Securities

MIZRAHI TEFAHOT

Customer's Name

Account No.

Branch

GENERAL CONDITIONS FOR ACTIVITY IN SECURITIES

The Customer acknowledges that in the event that he wishes to execute transactions in securities in the account and/or receive services from the Bank in connection with securities, and the Bank agrees, at its exclusive discretion and without being obliged to do so, to execute the transactions for the Customer and/or provide the requested services, the following conditions and provisions shall apply:

1. **General**

The provisions and definitions in the “Account Management General Terms and Conditions” shall also apply to the activity in securities pursuant hereto. In the event of a contradiction between the provisions of the “Account Management General Terms and Conditions” and the provisions hereof, the provisions of this document shall prevail.

2. **Definitions**

2.1 **“security”** – within the meaning thereof in the Securities Law, 5728-1968, including bonds and index products and also securities issued by the Government, any arrangement to which the Joint Investment Trust Law, 5754-1994 applies, units of hedge funds and any other security, whether or not included in the definition in Section 1 of the Securities Law, even in the event that the Bank does not hold or physically keep the security certificates in the framework of the management of the account, as well as any other contract or arrangement, the object of which is the creation of future or financial instruments, whether or not listed for trade;

2.2 **“foreign security”** – a security listed for trade on an overseas stock exchange or on an overseas regulated market, as well as any type of securities issued overseas, which are included in the definition of security in Clause 2.1 of this Agreement;

2.3 **“transaction”** – the purchase or sale of a security, the exercise of a right vested in the holder of a security, the receipt of a benefit in respect of a security;

2.4 **“stock exchange”** – the Tel Aviv Stock Exchange Ltd, or any other stock exchange replacing it, and any overseas stock exchange or regulated market in the framework of which transactions are executed in foreign securities;

2.5 **“custodian”** – a third party who holds securities for the Bank overseas and a broker, distributor, agent or representative acting in the name of or for the Bank in Israel or overseas, in connection with the holding of or implementing of transactions in securities.

2.6 "**complex financial instrument**" – a derivative financial instrument including options, future contracts, forward contracts, swap agreements, or any other financial instrument as may be determined from time to time by the Bank, at its discretion.

3. **The Giving of Instructions to the Bank and Their Implementation**

3.1 Subject to the provisions of this document, the Customer may give the Bank instructions to execute transactions in securities, himself and/or through his attorney (in an account in which a power of attorney has been executed as required by the Bank), as the case may be, in writing or in any other manner agreed upon between the Customer and the Bank from time to time. Insofar as the Customer chooses to give instructions for execution through his attorney as aforesaid, the provisions of this document shall constitute an integral part of the power of attorney.

3.2 The Customer acknowledges that any transaction in securities shall be executed by the Bank subject to and in accordance with the rules, regulations and/or guidelines of the stock exchange and/or clearing house on which the securities the subject of the transaction are traded and/or cleared, as the case may be.

3.3 In addition, transactions in securities for the Bank’s customers will be carried out in accordance with the Bank’s execution policy, as detailed in Annex A – Customer Disclosure Notice – Activity in Securities. Insofar as the Customer provides the Bank with a specific instruction for executing a transaction, the Bank shall execute the transaction in accordance with the Customer's instruction and the execution policy.

3.4 The Customer acknowledges that in the event that the Bank executes a transaction in securities on his behalf, the Customer's account shall be credited or debited in accordance with the financial acts required for the execution of the transaction or in respect of other acts in connection with the securities.

3.5 The Customer acknowledges and agrees that in the event that the Bank is unable to implement an instruction for the execution of a transaction in whole or in part, for any reason, including, but not limited to the suspension and/or cessation of trade in securities in general or in a particular security, in Israel or overseas, the Bank may execute the transaction in part or not execute it at all, at its discretion. Without derogating from the generality of the aforesaid, an instruction to execute a transaction may be implemented by the Bank, in whole or in part, in one tranche, or in several tranches, and may not be implemented at all, and all in accordance with the quantity and price of the security as shall be prevailing at such time.

3.6 The Customer acknowledges that the mere clearing of the security and/or foreign security, as the case may be, and/or the time of the clearing, is not in the Bank's full control and that the Bank is dependent, *inter alia*, on the type of security, the market on which it is traded, and the transaction's counterparty. Accordingly, time gaps may arise between the time at which the Customer's instruction was given and the time of the clearing, and delays and/or postponements may arise in the times of the execution of the transaction and clearing, which may affect, *inter alia*, the price of the security.

4. **Statements and Notices**

4.1 At least once every ten days, the Bank shall give the Customer written notice of every transaction that it has executed on his behalf. The notice shall include at least the following details:

– the name of the Bank;

– the name of the Customer and another identifying detail;

– the date and time of the transaction's execution;

– the type of activity;

– the name and number of the security;

– the quantity purchased or sold in nominal value and the price in which the security was bought;

– the quantity of the security in the account after the execution of the transaction;

– the sum of money with which the Customer's account was credited or debited;

– the commission or other cost with which the Customer's account was debited;

– the name of the regulated market and if the transaction was not executed through a stock exchange.

4.2 The Customer acknowledges that on his demand, he may obtain at the Bank, on any business day, a statement of the list of securities held in his account, and that this statement shall be sent to the Customer by the Bank at least once a year. The Customer acknowledges that securities traded overseas are not revalued on a daily basis, and it is therefore possible that there shall be inaccuracies in the value of these securities as appearing in the statement.

4.3 The Customer acknowledges that the Bank shall not be obliged to send notices in connection with the securities held by it, unless the Bank is under a legal duty to do so. Without derogating from the generality of the aforesaid, it is hereby clarified that the Bank shall not be obliged to send to a Customer who holds securities traded on the Tel Aviv Stock Exchange Ltd any notice and/or information that is generally given to the public holding securities of companies traded on the Tel Aviv Stock Exchange Ltd, in publications circulated by the Tel Aviv Stock Exchange Ltd, in publications of any other authority or through the media, unless the Bank is required to do so by law.

