposits	Bonds and bank deposits	Bonds and bank deposits	Bonds and bank deposits
36	Are there components matching the definition of regulatory capital due only to non-compliant transitioned features	Yes	Yes	Yes	Yes	Yes
37	If so, these components should be noted	The instrument does not include a mechanism for loss absorption at the point of non-viability	The instrument does not include a mechanism for loss absorption at the point of non-viability	The instrument does not include a mechanism for loss absorption at the point of non-viability	The instrument does not include a mechanism for loss absorption at the point of non-viability	The instrument does not include a mechanism for loss absorption at the point of non-viability

**PART A – TABLE 2A – A DESCRIPTION OF THE PRINCIPAL FEATURES OF ISSUED REGULATORY CAPITAL INSTRUMENTS
(CONTINUED)**

No.		(12) Subordinate debt notes Series "D" - Manpikim	(13) Subordinate debt notes Series "E" -Manpikim	(15) Subordinated debt notes - Series "H" -Manpikim
1	The legal entity of the issuer	Discount Manpikim Ltd.	Discount Manpikim Ltd.	Discount Manpikim Ltd.
2	Unique feature - Security No.	7480049	7480031	7480106
3	The legal framework/frameworks applying to the instrument	The laws of the State of Israel	The laws of the State of Israel	The laws of the State of Israel
4	The Tier to which the instrument belongs during the transitional period of Basel III and which is being gradually cancelled	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	The Tier to which the instrument belongs in accordance with the Basel III instructions, regardless of the transitional instructions	Unqualified	Unqualified	Unqualified
6	Is the instrument qualified as a regulatory capital component on a standalone basis, the banking group or on a standalone basis and the banking group	The component is qualified as a regulatory capital component on the basis of the banking group	The component is qualified as a regulatory capital component on the basis of the banking group	The component is qualified as a regulatory capital component on the basis of the banking group
7	Type of instrument	Subordinate debt notes issued by a subsidiary company of the banking corporation to investors being a third party	Subordinate debt notes issued by a subsidiary company of the banking corporation to investors being a third party	Subordinate debt notes issued by a subsidiary company of the banking corporation to investors being a third party
8	The amount recognized as regulatory capital (in NIS millions as of the most recent reporting date)	256	30	-
9	The par value of the instrument (in NIS millions)	435	300	Approx. 765
10	Accounting classification	Liability – computed on the basis of amortized cost	Liability – computed on the basis of amortized cost	Liability – computed on the basis of amortized cost
11	Original date of issue	October 28, 2007; October 19, 2009	March 6, 2007; October 28, 2007	October 19, 2009; December 15, 2009; February 23, 2010
12	Perpetual or dated	Dated	Dated	Dated
13	Original redemption date	Once in each of the years October 29, 2013	Once in each of the years March 7, 2015 to March 7, 2019.	August 31, 2017

		to October 29, 2022.		
14	Available for early redemption at the option of the issuer, with a prior approval of the Supervisor of Banks	No	No	No
15	The earliest possible date of early redemption at the option of the issuer, date of exercise of an early redemption option conditional upon the occurrence of a certain event, and the amount of redemption	Not relevant	Not relevant	Not relevant
16	Existence and frequency of later early redemption dates	Not relevant	Not relevant	Not relevant
	Interest/dividend coupons			
17	Fixed or variable interest/dividend coupon	Permanent	Permanent	Variable
18	The rate of the interest coupon and any linkage terms to a certain index	4.75%, linked to the CPI	Non-linked interest at the rate of 6.1%.	At the annual rate of return on short-term loans (MAKAM) with the addition of a non-linked margin of 2% per annum.
19	Any dividend stopper condition applying to ordinary shareholders	No	No	No
20	Subject to full discretion, partial discretion or free of discretion	Without discretion	Without discretion	Without discretion
21	Existence of interest step-up terms or other redemption incentives	No	No	No
22	The instrument is cumulative or non-cumulative as regards interest/dividend	Not relevant	Not relevant	Not relevant
23	The instrument is convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, what are the exercise point/points	Not relevant	Not relevant	Not relevant
25	If convertible, is it in full or in part	Not relevant	Not relevant	Not relevant
26	If convertible, what is the conversion ratio	Not relevant	Not relevant	Not relevant
27	If convertible, is conversion optional or mandatory	Not relevant	Not relevant	Not relevant

