

**Mizrahi Tefahot Bank Ltd.'s Immediate Reports are published in Hebrew on the Israel Securities Authority and the Tel Aviv Stock Exchange websites.**

**The English version is prepared for convenience purposes only. The only binding version of the Immediate Reports is the Hebrew version.**

**In the event of any discrepancy or inconsistency between the Hebrew version and the translation to English, the Hebrew version shall prevail and supersede, for all purposes and in all respects.**

**MIZRAHI TEFAHOT BANK LTD**

Registrar Number: 520000522

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To: Israel Securities Authority	To: Tel Aviv Stock Exchange Ltd	T460 (public)	Transmitted via MAGNA: December 2, 2019
www.isa.gov.il	www.tase.co.il		Reference: 2019-01-105612

**Supplementary report** *November 11, 2019*      **the reference number**      *2019-01-096900*  
**to the report filed on:**      **of which is:**

The principle details added/supplemented: *The removal of issue no. 5 from the agenda – the reappointment of Mr. Joav-Asher Nachshon as a director at the bank, as detailed in section 2.3.4 of the immediate report published by the bank on November 11, 2019, reference no. 2019-01-096900 (hereinafter: the “Immediate Report”) on the convening of an annual general meeting (hereinafter: the “Annual Meeting”).*

*Further to section 2.3 of the Immediate Report, on December 2, 2019, the bank’s Board of Directors decided to remove the reappointment of Mr. Joav-Asher Nachshon as a director at the bank from the Annual Meeting’s agenda, since according to the bank’s Articles of Association, the tenure length of the directors who will be appointed at the Annual Meeting is three (3) years; whereas according to the permit that the bank received from the Supervisor of Banks, the bank’s Board of Directors may include up to eleven (11) directors only until the end of 2020, after which the bank’s Board of Directors may not include more than ten (10) directors.*

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*Furthermore, on December 2, 2019, the Board of Directors decided to appoint Mr. Joav-Asher Nachshon as a director at the bank, by the Board of Directors, provided that the Supervisor of Banks does not announce her objection to the aforesaid appointment or announces her consent thereto (hereinafter: the "Supervisor's Approval"), in accordance with the bank's Articles of Association and the instructions of the law, and in light of Mr. Abraham Neyman's notice that he would be ending his service as a director at the bank on December 31, 2019 (as detailed in the immediate report published by the bank on November 7, 2019). Mr. Joav-Asher Nachshon will begin said tenure as a director at the Bank on January 1, 2020, or on the day that the Supervisor's Approval is received, whichever is later; and end his tenure at the end of the first annual meeting to be held after the date on which said appointment will have commenced (i.e. at the end of the annual meeting to be held in 2020). It is hereby clarified that no change has been made to the rest of the issues on the agenda of the Annual Meeting, and that no change has been made to the date of the Annual Meeting, nor the date determining the entitlement of shareholders to vote at the Annual Meeting.*

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## **Immediate Report of a Meeting**

### **Regulation 36B (a) and (d) of the Securities Regulations (Periodic and Immediate Reports) 5730-1970**

Explanation: Insofar as any of the matters on the meeting's agenda is the approval of a transaction with a controlling shareholder or the approval of an extraordinary proposal, Form T133 or T138 must be filled first, respectively, and thereafter a report should be filed on this form as well.

Is there a possibility to vote through the electronic voting system: *Yes*

Note: The possibility of selecting this field is only available to foreign corporations (that are not registered in Israel) and corporations whose securities are not listed for trade. Usage of the voting system will require the corporation to process all votes received through this system.

The corporation announces: *The convening of a meeting*

Note: In the event of a change to the meeting's date (postponement or a move forward), select "meeting postponement" or "court-ordered postponement" or "postponement to an unknown date".

The reference number of the last meeting notice is 2019-01-096900 It was called for *December 18, 2019*

Reason of postponement or cancellation: \_\_\_\_\_

Explanation: The reference number of the previous meeting's convening or postponement should be referenced.