4.4 Without derogating from the provisions of Sub-clause 4.3 above, with regard to the exercise of rights in securities traded on a stock exchange, and in the event that the Customer has a right of choice in connection with any of the rights attached to the securities, the Bank shall act in accordance with the Customer's instructions, and if no instruction has been given to the Bank as aforesaid, the Bank shall act in accordance with the directives of the relevant stock exchange in such regard. Insofar as there are no such directives, the Bank shall act in accordance with the provisions of the law, insofar as they exist, and in any other circumstances, the Bank shall act at its discretion, and the Customer shall not have any plea or claim against the Bank in connection therewith.

4.5 The Customer acknowledges that for the purpose of selling hedge funds held in his account, he may be required to give an advance sale instruction and that the sale may only be effected at stipulated times, in accordance with the provisions of the specific prospectus of such fund, and that the amount to be credited in respect of the sale of the fund's units might be based on a temporary revaluation of the units and accordingly, he may withdraw the full proceeds of the units from the account only after receiving the final revaluation of the fund's units, in accordance with the final revaluation time stipulated for such fund. The Customer acknowledges that time gaps might occur between recording the crediting of the hedge fund's units in the Customer's account, and the time of transferring the proceeds paid in respect thereof, and that as a rule, the execution of the transaction, including its terms, time and clearing, are subject to the manner and time of the execution by the custodian.

5. **Irregular Instructions/Overdrawn Account**

5.1 The Customer acknowledges that pursuant to the directives of the Tel Aviv Stock Exchange, selling securities traded on the Tel Aviv Stock Exchange that are not in the Customer's possession (short), is prohibited and accordingly, the Customer undertakes to give sell instructions only in respect of securities that are in his account at the time of giving the sell instruction or in respect of securities that have been lent to him prior to the time of giving the sell instruction.

5.2 The Customer acknowledges that whenever he gives the Bank a sell instruction, the Bank shall not be under a duty to examine whether the securities, the subject of the sell instruction, or any of them, are in his account. Accordingly, if it transpires that the Customer's account did not contain the quantity of securities stipulated in the sell instruction, or any part thereof, the Bank may, but shall not be obliged, to buy back the short securities for the Customer at such times and prices as the Bank deems fit, and debit the Customer's account with the proceeds of the securities, with the addition of commission and expenses, after the Bank makes an attempt, insofar as reasonable in the circumstances of the case, to notify the Customer thereof in advance.

5.3 The Customer agrees that the assets, including securities and monies, deposited in his account shall be pledged and charged to the Bank as a first-ranking pledge to secure any debt that the Customer owes the Bank, jointly or severally, in any account and for any reason.

5.4 The charge and the pledge shall also apply to the interest, dividend and all the benefits and rights howsoever added to the securities, and to the proceeds of the securities.

5.5 The Bank may at any time take all the legal or other steps necessary or deemed desirable, at its discretion, for the purpose of realizing the pledge; however, the Bank is not under a duty to commence or continue taking such acts, and the Bank shall not be liable for the successful outcome of such acts taken or that shall be taken by it. In addition, the Customer hereby gives the Bank an irrevocable instruction to sell all or a portion of the securities held in his account at any time, at any price and at any time, at the discretion of the Bank. The Bank shall give the Customer reasonable prior notice of the above. If after reasonable efforts having been made by the Bank, it is not possible to contact the Customer in order to give him the said notice, or in special cases pursuant to which in the Bank's exclusive discretion it is necessary to sell the securities immediately, the Bank may do so without giving prior notice, and the Customer waives in advance any plea or claim in such regard. All the expenses involved in the said acts shall be debited to the Customer and shall bear interest from the date on which the said expenses are incurred by the Bank until they are repaid in full by the Customer.

5.6 The Customer undertakes to ensure that at any time he gives an instruction for the execution of a transaction in securities, his account contains adequate sums of money for the implementation of his instruction, and in the event that the Bank approves a credit facility for the Customer in his account for the execution of transactions in securities – the Customer undertakes not to exceed the approved credit facility as shall be determined from time to time.

5.7 The Customer agrees that if as a result of the implementation of any of his instructions, in whole or in part, a debit balance is created in the Customer's account or an existing debit balance increases, or the debit balance in his account exceeds the credit facility that was approved for the Customer by the Bank, if such framework was approved, the Bank may, but is not obliged, at any time and also after receiving the Customer's instruction, act in one or more of the following ways, without having to give prior notice:

5.7.1 decline to implement the instruction, in whole or in part;

5.7.2 in the event of a standing order for the purchase of securities – cancel it;

5.7.3 sell the securities purchased by the Customer or allotted to him pursuant to such instruction, or any other security that the Customer has or shall have at the Bank, in whole or in part, at any time and price the Bank deems fit, in its exclusive discretion, and use the sale proceeds (less commission and any tax, levy or compulsory payment applicable at any time to a sale as aforesaid, if at all) for the full or partial discharge of the said debit balance;

and all without derogating from the Bank's right to take other measures to collect the said debit balance.

6. **Customer Activity Adjustment and Complex Financial Instruments**

6.1. The Bank performs customer activity adjustments to activity involving Complex Financial Instruments. Accordingly, insofar as the Customer chooses to engage in transactions involving a Complex Financial Instrument, an activity adjustment will be conducted for that specific instrument. The Bank may decide not to permit the activity in the Complex Financial Instrument and/or warn the Customer prior to the execution of the transaction if the Bank determines that the activity may not be suitable for the Customer. In any case, the responsibility for executing the transaction lies solely with the Customer, whether or not a warning was provided.

6.2. It is clarified that with respect to activity in securities that are not considered Complex Financial Instruments, the Bank will not perform a customer activity adjustment, even if the activity is conducted outside of a regulated market, and without derogating from any specific consent that may be required in this regard, if any.

6.3. If activity in Complex Financial Instruments is arranged by a specific agreement for activity between the Bank and the Customer, the provisions of such specific agreement shall apply in addition to the provisions set out in this document. If no such agreement is established, this document shall be deemed as the dedicated agreement for such activity.

7. **Foreign Securities**

7.1 The provisions of this document shall apply to transactions in foreign securities, *mutatis mutandis*, save for the provisions of this document that relate to securities traded on the Tel Aviv Stock Exchange Ltd. In addition, the provisions of this document shall apply to trading in foreign currency, subject to the relevant provisions of the law, as shall prevail from time to time.