28	If convertible, what would be the Tier of the instrument received after conversion	Not relevant	Not relevant	Not relevant
29	If convertible, state the issuer of the instrument received after conversion	Not relevant	Not relevant	Not relevant
30	Does a feature exist requiring a write-down of the instrument	No	No	No
31	Where a write-down feature exists, what are the exercise point/points	Not relevant	Not relevant	Not relevant
32	Where a write-down feature exists, is it in part or in full	Not relevant	Not relevant	Not relevant
33	Where a write-down feature exists, is the write-down permanent or temporary	Not relevant	Not relevant	Not relevant
34	Where a temporary write-down feature exists, describe the mechanism of the write-up	Not relevant	Not relevant	Not relevant
35	Position in subordination hierarchy in liquidation – Noting the immediate preceding instrument to this instrument in the subordination hierarchy.	Deposits at the Bank and bonds	Deposits at the Bank and bonds	Deposits at the Bank and bonds
36	Are there components matching the definition of regulatory capital due only to non-compliant transitioned features	Yes	Yes	Yes
37	If so, these components should be noted	Item 9 to Appendix "D" and Appendix "E" to the Directive. The instrument does not include a mechanism for loss absorption at the point of non-viability.	Item 9 to Appendix "D" and Appendix "E" to the Directive. The instrument does not include a mechanism for loss absorption at the point of non-viability.	Item 9 to Appendix "D" and Appendix "E" to the Directive. The instrument does not include a mechanism for loss absorption at the point of non-viability.

ADDITIONAL DETAILS – TABLE 2B – DESCRIPTIONS OF TERMS, CONDITIONS AND ADDITIONAL RELEVANT INFORMATION

(1) ORDINARY SHARE CAPITAL

The Bank's ordinary share capital had been issued on different dates in the past. The Bank's ordinary share capital complies with criteria detailed in Appendix "A" of Directive 202, and as such is qualified to serve as tier 1 capital in accordance with the instructions of Basel III.

(2) ORDINARY SHARES ISSUED BY A SUBSIDIARY OF THE BANKING CORPORATION TO THIRD PARTY INVESTORS

The ordinary share capital of Israel Credit Cards Ltd. ("ICC"), a consolidated subsidiary of the Bank, had been issued on different dates in the past. Had the ordinary share capital of ICC held by the First International Bank (minority interests) been issued by the Bank, it would have complied with all criteria detailed in Appendix "A" of Directive 202, and as such is qualified to serve as tier 1 capital in accordance with the instructions of Basel III, subject to the terms prescribed in the Directive.

(3) SUBORDINATED CAPITAL NOTES – SERIES "A" (HYBRID TIER 1 CAPITAL)

Subordinate capital notes Series "A" in the par value amount of NIS 1,000 million, were issued through private placements in the years 2006–2007. These were listed for trade according to a Prospectus published on May 31, 2007. A par value amount of NIS 147 million was issued in 2008 by way of extension of an existing series. The said capital notes have been recognized as hybrid tier 1 capital under the Basel II instructions. These capital notes are not qualified under the Basel III instructions, though under the transitional instructions they will be recognized in the transition period as additional tier 1 capital, and will be gradually repealed in the years 2014–2021.

For additional details regarding the said capital notes, including a description of their terms and conditions, see Note 14 7 B to the Bank's financial statements as of December 31, 2014, the information included therein is presented here by way of reference.

The Bank may issue shares in consideration for erased interest under "special circumstances" and must convert the outstanding balance of principal and interest in cases requiring "loss absorption"- for details

The conversion is in full (with respect to the payment of the principal amount) and partially (in respect of the interest written off).