1. Type of security: *Share*

Name of the entitling security: Mizrahi Tefahot (MZTF)

Number of the stock exchange security entitling the holder thereof to participate in the meeting: 695437

The record date for entitlement to attend the meeting and vote thereat: *November 17 2019*

Explanation: If a meeting is required for more than one security number, a T460 must be reported separately for each additional security. Reports listing additional security numbers will require the filing of an amending form

2. On *November 11 2019*

it was resolved to *convene a meeting annual meeting* \_\_\_\_\_

to be held on *December 18, 2019* at 14:00

at the following address *7 Jabotinsky Street, 13<sup>th</sup> Floor, Ramat Gan*

3. On the agenda:

Explanation: The numbering of the agenda topics shall be according to the order of their appearance in the meeting's convening report, if attached as a file

Issues/resolution which will be raised at the meeting:

**1**

The issue/resolution and its details:

*A discussion of the bank's financial reports for December 31, 2018, as well as the Board of Directors' report on the bank's state of affairs in 2018*

*Declaration: No appropriate classification field exists*

Notice: A value in this table sets the text of the shareholder's declaration in the online voting system. For the conversion table, [click here](#)

Reference to the last report on the subject of approving a private proposal (T138):

*Not* a transaction between the company and a controlling shareholder therein as stated in Articles 275 and 320(f) of the Companies Law

Reference to the last report on the subject (T133):

Explanation of the article in the Companies Law or the Securities Law or in another law for the approval of the resolution:

*Article 60(b) of the Companies Law 5759-1999*

Explanation: In a transaction with a controlling shareholder that does not match any field in the law articles table, select the fields "Declaration: No appropriate classification field exists" and "Yes" transaction with controlling shareholder.

Only in the event of a bonds meeting or that this is not a transaction with a controlling shareholder and no appropriate field can be found in the table, should the relevant articles of the law by power of which the resolution is required be detailed and explained.

Does the issue require the disclosure of a connection or another characteristic of the voting shareholder: *No*

Notice: These values can only be selected if the field "Declaration: No appropriate classification field exists" was marked in the previous table and the transaction at hand is not between the company and its controlling shareholder

**In the event of a bonds meeting**

The existence of another issue has been decided:

Details of the other issue:

Notice: The details of the other issue establish the text of the declaration which will be included in the online voting system. The question must be worded so as to have a "Yes"/"No" answer. The question will appear in the voting system next to the resolution on

the agenda and the voter will be able to choose between “Yes”/”No” and be able to add details if the answer is “Yes”.

**Request for additional information from the holders:**

It was decided to require additional information from the holders: *No*

Details of the additional information required from the holders or manner of meeting convention (in the event of a meeting according to 350):

**Notice:** This field establishes the text of the requirement for additional information which will be included in the online voting system. The voter will have the possibility to add the information in a text field.

- Amendment of a disclosure
- Negligible change or one that only benefits the company compared with the text of a resolution detailed in a last report.
- Removed from the agenda
- The subject was discussed in a previous meeting
- The subject was added to the agenda by court order
- The subject was added to the agenda according to Regulation 5b of the Companies Regulations (Notice of General Meetings and of Category Meetings in a Public Company, and Addition of an Issue to the Agenda) 5760-2000
- The subject was added to the agenda after the record date due to a technical error, as specified:

**Explanation:** After the record date, a resolution cannot be amended except for an amendment of the transaction conditions that benefits the company or a negligible change. Likewise, new issues cannot be added to the agenda after the record date, except by court order or in accordance with Regulation 5B of the Notice of General Meetings Regulations

The resolution on the agenda is brought to *report only*

Type of majority required for approval

Does the rate of the controlling shareholder's holdings of the corporation's shares bestow the controlling shareholder with the required majority for the adoption of the proposed resolution in this matter

2

The issue/resolution and its details:

*Description of the nature of the issue:*

*Reappointment of a director.*

*The proposed resolution:*

*To reappoint Mr. Moshe Vidman as a director at the bank, as stated in Section 2.3 of the immediate report regarding the convening of the general meeting, attached herein, provided that the Supervisor of Banks does not announce her objection to the aforesaid appointment or announces her consent thereto.*

*Additional information:*

*For additional information, see Section 2 of the immediate report regarding the convening of the general meeting, attached herein, as well as Mr. Moshe Vidman's statement, which is appended to the aforesaid immediate report.*