7.2 The Customer acknowledges that at any time he requests the execution of a transaction on his behalf and/or the deposit for him in custody of foreign securities, the Bank may implement the instruction through a custodian. The Customer acknowledges that the deposit of foreign securities with the custodian shall be in an account maintained in the Bank's name for its customers, or alternatively – they shall be recorded in another clearly designated manner

The Bank and/or the custodian may, if so required, act in the Customer's name in connection with rights deriving from his ownership of a foreign security purchased by him or attached to the ownership of a foreign security as aforesaid, and the Customer hereby authorizes the custodian and/or the Bank to implement any such act. The Customer acknowledges that the Bank shall act in a reasonable manner to secure receipt of the rights deriving from his ownership of a foreign security purchased by him or attached to ownership of a foreign security.

7.3 The Bank's relevant policy concerning the election of, engagement with and monitoring of custodians is published on the Bank's website, and may be up-dated from time to time.

The Customer acknowledges and agrees that the custodian may have a right of set-off and/or lien and/or charge and/or any other right of such type, in respect of amounts due to the custodian in connection with the custodian fees for foreign securities deposited with the custodian, and in connection with other services in relation to foreign securities.

7.4 In the event that the Customer requests the execution of transactions in foreign securities, the transactions shall be executed subject to the provisions of the foreign law governing such transactions (insofar as they are governing) and the directives of relevant stock exchange and/or clearing house and subject to the provisions of the agreements in force between the Bank and the custodian which is to execute such transaction for the Bank, as shall prevail from time to time.

8. **Custody and Keeping of Securities**

8.1 The Bank may keep the securities purchased for the Customer at the Bank or anywhere else at its exclusive discretion, keep any type of securities together with other securities of the same type that are kept by the Bank, and divide them from time to time into groups, with the purpose of redemption or any other purpose at the Bank's exclusive discretion and as convenient for the handling of such securities.

8.2 In the event that the Bank keeps securities of the Customer together with other securities, it may return other securities to the Customer, provided that such securities are of the same type as the securities deposited by the Customer in the custody of the Bank.

8.3 Where it is customary to register the securities in the name of a registration company, the Bank may register title to the securities in the company's books in the name of the relevant registration company, in accordance with the arrangements prevailing at the Tel Aviv Stock Exchange Ltd and the customary arrangements prevailing at banks. In addition, the Bank may deposit, in its name, the securities at any time deposited in the Customer's account, with the Clearing House of the Tel Aviv Stock Exchange.

8.4 The Customer may not charge, assign or transfer the securities deposited in his account, without the Bank's consent.

8.5 The Customer shall sign all the transfer instruments and other documents now and in future required at the exclusive discretion of the Bank, in order to enable the Bank to sell the securities or otherwise handle them and shall furnish them to the Bank upon its first demand.

9. **Collection of Income and Redemption of Securities**

9.1 The Bank may collect for the Customer any interest, dividend, principal that become redeemable and other income falling due in respect of the securities deposited in the Customer's account from time to time, upon their becoming payable or upon early prepayment, as the case may be, and the Customer instructs that the proceeds received in respect thereof shall be credited to his current account.

9.2 The Bank may return securities that have matured or become redeemable against payment of their proceeds.

9.3 The Bank may – but is not obliged – to make payments or pay expenses in accordance with calls for payment on account of securities or in connection with collection of the proceeds of securities or the interest coupons or the dividend or any other matter relating to the securities, and all the said payments and expenses shall be debited to the Customer. The Bank shall be exempt from any liability in the event that the said payments are not made at all or are not made on time or in the correct manner.

10. **Commissions and Transaction Execution Costs**

With the exception of payment of the purchase amount (in the case of a transaction for the purchase of a security), the Bank may collect from the Customer, commissions in connection with the purchase/sale of securities at the time of the execution of the transaction by the Bank, other expenses incurred by the Bank in connection with the execution of the transaction and any commission demanded by a custodian in connection with the execution of a transaction. The Customer acknowledges that financial arrangements of various types, including for the receipt of payments, may exist between the Bank and the custodian. Likewise, the Bank may also debit the Customer at the beginning of January, April, July and October of each year, or at any other interval determined by the Bank and upon the sale of securities, with a commission in respect of securities deposit management fees, and all the expenses connected with the Customer’s activity and transactions in securities executed in his account (such as, but not limited to – postal expenses, SWIFT expenses, and the like, as shall in fact be incurred), by debiting the Customer’s account at the Bank or in any other way, in accordance with the tariff prevailing at the Bank from time to time.

The Customer shall be debited for payments and commissions in accordance with this clause in the currency in which the transaction was executed. The Customer may instruct the Bank to purchase the transaction currency for him together with giving an instruction for the execution of a transaction in securities. In the event that the Customer does not have an adequate balance in the currency in which the transaction was executed, the Bank shall debit the account in the transaction currency in the amount of the short fall of the balance.

11. **Furnishing of Information**

The Customer acknowledges that notwithstanding the duty of confidentiality imposed on the Bank in respect of the furnishing of information to authorities of foreign countries or on their behalf, the Bank shall act in accordance with an appropriate judicial order of a competent authority in Israel or in accordance with the law in Israel. The Customer also acknowledges and agrees that for the purpose of the Customer’s activity in securities in the account, the Bank shall furnish information, insofar as it is required to do so, to any custodian authority, stock exchange or clearing house, in Israel or overseas, and the Customer shall not have any demand and/or plea and/or claim against the Bank in such regard.

12. **Advice on Securities**

The Customer acknowledges that if the Bank is requested to give its customers advice on investments in securities, the Bank shall give advice in spheres and on a scale at its exclusive discretion and in accordance with the provisions of any law and the directives of any competent authority.

13. **Exemption from Liability**

13.1 The Customer hereby exempts the Bank from liability for any damage, expense, loss and/or prevention of profit that might be incurred by the Customer, directly or indirectly, as a result of a delay in the Customer transferring for execution any transaction execution instruction given by him, or as a result of a delay in execution, provided that such were not incurred as a result of the negligence of the Bank.