Conversion of interest payments: dividing the amount of interest the settlement of which was written off (with the addition of linkage increments and annual interest on arrears at a rate of 3.0%), by the product of the price of the share of the Bank on the Tel Aviv Stock Exchange at the end of the last trading day before the fixed date for settlement of that interest payment and 0.95.

With regards to the conversion of the principal – the lower of (a) Equity per share of the Bank, less a discount of 20%. (b) Average closing prices determined for ordinary A shares of the Bank in the Tel Aviv Stock Exchange in the 14 trading days. The conversion price shall not exceed a price of NIS 9.181 and shall not be less than a price of NIS 3.5 per share, linked to the CPI for November 2006.

(4) SUBORDINATED CAPITAL NOTES – SERIES "B" (HYBRID TIER 1 CAPITAL)

Subordinate capital notes Series "B" in a par value amount of NIS 350 million were issued by private placement in 2009, and are not listed for trade. The said capital notes Series "B" have been recognized as hybrid tier 1 capital under the Basel II instructions. These capital notes are not qualified under the Basel III instructions, though under the transitional instructions they will be recognized in the transition period as additional tier 1 capital, and will be gradually repealed in the years 2014-2021.

For additional details regarding the said capital notes, including a description of their terms and conditions, see Note 14 7 C to the Bank's financial statements as of December 31, 2014, the information included therein is presented here by way of reference.

The Bank may issue shares in consideration for erased interest under "special circumstances" (including instructions by the Supervisor of Banks) and must convert the outstanding balance of principal and interest in cases requiring "loss absorption" - for details

The conversion is in full (with respect to the payment of the principal amount) and partially (in respect of the interest written off)

Conversion of interest payments: dividing the amount of interest the settlement of which was written off (with the addition of linkage increments and annual interest on arrears at a rate of 3.0%), by the product of the price of the share of the Bank on the Tel Aviv Stock Exchange at the end of the last trading day before the fixed date for settlement of that interest payment and 0.95.

With regards to the conversion of the principal – the lower of (a) Equity per share of the Bank, less a discount of 20%. (b) Average closing prices determined for ordinary A shares of the Bank in the Tel Aviv Stock Exchange in the 14 trading days. The conversion price shall not exceed a price of NIS 7.7 and shall not be less than a price of NIS 1.8 per share, linked to the CPI for November 2006.

(6) SUBORDINATED CAPITAL NOTES – SERIES 1 (UPPER TIER 2 CAPITAL)

Subordinate capital notes Series I in a par value amount of NIS 1,252 million were issued in 2009 by Manpikim, in accordance with a shelf prospectus published on February 27, 2008 and were listed for trade. The subordinate capital notes Series I were recognized as Upper tier 2 capital under the Basel II instructions. These capital notes are not qualified under the Basel III instructions, though under the transitional instructions they will be recognized in the transition period as additional tier 1 capital, and will be gradually repealed in the years 2014-2021. For additional details regarding the said capital notes, including a description of their terms and conditions, see Note 14 8 to Bank's the financial statements as of December 31, 2014, the information included therein is presented here by way of reference.

(7) SUBORDINATE DEBT NOTES SERIES "J"

The subordinate debt notes Series "J" were issued by the Bank under a shelf Prospectus published on August 31, 2009, and were listed for trade. The subordinate debt notes Series "J" had been recognized under the Basel II instructions as tier 2 capital. The said debt notes are not qualified under the Basel III instructions; however under the transitional instructions they will be recognized during the transitional period as tier 2 capital, and shall be gradually abolished in the years 2014-2022.

(8) SUBORDINATE DEBT NOTES SERIES "K"

The subordinate debt notes Series "K" were issued by the Bank under a shelf Prospectus published on August 31, 2009, and were listed for trade. The subordinate debt notes Series "K" had been recognized under the Basel II instructions as tier 2 capital. The said debt notes are not qualified under the Basel III instructions; however under the transitional instructions they will be recognized during the transitional period as tier 2 capital, and shall be gradually abolished in the years 2014-2022.