*Appointment or dismissal of a director under Articles 59 and 230 of the Companies Law*

**Notice: A value in this table sets the text of the shareholder's declaration in the online voting system. For the conversion table, [click here](#)**

Reference to the last report on the subject of approving a private proposal (T138):

*Not a transaction between the company and a controlling shareholder therein as stated in Articles 275 and 320(f) of the Companies Law*

Reference to the last report on the subject (T133):

Explanation of the article in the Companies Law or the Securities Law or in another law for the approval of the resolution:

Explanation: In a transaction with a controlling shareholder that does not match any field in the law articles table, select the fields “Declaration: No appropriate classification field exists” and “Yes” transaction with controlling shareholder.

Only in the event of a bonds meeting or that this is not a transaction with a controlling shareholder and no appropriate field can be found in the table, should the relevant articles of the law by power of which the resolution is required be detailed and explained.

Does the issue require the disclosure of a connection or another characteristic of the voting shareholder: *No*

Notice: These values can only be selected if the field "Declaration: No appropriate classification field exists" was marked in the previous table and the transaction at hand is not between the company and its controlling shareholder

**In the event of a bonds meeting**

The existence of another issue has been decided:

Details of the other issue:

Notice: The details of the other issue establish the text of the declaration which will be included in the online voting system. The question must be worded so as to have a “Yes”/”No” answer. The question will appear in the voting system next to the resolution on the agenda and the voter will be able to choose between “Yes”/”No” and be able to add details if the answer is “Yes”.

**Request for additional information from the holders:**

It was decided to require additional information from the holders: *No*

Details of the additional information required from the holders or manner of meeting convention (in the event of a meeting according to 350):

Notice: This field establishes the text of the requirement for additional information which will be included in the online voting system. The voter will have the possibility to add the information in a text field.

- Amendment of a disclosure
- Negligible change or one that only benefits the company compared with the text of a resolution detailed in a last report.
- Removed from the agenda
- The subject was discussed in a previous meeting
- The subject was added to the agenda by court order
- The subject was added to the agenda according to Regulation 5b of the Companies Regulations (Notice of General Meetings and of Category Meetings in a Public Company, and Addition of an Issue to the Agenda) 5760-2000
- The subject was added to the agenda after the record date due to a technical error, as specified:

**Explanation: After the record date, a resolution cannot be amended except for an amendment of the transaction conditions that benefits the company or a negligible change. Likewise, new issues cannot be added to the agenda after the record date, except by court order or in accordance with Regulation 5B of the Notice of General Meetings Regulations**

The resolution on the agenda is brought to *a vote*

Type of majority required for approval *an ordinary majority*

Does the rate of the controlling shareholder's holdings of the corporation's shares bestow the controlling shareholder with the required majority for the adoption of the proposed resolution in this matter *No*

### **3**

The issue/resolution and its details:

*Description of the nature of the issue:*

*Reappointment of a director.*

*The proposed resolution:*



*To reappoint Mr. Ron Gazit as a director at the bank, as stated in Section 2.3 of the immediate report regarding the convening of the general meeting, attached herein, provided that the Supervisor of Banks does not announce her objection to the aforesaid appointment or announces her consent thereto.*

*Additional information:*

*For additional information, see Section 2 of the immediate report regarding the convening of the general meeting, attached herein, as well as Mr. Ron Gazit's statement, which is appended to the aforesaid immediate report.*

*Appointment or dismissal of a director under Articles 59 and 230 of the Companies Law*

**Notice: A value in this table sets the text of the shareholder's declaration in the online voting system. For the conversion table, [click here](#)**

Reference to the last report on the subject of approving a private proposal (T138):

*Not a transaction between the company and a controlling shareholder therein as stated in Articles 275 and 320(f) of the Companies Law*

Reference to the last report on the subject (T133):

Explanation of the article in the Companies Law or the Securities Law or in another law for the approval of the resolution:

**Explanation: In a transaction with a controlling shareholder that does not match any field in the law articles table, select the fields "Declaration: No appropriate classification field exists" and "Yes" transaction with controlling shareholder.**

**Only in the event of a bonds meeting or that this is not a transaction with a controlling shareholder and no appropriate field can be found in the table, should the relevant articles of the law by power of which the resolution is required be detailed and explained.**