13.2 The Customer acknowledges that in many cases, and in particular in connection with data and notices pertaining to securities that the Bank furnishes to the Customer, the data and notices shall be furnished by the Bank to the Customer as given to the Bank by custodians or various information providers (such as Bloomberg, Reuters, etc.), and in any such case, the Bank shall not be liable for the content of the notices and/or data, and liability for the correctness of such data and notices shall vest entirely with the relevant custodian or information provider.

13.3 The Bank shall be exempt from liability for any losses, damages or expenses incurred by the Customer in the event of a fall in the market price of the securities, or their redemption at less than the market price or for any other reason.

13.4 The Customer shall not have any plea and/or demand against the Bank in the event that the Customer has incurred any damage and/or loss, in connection with the activity in foreign securities through a custodian, or someone acting on its behalf, provided that the Bank has made reasonable efforts to perform its obligations pursuant to the law, including the choice of custodian in accordance with the Bank's policy as provided in sub-clause 7.3 above.

13.5 The Customer shall not have any plea and/or demand against the Bank in the event that the Customer has incurred any damage and/or loss, by reason of acts or omissions committed by the Bank in accordance with the demand and/or the directive of any authority, including, but without derogating therefrom, the Israel Securities Authority, the Income Tax Authority, the Tel Aviv Stock Exchange Ltd, the Bank of Israel and any one of the relevant supervisory authorities in the foreign countries in which the Customer acts in his account.

14. **Taxes and Compulsory Payments**

Upon the occurrence of a tax event in respect of the securities in the Customer's account, or if the execution of any instruction involves the payment of any tax and/or levy and/or deduction at source and/or any compulsory payment pursuant to the provisions of any law (hereinafter – the **"tax payment"**), the Bank may make the tax payment by debiting the Customer's account in the amount required for the tax payment, or by way of the deduction at source of the tax payment from the proceeds received in the account in respect of the execution of any instruction, and all at the discretion of the Bank.

15. In the event that any dispute arises with regard to the execution of a transaction, the Customer undertakes to accept the decision of the competent authorities, or the relevant stock exchange or clearing house, in Israel or overseas, as notified to the Customer by the Bank. The Customer agrees that any judgment or decision of an entity as aforesaid shall bind him, and the Bank may act pursuant thereto.

Annex A

Disclosure to Customers – Transactions in Securities

A. Introduction

Prior to the signing of an agreement for the execution of transactions in securities, and as a foundation for additional agreements that may be entered into during the course of such activity, the Bank is obligated – pursuant to the directives of the Bank of Israel – to provide its customers with comprehensive information which includes a description of the types of securities in which the Bank allows trading, including the risks inherent therein. The information must also include the Bank's policy regarding the performance of the customer's instructions, including the policy for achieving the best execution for the customer, and must address related costs and charges. This document is intended to ensure that the customer understands the nature of such transactions in securities and the risks inherent therein (the "**Disclosure Document**").

Each investment in securities involves risks, and before making a decision to engage in any activity related to a security, the customer is required to evaluate and understand the nature of the security and the risks inherent therein, as well as other risks arising from the nature of the activity and/or the circumstances of the investment he wishes to make. The customer is also required to evaluate and understand whether the security and/or the investment strategy are suitable for him, taking into account his personal circumstances, needs, and experience.

It is clarified that this Disclosure Document does not include a description of all of the details and risk aspects involved in a potential securities transaction, but rather provides a general overview of the main relevant aspects and key risks. Before executing a transaction in securities, the customer should also read any specific description or warning provided in documents delivered to him by the Bank. If the customer has any doubt, he should seek investment advice. If the customer is an advised customer of the Bank, he may consult with his investment advisor.

It is noted that the risk factors described below may materialize together or separately (which may increase their overall impact), and that the use of leverage (which amplifies both potential positive or negative outcome) may significantly increase the impact of the described risks.

The customer's responsibility

The customer is responsible for reviewing and understanding the terms of the investment before making any transaction, consulting a professional advisor if necessary, and managing his investment portfolio so as to reflect his personal goals and risk tolerance. Every investment action is made at the customer's choice, and the customer is required to act solely based on his understanding of the risks and opportunities involved.

Updates and changes

This disclosure notice may change from time to time, in accordance with regulatory changes, market conditions, or the Bank's internal policies. Any material update to this Disclosure Document will be communicated to the customer. The customer acknowledges that he is responsible for regularly reviewing the most up-to-date version of the Disclosure Document.

Who is the disclosure intended for?

The disclosure below is intended for the Bank's customers who wish to conduct transactions in securities through the Bank only, and should not be relied upon for any other purpose.

It is clarified that this information does not constitute investment advice and/or a recommendation to invest in the securities described herein. If there is any doubt regarding the contents of this document, we recommend that customers seek external investment, tax, financial, and/or legal advice.

This document is written in the masculine form but refers to both genders equally. Similarly, it is written in the singular form but refers also to the plural, and vice versa.

B. Types of securities and key specific risks

Investment in securities involves financial risks, which, over and above the general risks to be described below, may vary depending on the type of security in which the customer invests. It is important to understand the characteristics of each type of security and the associated risks, as specified below:

B.1. Shares

Shares represent ownership in a company and may grant voting rights at the general meeting, right to a dividend (if distributed), right to the remaining assets (if any) upon liquidation, after payment of all of the company's debts, or other rights as typically outlined in the company's articles of association or in the provisions of the law. Investors in shares are exposed to market volatility and the risk of a decrease in value. Share prices may fluctuate based on market conditions, the performance of the issuing company, local and global economic conditions, and other external factors. There is also a risk of a total loss of the share's value in the event of the company's insolvency. Furthermore, investment in shares exposes the investor to, *inter alia*, the following risks:

- Initial Investment Risk – The issuer is not obligated to return the investor's initial investment in the share, nor to distribute to him the company's capital and assets, so long as it is not in liquidation. Upon liquidation, shareholders are entitled to the company's surplus capital, provided that the company's debts to its creditors have been paid, and only if there is a remaining balance in the company's funds after the distribution to creditors and payment of liquidation expenses, in accordance with the Insolvency and Economic Rehabilitation Law, 5778-2018, which may result in a total loss of the initial investment.