(9) DEBT NOTES ISSUED PRIVATELY

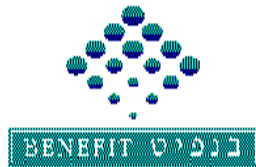
These are debt notes issued by the Bank to different institutional investors under small private placements. In view of the fact that these involve many tens of small private placements, it is not practicable to include a specific description in respect of each issue. The said debt notes had been recognized under the Basel II instructions as tier 2 capital. The said debt notes are not qualified under the Basel III instructions; however under the transitional instructions they will be recognized during the transitional period as tier 2 capital, and shall be gradually abolished in the years 2014-2022.

For details regarding debt notes issued by Mercantile Discount Bank, see the Internet site of that bank.

ACTUARIAL VALUATION OF EMPLOYEE RIGHTS

The actuarial valuation of employee rights, the document "Disclosure requirements detailed in the third Pillar of Basel and additional disclosure regarding risks", and the document "Additional regulatory disclosures" are available for perusal at the Magna site of the Israeli Securities Authority: www.magna.isa.gov.il

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

November 14, 2017

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 reexamine the need to assess its actuarial liabilities for employees' rights to: severance and retirement pay, early pension and Jubilee (long-service) awards with respect to employees, and various benefits with respect to pensioners, as of the date of their computation – September 30, 2017 (“**the Liabilities**”), in accordance with the Reporting to the Public 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 31, 2017 (for the Bank and Mercantile Discount, hereinafter: “the Banks”) business relations existed between Benefit and the Banks, the nature of which was assisting with the retirement program and advising employees of the Banks entered in the said program.

I hereby declare that no dependence exists between me and the Bank and its subsidiaries, within the meaning of the term “dependence” in Legal Staff Position No. 105-30, “Manifestation on the existence of dependence between the value appraiser and the corporation and manifestation concerning the value appraiser whose appraisals are extremely essential to the corporation”, published by the Israel Securities Authority 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 financial statements and/or will be attached to the financial statements and/or will be made available to the public.



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

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 company since 1996.

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

Scope of the Actuarial Opinion

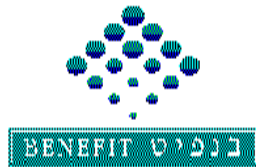
1. For the purpose of computing the Bank's Liabilities, I have relied on data furnished to me by the Bank. My requests for information and data were met satisfactorily for the purpose of assessing the Liabilities as required for the financial statements. I have examined the reasonableness and the adequacy of the data, including making a comparison of the assessment data to the sensitivity analyses that were included in my actuarial opinion, computed as 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 directives, instructions and principles set forth below.

Opinion

4. I have assessed the Liabilities in accordance with generally accepted actuarial principles, the Reporting to the Public Directives and generally accepted accounting principles.
5. After having examined the data mentioned in item 1 above, I have 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, an appropriate liability for covering the Bank's liabilities for severance pay, Jubilee (long-service) awards and awards to pensioners.

Name

Signature



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Benefit Ltd., Part of The Phoenix Group**

General

1. The core assumptions on which the actuarial computation are based are unchanged from the actuarial assumptions detailed in the actuarial opinion as of December 31, 2016, with the exception of the discount rate, as described in item 2 below.
2. The discount rate has been set in accordance with the manner of adopting the transition to computing the Liabilities in accordance with U.S. standards. The discount rate has been 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. This margin stood at 0.64% as of September 30, 2017.

A. Provision for Jubilee (long service) awards

- 1.1 There has not been any change in the scope of the benefits to which the Bank's employees are entitled, nor any change in the population of entitled employees nor any change in the actuarial assumptions, as included in the actuarial opinion as of December 31, 2016.
- 1.2 The provision for Jubilee (long-service) awards has been reassessed using the updated discount rate as of September 30, 2017, the amount of the liability that the Bank will need to hold as of September 30, 2017. Following is the Discount rate used in the reassessment: 0.91%.