Does the issue require the disclosure of a connection or another characteristic of the voting shareholder: *No*

Notice: These values can only be selected if the field "Declaration: No appropriate classification field exists" was marked in the previous table and the transaction at hand is not between the company and its controlling shareholder

**In the event of a bonds meeting**

The existence of another issue has been decided:

Details of the other issue:

Notice: The details of the other issue establish the text of the declaration which will be included in the online voting system. The question must be worded so as to have a "Yes"/"No" answer. The question will appear in the voting system next to the resolution on the agenda and the voter will be able to choose between "Yes"/"No" and be able to add details if the answer is "Yes".

**Request for additional information from the holders:**

It was decided to require additional information from the holders: *No*

Details of the additional information required from the holders or manner of meeting convention (in the event of a meeting according to 350):

Notice: This field establishes the text of the requirement for additional information which will be included in the online voting system. The voter will have the possibility to add the information in a text field.

- Amendment of a disclosure
- Negligible change or one that only benefits the company compared with the text of a resolution detailed in a last report.
- Removed from the agenda
- The subject was discussed in a previous meeting
- The subject was added to the agenda by court order

The subject was added to the agenda according to Regulation 5b of the Companies Regulations (Notice of General Meetings and of Category Meetings in a Public Company, and Addition of an Issue to the Agenda) 5760-2000

The subject was added to the agenda after the record date due to a technical error, as specified:

**Explanation:** After the record date, a resolution cannot be amended except for an amendment of the transaction conditions that benefits the company or a negligible change. Likewise, new issues cannot be added to the agenda after the record date, except by court order or in accordance with Regulation 5B of the Notice of General Meetings Regulations

The resolution on the agenda is brought to *a vote*

Type of majority required for approval *an ordinary majority*

Does the rate of the controlling shareholder's holdings of the corporation's shares bestow the controlling shareholder with the required majority for the adoption of the proposed resolution in this matter *No*

**4**

The issue/resolution and its details:

*Description of the nature of the issue:*

*Reappointment of a director.*

*The proposed resolution:*

*To reappoint Mr. Jonathan Kaplan as a director at the bank, as stated in Section 2.3 of the immediate report regarding the convening of the general meeting, attached herein, provided that the Supervisor of Banks does not announce her objection to the aforesaid appointment or announces her consent thereto.*

*Additional information:*

*For additional information, see Section 2 of the immediate report regarding the convening of the general meeting, attached herein, as well as Mr. Jonathan Kaplan's statement, which is appended to the aforesaid immediate report.*

*Appointment or dismissal of a director under Articles 59 and 230 of the Companies Law*

Notice: A value in this table sets the text of the shareholder's declaration in the online voting system. For the conversion table, [click here](#)

Reference to the last report on the subject of approving a private proposal (T138):

*Not* a transaction between the company and a controlling shareholder therein as stated in Articles 275 and 320(f) of the Companies Law

Reference to the last report on the subject (T133):

Explanation of the article in the Companies Law or the Securities Law or in another law for the approval of the resolution:

Explanation: In a transaction with a controlling shareholder that does not match any field in the law articles table, select the fields "Declaration: No appropriate classification field exists" and "Yes" transaction with controlling shareholder.

Only in the event of a bonds meeting or that this is not a transaction with a controlling shareholder and no appropriate field can be found in the table, should the relevant articles of the law by power of which the resolution is required be detailed and explained.

Does the issue require the disclosure of a connection or another characteristic of the voting shareholder: *No*

Notice: These values can only be selected if the field "Declaration: No appropriate classification field exists" was marked in the previous table and the transaction at hand is not between the company and its controlling shareholder

**In the event of a bonds meeting**

The existence of another issue has been decided:

Details of the other issue:

Notice: The details of the other issue establish the text of the declaration which will be included in the online voting system. The question must be worded so as to have a "Yes"/"No" answer. The question will appear in the voting system next to the resolution on

the agenda and the voter will be able to choose between “Yes”/”No” and be able to add details if the answer is “Yes”.