- Share Price Risk – Shares are volatile investment instruments, and their price may be characterized by instability (fluctuations) that is difficult to predict, which may lead to a loss. Various factors may affect the share price, including market conditions, risks in the specific sector, distribution or non-distribution of dividends, etc. Also market risks, macroeconomic risks, and risks related to the company itself all affect the share price, either together or cumulatively.

- Dividend Risk – A decision to distribute dividends is subject to both legal distribution restrictions and the discretion of the issuing company according to its dividend policy (including the possibility that no dividend whatsoever shall be distributed).

- Liquidity Risk – An investor may encounter difficulties in realizing his investment in shares and selling them when he so desires. This risk is particularly relevant for shares with low trading volumes, including shares listed on the list of illiquid securities or on the list of securities that are candidates to be included in such a list.

- Dilution Risk – In the absence of restrictions in the company's articles of association or other agreements, the issuing company may issue additional shares or securities that may be converted into additional shares, which may impair the value of the shares held by the investor.

B.1.A. Preferred shares – Preferred shares are a capital-raising instrument similar to ordinary shares, but they have additional features and are referred to as "hybrid capital" due to the relative advantage they may grant their holders (relative to holders of ordinary shares) upon distribution of dividends, participation in voting and/or any other preference over holders of ordinary shares, particularly in relation to the distribution of the remaining assets (if any) after the payment of all debts in the event of the company's insolvency.

B.1.B. Dual-listed shares – These may be traded simultaneously on the local stock exchange and on foreign exchanges, either as common stock, ADRs (American Depositary Receipts), or GDRs (Global Depositary Receipts). There may be fluctuations in the prices of dual-listed securities during foreign trading hours, depending on market conditions and trading trends, while the local exchange is closed. As a result, a price gap may arise, which will only narrow when the local stock exchange resumes normal trading hours.

B.2. Debt instruments

Investment in debt instruments exposes the investor to the general risks listed below, and in particular to credit risk and interest rate risk. Investment in such type of security exposes the investor to the risk that the issuer will fail to pay the principal or interest amount to which it has committed, as well as to security price volatility due to various factors, including sensitivity to interest rates in the economy, duration (average life), inflation, changes in the instrument's or issuer's rating, market perception of the issuer's financial strength, general market liquidity, and more. In general, investment in bonds exposes the investor to the following risks:

- Insolvency Risk / Issuer Risk – Due to various factors, the issuer may become temporarily or permanently insolvent, and therefore may be unable to redeem the bond or pay the interest thereon. A deterioration in the issuer's financial strength, even if it does not result in insolvency, may impact the bond's price, for example, if it affects the issuer's rating.

- Interest rate risk – If the interest rate is fixed, the investor bears the risk that the bond price will drop if expected interest rates in the economy rise. In general, the longer the maturity period, the more sensitive the bond price will be to fluctuations in such interest rate.

- Early Redemption Risk – The issuer may include a provision in the bond that allows for early redemption of the bond. This option may reduce the yield the investor initially expected. Such a situation may force the investor to find an alternative investment route, which may be less favorable.

- Disposition/Liquidity risk – The price of bonds may be affected by the ability to dispose them before their redemption date.

- Market Risk – The price of the bond is affected by market conditions and their negative and positive impact on the issuer.

B.2.A. Bonds – A bond is a security that is issued by a company, state, or other entity to holders, who generally have a right of action against the issuer for the amount of the debt. The value of a bond at issuance represents its proportional share of the debt issued by the issuer. The payment period and terms are typically determined prior to the issuance. In general, the bond will be redeemed at the redemption date or in predetermined fixed payments. In most cases, the interest rate will be fixed in advance or variable based on an external factor, such as the Bank of Israel's interest rate plus a fixed margin. The principal and interest may be linked to an index, such as the Consumer Price Index or a certain currency, or not linked at all. Investors in bonds are exposed to the risk of insolvency by the issuer (credit risk), meaning there is a risk that the issuer may be unable to repay the principal or interest. In addition, investing in fixed-rate, non-linked bonds may result in capital losses if interest rate expectations rise and/or inflation expectations increase, particularly with regard to the bond's duration. Bonds may be classified as follows:

- Corporate bonds (bond certificates) – A bond issued by a public company. In addition to the risks listed above, the lower the bond's rating, the higher the risk. In general, investing in low-rated bonds may be riskier compared to a similar bond with senior debt and the same duration as that of the issuing company, due to capital losses and an increase in the spread relative to the benchmark, which may result from such investment. Beyond the issuing company's risk, the price of the bonds is also exposed to fluctuations also due to sector risk, macroeconomic risk, and the risk of the state in which the issuer operates.

- Government Bonds – A bond issued by a state, where the investor is exposed to the risk related to the state's debt repayment ability. In general, this investment is considered an investment with the risk of a decline in the security's price. The longer the duration of the government bond, the more exposed it is to such risks.

- Short-term bond – A bond issued by the Bank of Israel with a very short duration (one year). In general, a short-term bond is considered a highly conservative investment, with high liquidity. The main risk stems from a price decline before the bond reaches maturity.

B.2.B. Convertible bonds – A security issued by a public company, which under specified conditions may be converted into shares of the issuing company. Over and above the risks mentioned above, this type of investment is generally considered less conservative, as the equity component increases the credit risk.

B.2.C. Foreign Bonds vs. Bonds Traded on the Tel Aviv Stock Exchange – Bonds traded on foreign markets differ from bonds traded in Israel primarily in the following aspects: the currency in which they are denominated – in Israel, bonds are usually denominated in the local currency, whereas overseas, bonds are mainly denominated in foreign currency. Bonds traded in Israel are rated on a local rating scale, measured relative to the government bonds. Conversely, the global rating system is different and is carried out according to the policies of international credit rating agencies. Bond trading methods – In Israel, bonds are listed and traded on the stock exchange, whereas foreign bonds are generally not exchange-traded but are traded over-the-counter (OTC) through market makers. Bond pricing – In Israel, pricing is done using the gross price ("dirty price"), which includes the accrued interest component. In contrast, foreign bonds are typically priced on a net basis, excluding accrued interest and indexation ("clean price").