Computation results – in NIS millions

	September 30, 2017
Total provision for Jubilee award and jubilee vacation	290.6



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B. Provision for pensioners' expenses

1.1 There has not been any change in the scope of the benefits to which the Bank's pensioners are entitled, nor any material change in the population of entitled pensioners nor any change in the actuarial assumptions, as included in the actuarial opinion as of December 31, 2016.

1.2 The amount of the liability that the Bank will need to hold as of December 31, 2017 with respect to this liability has been reassessed using the updated discount rate as of September 30, 2017.

The discount rates used for reassessing the forecast are as follows: 2.08% – active employees, 0.89% – elderly pensioners, 1.19% – new pensioners, 1.57% – young pensioners, 1.63% – 2nd generation pensioners and 1.25% – DMB pensioners.

Computation results

	December 31, 2017 - Forecast	
	Actuarial cost excluding employer's taxes and excluding grossing up	Actuarial cost including grossing up and employer's taxes
	In NIS Millions	
Active employees (Status 1)	195.82	234.84
Elderly pensioners (Status 2)	79.44	91.16
New pensioners (Status 3)	58.08	66.65
Young pensioners (Status 4)	155.22	191.47
2 nd generation pensioners (Status 5)	0.31	0.39
DMB pensioners (Status 6)	2.59	3.19

C. Provision for early pension

1.1 There has not been any change in the scope of the benefits to which the retirees included in these plans are entitled, nor any change in the actuarial assumptions, as included in the actuarial opinion as of December 31, 2016.



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1.2 The amount of the liability that the Bank will need to hold with respect to the liability arising from the 2012, 2014 and 2016, retirees plan, as of September 30, 2017, has been reassessed using the updated discount rate as of September 30, 2017 and the latest population data as of September 30, 2017. In addition, the forecast for these liabilities as of December 31, 2017 has been updated in accordance with said updates. In relation to the liability with respect to annuity recipients, only the forecast as of December 31, 2017, has been updated as changes in the population are not relevant.

The discount rates used for reassessing the forecast are as follows: 0.71% – annuity recipients (average duration of 5.84), 1.15% – 2012 retirees (average duration of 9.78) and 2.08% – 2014 and 2016 retirees (long term).

Actuarial cost – in NIS millions

	Annuity recipients	2012 retirees	2014 retirees ^{1,2,3}	2016 retirees ^{2,3}
September 30, 2017	-	175.8	44.3	102.3
December 31, 2017 - Forecast	40.9	174.6	37.9	95.9

¹ Does not include liability for an additional employee in an amount of NIS 7,653 thousand.

² The forecast takes into account the movement due to reaching the age of 60.

³ The balance of confined benefits as of September 30, 2017 amounts to NIS 11.5 million for 2014 retirees and NIS 24.9 million for 2016 retirees.

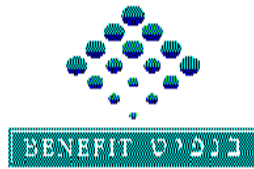
D. Provision for severance pay

1.1 There has not been any change in the actuarial assumptions, as included in the actuarial opinion as of December 31, 2016.

1.2 Employee population data were reinput as of September 30, 2017.

1.3 Salary data were reinput as of September 30, 2017.

1.4 The amount of the liability that the Bank will need to hold as of September 30, 2017 with respect to this liability has been reassessed using the updated discount rate as of September 30, 2017. The discount rate used for reassessing the liability is 1.14% (average duration of 9.66). In addition, the forecast with respect to this liability as of December 31, 2017 has been updated on the basis of the discount rate as of September 30, 2017.



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1.5 Computation results – Provision for severance pay in NIS millions

September 30, 2017
1,875

Yours sincerely,
Eyal Buchbinder,
Actuary