**Request for additional information from the holders:**

It was decided to require additional information from the holders: *No*

Details of the additional information required from the holders or manner of meeting convention (in the event of a meeting according to 350):

**Notice: This field establishes the text of the requirement for additional information which will be included in the online voting system. The voter will have the possibility to add the information in a text field.**

- Amendment of a disclosure
- Negligible change or one that only benefits the company compared with the text of a resolution detailed in a last report.
- Removed from the agenda
- The subject was discussed in a previous meeting
- The subject was added to the agenda by court order
- The subject was added to the agenda according to Regulation 5b of the Companies Regulations (Notice of General Meetings and of Category Meetings in a Public Company, and Addition of an Issue to the Agenda) 5760-2000
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The resolution on the agenda is brought to *a vote*

Type of majority required for approval *an ordinary majority*

Does the rate of the controlling shareholder's holdings of the corporation's shares bestow the controlling shareholder with the required majority for the adoption of the proposed resolution in this matter *No*

**5**

The issue/resolution and its details:

*Description of the nature of the issue:*

*Reappointment of a director.*

*The proposed resolution:*

*To reappoint Mr. Joav-Asher Nachshon as a director at the bank, as stated in Section 2.3 of the immediate report regarding the convening of the general meeting, attached herein, provided that the Supervisor of Banks does not announce her objection to the aforesaid appointment or announces her consent thereto.*

*Additional information:*

*For additional information, see Section 2 of the immediate report regarding the convening of the general meeting, attached herein, as well as Mr. Joav-Asher Nachshon's statement, which is appended to the aforesaid immediate report.*

*Appointment or dismissal of a director under Articles 59 and 230 of the Companies Law*

**Notice: A value in this table sets the text of the shareholder's declaration in the online voting system. For the conversion table, [click here](#)**

Reference to the last report on the subject of approving a private proposal (T138):

*Not a transaction between the company and a controlling shareholder therein as stated in Articles 275 and 320(f) of the Companies Law*

Reference to the last report on the subject (T133):

Explanation of the article in the Companies Law or the Securities Law or in another law for the approval of the resolution:

Explanation: In a transaction with a controlling shareholder that does not match any field in the law articles table, select the fields “Declaration: No appropriate classification field exists” and “Yes” transaction with controlling shareholder.

Only in the event of a bonds meeting or that this is not a transaction with a controlling shareholder and no appropriate field can be found in the table, should the relevant articles of the law by power of which the resolution is required be detailed and explained.

Does the issue require the disclosure of a connection or another characteristic of the voting shareholder: *No*

Notice: These values can only be selected if the field "Declaration: No appropriate classification field exists" was marked in the previous table and the transaction at hand is not between the company and its controlling shareholder

**In the event of a bonds meeting**

The existence of another issue has been decided:

Details of the other issue:

Notice: The details of the other issue establish the text of the declaration which will be included in the online voting system. The question must be worded so as to have a “Yes”/”No” answer. The question will appear in the voting system next to the resolution on the agenda and the voter will be able to choose between “Yes”/”No” and be able to add details if the answer is “Yes”.

**Request for additional information from the holders:**

It was decided to require additional information from the holders: *No*

Details of the additional information required from the holders or manner of meeting convention (in the event of a meeting according to 350):

Notice: This field establishes the text of the requirement for additional information which will be included in the online voting system. The voter will have the possibility to add the information in a text field.

Amendment of a disclosure

Negligible change or one that only benefits the company compared with the text of a resolution detailed in a last report.

Removed from the agenda

The subject was discussed in a previous meeting

The subject was added to the agenda by court order

The subject was added to the agenda according to Regulation 5b of the Companies Regulations (Notice of General Meetings and of Category Meetings in a Public Company, and Addition of an Issue to the Agenda) 5760-2000

The subject was added to the agenda after the record date due to a technical error, as specified:

**Explanation: After the record date, a resolution cannot be amended except for an amendment of the transaction conditions that benefits the company or a negligible change. Likewise, new issues cannot be added to the agenda after the record date, except by court order or in accordance with Regulation 5B of the Notice of General Meetings Regulations**

The resolution on the agenda is brought to *a vote*

Type of majority required for approval *an ordinary majority*

Does the rate of the controlling shareholder's holdings of the corporation's shares bestow the controlling shareholder with the required majority for the adoption of the proposed resolution in this matter *No*