B.3. Warrants

Warrants are a type of security that grants the holder the right to purchase shares of a company at a predetermined price within a specific period of time. Warrants are tradable on the stock exchange and involve a high level of speculative risk, as greater share price volatility increases the risk of significant losses. Investment in warrants exposes the investor, *inter alia*, to the following risks:

- Price risk – The price of warrants is volatile and difficult to predict. Even a small movement in the price of the underlying security may result in a disproportionate (positive or negative) change in the price of the warrant.

- Risk of investment value write-off (full loss) – Since the right inherent in the warrants is time-limited, if the investor fails to exercise the right within the specified timeframe, the warrant will expire, and the entire investment will be lost. Market conditions and various circumstances may result in the warrant's price being lower than the exercise price on the expiration day, effectively leading to a loss of the investment's value.

B.4. Rights

Rights are securities issued by a company to its existing shareholders, with the aim of offering the holders thereof, the right to purchase the company's securities at a predetermined price within a limited time period. Rights are typically granted to holders of the company's shares in the event of a capital raising, allowing them to maintain their ownership rate in the company or to sell the right without participating in the raising. The risk associated with the rights arises from the possibility that the market price of the share may fall below the subscription price, which could render the right less attractive or even worthless.

B.5. Trust funds

Trust funds invest in various securities (shares, bonds, commodities, etc.) and diversify risk across a wide range of securities. Foreign trust funds offer exposure to a wide variety of investment opportunities but require the investor to have a deep understanding of the fund’s prospectus, the ongoing management by the fund manager, and the regulatory oversight mechanisms applicable to the fund.

Alongside the advantages and professional investment management offered by investing in a trust fund, there are also disadvantages and risks, such as: uncertainty regarding the fund’s unit price during the trading day (since the price is published only at the end of the trading day), exchange rate risks in the case of foreign funds, exposure risk to the fund manager and its investment management, risk of volatility of the fund's rates, and disposition and liquidity risk (the trust fund is not traded continuously and may only be bought or sold once per day at most).

Investment in trust fund units may expose the investor to all of the general risks mentioned above, and to additional risk depending on the specific investment policy that is published by the fund and its actual holdings. Conversely, diversification through a trust fund may also help mitigate certain risks.

It is clarified that other than the risks and the performance of the fund, investors are advised to examine the costs associated with investing in the fund, including, *inter alia*, the management fees of the fund manager and the trustee.

B.5.A. Units in Trust Funds (Managed/Traditional Funds) – A managed/traditional trust fund is a joint securities account owned by a trust company and managed by a professional investment manager according to a predetermined investment policy. The fund manager issues units in the fund, which are purchased by investors. Each unit has the same value and grants the investor who bought it an equal right to the fund’s assets and profits. The investment manager jointly invests the money of all of the investors in a diversified portfolio, in accordance with the investment policy and the investment restrictions established by law. Profits from the investments are either transferred to investors or reinvested on their behalf in the fund, according to their pro rata share in the fund’s money. There are many types of trust funds, and the type of fund affects the nature of its investment management, investment policy, profit distribution, and taxation. The fund’s details, characteristics, and investment policy are outlined in the fund's prospectus.

B.5.B. **Units in Index Funds** – Index funds are a specific type of a trust fund managed through passive investment. The purpose of these funds is to achieve results that are similar as possible to rates of change of a specific index. For example, there are index funds that follow equity indices and bond indices. An index fund aims to replicate the performance of the index it tracks, and is expected to show a high correlation between the fund's performance and that of the index, though it does not guarantee full correlation. Exposure to the assets included in the index may also be achieved through derivatives or other tracking instruments (such as Exchange Traded Funds – ETFs).

B.5.C. **ETFs** – An ETF is an investment product similar to an index fund, but unlike an index fund, an ETF is traded continuously throughout the trading day. ETFs are a popular instrument and track various indices such as equities, bonds, commodities, currencies, and more. The specific risks associated with investing in a particular ETF depend on the index it tracks and the products the fund manager buys to track the index (underlying assets or derivatives). In addition, some ETFs are less liquid and less traded, which presents a certain risk to investors in terms of trading methods and costs, especially if market makers do not maintain a reasonable bid/ask spread.

B.6. **Hedge funds**

Hedge funds are private investment entities that invest in a wide range of financial assets and include various investment strategies. These funds typically do not offer the same level of liquidity as traditional trust funds and may use financial leverage to enhance their returns. The risk in hedge funds lies in the use of leverage as an investment tool, and in the fact that most hedge funds are intended for qualified investors or individuals with advanced financial knowledge and a high risk tolerance.

A hedge fund requires thorough examination by any investor prior to purchasing units in the fund, since the risks involved in investing in a hedge fund may lead to significant losses, including the total loss of the investment. The investor is required to be aware of the inherent risks associated with hedge fund investments, including:

- Fund Manager Risk – These funds are managed by private investment entities, which are at times not subject to strict regulatory oversight. The fund manager may become bankrupt, and the unit holders will be significantly impacted thereby.

- Investment Strategy Risk – These funds represent a speculative investment product with a high level of risk for the investor, due to the fund’s mechanism which allows investment in diverse, volatile and leveraged assets.

- Liquidity Risk – Liquidity in hedge funds is very low, and the redemption of the invested money may take a long time, while the investment money is deposited immediately.

B.7. **Derivatives (futures contracts and options)**

These financial instruments represent the right or obligation to buy or sell an underlying asset at a predetermined price within a specified period. Derivatives may involve particularly high risk, as their value is influenced by market fluctuations and they have a speculative nature. Investment in such securities may lead to significant losses, which may even exceed the initial amount invested.

Investment in future contracts and options may expose the investor, *inter alia*, to the following risks:

- Increased Exposure to Market Risk – Compared to other financial assets. The price of a contract/option is influenced by numerous and various factors, such as: fluctuations in the price of the underlying asset, the difference between the exercise price of the financial asset and the market price of the underlying asset, interest rates, dividends (if distributed for the underlying asset), expiration date, etc. Sharp price movements in the underline price may occur, potentially resulting in significant losses for the customer.

- Risk of Non-Return of the Initial Investment or Part Thereof – It is clarified that in addition to the risk of losing the initial investment, writing an option may expose the customer to significant financial losses, which theoretically is unlimited. This is in contrast to purchasing an option with cash settlement (where the buyer risks an amount limited to the premium, fees and transaction costs only). In view thereof, writing options involves receiving credit, and the customer may be required, according to the Bank’s policy, to provide additional collateral and/or money and/or securities to cover the exposure, all of which the customer may also loose.

- As a result of the daily clearing mechanism of future contracts, the customers may be exposed to substantial daily debits to their account.

- Risk of Inability to Close Positions – At certain times, market conditions may make it difficult or even impossible to obtain quotes for underlying assets and/or execute offsetting transactions and/or close open positions. Under such conditions, closing a position may involve significant losses.

B.7.A. Tradable Futures Contracts on the Tel Aviv Stock Exchange – A futures contract is a contract issued by the MAOF Clearing House, a subsidiary of the Tel Aviv Stock Exchange. It allows the holder to lock in the price at which a future transaction will be executed for a specific quantity of a particular underlying asset (such as a specific index or foreign currency).

B.7.B. Tradable Futures Contracts Overseas – Futures contracts issued by various exchanges overseas allow for high-leverage exposure to equity indices, bond indices, commodities, and various currencies. Investment in a futures contract is speculative and carries a high level of risk, requiring investor understanding due to the high leverage involved, the exposure to volatility of the underlying asset, depositing the required collateral, rollover and holding costs, and the potential for significant capital losses with daily financial accounting by the broker and clearing house.

B.7.C. Futures Contract in the OTC Market – Forward transactions are transactions executed with the Bank, which is the counterparty to the transaction. In general, the underlying assets are foreign currencies and interest rates. Investment in a futures contract is speculative and involves a high level of risk, requiring investor understanding due to the high leverage involved, the exposure to volatility of the underlying asset, depositing the required collateral, rollover and holding costs, and the potential for significant capital losses with daily financial accounting on the part of the Bank.

B.7.D. Options – Are issued by a clearing house, stock exchange, or bank (OTC options where the Bank is the counterparty to the transaction), with underlying assets that may include equity/bond indices, currencies, interest rates, stocks, commodities, etc.

C. <u>Additional risks related to activity in securities</u>

As with any financial activity, investment in securities involves additional general risks over and above the risks inherent to each type of security. The key risks include:

- **Market Risk:** Market volatility may affect the prices of the securities, and sharp price declines may occur. The value of an investment depends on various factors, such as: the market price of the investment instrument (supply/demand), investor sentiment, industry-specific factors, political factors, and macroeconomic conditions. Investment in foreign markets involves additional risks with a different nature relative to the local market and are influenced by international market fluctuations and exchange rate risks.

- **Liquidity Risk:** It may be difficult or even impossible to sell certain securities or exit the market at a fair price, especially in illiquid markets. The liquidity of an investment instrument is directly affected by market supply and demand, and indirectly by trading disruptions, clearing house difficulties, infrastructure issues, or trading halts in accordance with the trading rules of the relevant stock exchange. Sharp movements in the investment instrument may lead to trading suspensions or halts under the rules of the relevant stock exchange, which may restrict or even prevent the realization of the investment for a certain period of time.

- **Risk of Trading Suspension and Low-Liquidity Securities:** It is not possible to perform transactions when a security is suspended from trading. Securities with low liquidity may present significant difficulties in trading and clearing. Due to the aforesaid, and considering the risks involved in trading and clearing, holders of suspended and low-liquidity securities may incur substantial losses.

- **Political Risk:** Political and regulatory events may affect the prices of securities, particularly for companies operating in countries with high political risk.

- **General Risk and Global Economic Events:** Changes in the global economy such as interest rate increases, inflation, or disruptions in financial markets, may affect the prices of the securities. The value of an investment depends on market volatility and various factors influencing the behavior of financial markets. The nature and risk level of an investment vary across financial products and different markets. Risk profiles also vary between investors and their needs, including risks related to portfolio diversification, leverage, and currency. Past performance is not indicative of future results.

- **Credit Risks:** Credit risk is the investor's exposure to the borrower, debt issuer, guarantors, or any other relevant counterparty, and their ability to repay the debt and meet their obligations. In the event of deterioration in the condition of the borrower and its financial stability, the quality of the credit may be impaired, and the investor may incur significant financial losses.

- **Clearing Risks:** Clearing risk is the risk that the counterparty to a transaction will fail to meet the terms of the transaction (security or financial value).

- **Insolvency:** The risk of insolvency of the security issuer may lead to the investment money being lost and not returned, in whole or in part. In the case of financial derivatives, there may also be a risk to the collateral funds.

- **Currency Risks:** Fluctuations in exchange rates may affect the value of the investment, resulting in a profit/loss for the investor. Exchange rates are influenced by various risk factors, such as macroeconomic, political, and social developments, as well as intervention by the State or the central bank. Hedging exchange rate exposure by the investor may reduce the exposure to currency value changes.

- **Interest Rate Risks:** Market interest rates may change based on the central bank decision, against the background of macroeconomic changes and/or social and political events.

- **Commodity Trading Risks:** Investing in commodities involves significant risk due to sharp price fluctuations that may occur as a result of natural disasters, supply disruptions, geopolitical risks, and more. Exposure to commodities is often achieved through financial derivatives, which require appropriate collateral.

- **Securities Traded Outside of Israel:** These securities involve exchange rate risk, as aforesaid, due to exposure to foreign currencies, different trading hours in the foreign market where they are traded, different trading rules and regulation applicable to such market, reliance on a foreign broker through whom transactions in securities are performed, risks related to the custodian holding the securities, limited access to market information and public announcements, and geopolitical exposure and macroeconomic risks in the foreign market where the securities are traded, etc.

- **Legal/Regulatory Risks and Compliance Risks:** Legal and regulatory changes may impair the expected return of a security and affect the issuing company and its profitability. An investor in foreign markets may also face difficulties in enforcing its rights regarding the applicability of local laws with respect thereto. In addition, the terms of the securities themselves may contain provisions that limit or harm the investor's interests (for example, stipulations allowing the issuer to unilaterally change the terms, or the possibility of adopting resolutions that bind all of the investors, if most of them voted in favor of the resolution at the investors' meeting, etc.).

- **Operational Risks:** Operational risk may arise from various failures, including communication issues that may impair trading availability for investors.

- **Volatility Risks:** Every investment product is exposed to market fluctuations due to various factors as mentioned. These fluctuations may increase the level of risk, reduce the liquidity of the security, thus leading to losses for the investor.

- **Collateral:** The deposit of collateral for executing a transaction shall be according to the terms of the transaction and the investment product, and subject to the Bank's requirements. The processing of collateral to be deposited with the Bank may vary from one transaction to another, and depend on the investment product.

- **"Short" transactions:** A short sale is a high-risk transaction aimed at profiting from a decline in the price of the security. The security is not owned by the seller at the time of the sale but is obtained through borrowing the securities. The short seller has the duty to close the short transaction at the agreed-upon time and bears any interest costs associated with the borrowing, if applicable to the transaction. If the price of the security rises, the short seller may incur unlimited losses.

D. List of regulated markets

A list of the regulated markets in which the Bank operates, categorized by types of securities, is available on the Bank's website at www.mizrahi-tefahot.co.il on the capital market pages, and may be updated from time to time.

E. Costs and fees

The costs and charges related to transactions in securities are provided by the Bank in accordance with the Banking Rules (Customer Service) (Fair Disclosure and Delivery of Documents), 5752-1992.

F. Policy of execution of customer instructions

F.1. General

In accordance with PCBB 461 "Banking Corporation Activity as a Broker-Dealer" ("**PCBB 461**"), when the Bank executes a transaction for a customer, it will generally take all reasonable measures to perform transactions in the best possible way for the customer, taking into account, *inter alia*, the various characteristics of the transaction (the "**Best Transaction Execution**" or "**Best Execution**").

The Bank adopted a customer instructions execution policy as well as established work processes to ensure Best Execution of the customer's instructions, in accordance with a policy designed to maximize the customer's benefit. In this context, all reasonable measures shall be taken to perform the transaction in the best possible way for the customer, consistently and taking into account the nature of the financial instrument and the regulated markets available for trading in this type of financial instrument (under reasonable commercial conditions).

The purpose of the execution policy and the work processes through which the Bank implements the same is to balance between various considerations related to the performance of the transaction, which may at times conflict with one another, including: price, performance costs (both direct and indirect), the need for prompt execution, the likelihood of closing the transaction, the size and nature of the instruction, the feasibility of execution and clearing in possible regulated markets or outside of regulated markets.

Such execution policy applies only to customers who were not classified by the Bank as qualified customers, and only in relation to the types of securities listed in the Broker-Dealer PCBB only. The execution policy includes determining the appropriate market for execution, selecting the method of execution of the instruction, and the Bank’s fee policy.

F.2. Instructions in a regulated market

Activities in securities shall be executed on regulated markets such as the Tel Aviv Stock Exchange (TASE), the stock and bond markets in New York (NYSE, NASDAQ), the London Stock Exchange (LSE), or other international stock markets. The choice of the regulated market will be made at the Bank’s professional discretion, based on several criteria such as market liquidity, transaction cost, execution speed and quality, and clearing efficiency.

F.3. Instructions in the OTC market

OTC derivative transactions shall be conducted directly with the Bank, and the Bank acts as the counterparty to the customer in each such transaction. This activity includes, *inter alia*, forward contracts and OTC options on various underlying assets, including foreign currency and interest rates.

F.4. Best Execution

F.4.A. In general, the obligation to obtain the best possible transaction for the customer applies to each transaction executed by the Bank, other than when a specific instruction is given by the customer regarding the execution of a transaction. In such case, the Bank will act to execute the customer's instruction in accordance with the Bank's execution policy.

F.4.B. It is clarified that the Bank may not be able to achieve the best possible transaction for every single customer instruction; however, ongoing controls are in place to ensure that the execution policy is consistently aimed at achieving the best possible transaction for the customer.

F.4.C. The Bank shall take all reasonable measures to achieve Best Execution of the customer's instructions, in the customer's best interest. The Best Execution policy includes the review of various parameters (with each aspect concerning the execution of the transaction being reviewed individually), including:

- The price at which the transaction shall be executed;
- Execution speed and quality;
- Availability and liquidity;
- Transaction size;
- Fees and expenses required for the execution of the transaction;
- The chances for full execution of the transaction;
- Any other consideration which the Bank believes is relevant to the execution and settlement of the instruction.

F.4.D. The Best Execution of a specific instruction is determined based on the relative importance the Bank assigns to each parameter in relation to the instruction. In the absence of explicit guidance from the customer, the Bank will act at its discretion and based on its experience (taking into account the available information with respect to the market) to determine the parameters that should be taken into account for Best Execution of the instruction.

F.4.E. Execution speed and quality: In cases of high market volatility, the customer may experience significant differences between the quoted prices and the actual prices at the time of execution of the instruction.

F.4.F. Best Execution in OTC transactions: The Bank shall act fairly with respect to OTC-traded financial instrument, both in terms of the price and the type of transaction offered to the customer, including in cases where the product is customized.

F.4.G. Best Execution via an external broker outside of Israel: The Bank operates in foreign securities and regulated markets overseas through external brokers, and each broker has his own execution policy. Transactions executed via an external broker outside of Israel are subject to the execution policies of the external brokers. Generally, the various external brokers execute trading instructions for retail customers and strive to achieve best execution. The different brokers operate in a competitive market, including competition among themselves and with other liquidity providers, in order to improve transaction pricing, thus achieving the best possible execution.

G. Conclusion

The customer is required to carefully consider all of the risks involved in investment in securities and seek professional advice where necessary. If you choose to perform activity in securities through the Bank, then by signing the 'General Terms for Activity in Securities' document, you confirm that you understand the characteristics of the various securities and financial instruments, and the risks inherent therein.

This document does not exhaust all of the theoretically possible risks, and the customer is aware of the possibility that certain risks – whether or not mentioned in this document – may materialize in any situation where he chooses to make an investment or conduct a trading activity, whether by buying or selling.

Customer's Signature:

Date	Name	Signature
Account No. ______________________________________ **Branch** _________________________		