## **6**

The issue/resolution and its details:

*Description of the nature of the issue:*

*Reappointment of a director.*

*The proposed resolution:*

*To reappoint Mr. Avraham Zeldman as a director at the bank, as stated in Section 2.3 of the immediate report regarding the convening of the general meeting, attached herein, provided*



*that the Supervisor of Banks does not announce her objection to the aforesaid appointment or announces her consent thereto.*

*Additional information:*

*For additional information, see Section 2 of the immediate report regarding the convening of the general meeting, attached herein, as well as Mr. Avraham Zeldman's statement, which is appended to the aforesaid immediate report.*

*Appointment or dismissal of a director under Articles 59 and 230 of the Companies Law*

**Notice: A value in this table sets the text of the shareholder's declaration in the online voting system. For the conversion table, click [here](#)**

Reference to the last report on the subject of approving a private proposal (T138):

*Not a transaction between the company and a controlling shareholder therein as stated in Articles 275 and 320(f) of the Companies Law*

Reference to the last report on the subject (T133):

Explanation of the article in the Companies Law or the Securities Law or in another law for the approval of the resolution:

**Explanation: In a transaction with a controlling shareholder that does not match any field in the law articles table, select the fields "Declaration: No appropriate classification field exists" and "Yes" transaction with controlling shareholder.**

**Only in the event of a bonds meeting or that this is not a transaction with a controlling shareholder and no appropriate field can be found in the table, should the relevant articles of the law by power of which the resolution is required be detailed and explained.**

Does the issue require the disclosure of a connection or another characteristic of the voting shareholder: *No*

**Notice: These values can only be selected if the field "Declaration: No appropriate classification field exists" was marked in the previous table and the transaction at hand is not between the company and its controlling shareholder**

**In the event of a bonds meeting**

The existence of another issue has been decided:

Details of the other issue:

**Notice:** The details of the other issue establish the text of the declaration which will be included in the online voting system. The question must be worded so as to have a “Yes”/”No” answer. The question will appear in the voting system next to the resolution on the agenda and the voter will be able to choose between “Yes”/”No” and be able to add details if the answer is “Yes”.

**Request for additional information from the holders:**

It was decided to require additional information from the holders: *No*

Details of the additional information required from the holders or manner of meeting convention (in the event of a meeting according to 350):

**Notice:** This field establishes the text of the requirement for additional information which will be included in the online voting system. The voter will have the possibility to add the information in a text field.

- Amendment of a disclosure
- Negligible change or one that only benefits the company compared with the text of a resolution detailed in a last report.
- Removed from the agenda
- The subject was discussed in a previous meeting
- The subject was added to the agenda by court order
- The subject was added to the agenda according to Regulation 5b of the Companies Regulations (Notice of General Meetings and of Category Meetings in a Public Company, and Addition of an Issue to the Agenda) 5760-2000
- The subject was added to the agenda after the record date due to a technical error, as specified:

Explanation: After the record date, a resolution cannot be amended except for an amendment of the transaction conditions that benefits the company or a negligible change. Likewise, new issues cannot be added to the agenda after the record date, except by court order or in accordance with Regulation 5B of the Notice of General Meetings Regulations

The resolution on the agenda is brought to *a vote*

Type of majority required for approval *an ordinary majority*

Does the rate of the controlling shareholder's holdings of the corporation's shares bestow the controlling shareholder with the required majority for the adoption of the proposed resolution in this matter *No*

**7**

The issue/resolution and its details:

*Description of the nature of the issue:*

*Reappointment of a director.*

*The proposed resolution:*

*To reappoint Mr. Ilan Kremer as a director at the bank, as stated in Section 2.3 of the immediate report regarding the convening of the general meeting, attached herein, provided that the Supervisor of Banks does not announce her objection to the aforesaid appointment or announces her consent thereto.*

*Additional information:*

*For additional information, see Section 2 of the immediate report regarding the convening of the general meeting, attached herein, as well as Mr. Ilan Kremer's statement, which is appended to the aforesaid immediate report.*

*Appointment or dismissal of a director under Articles 59 and 230 of the Companies Law*

Notice: A value in this table sets the text of the shareholder's declaration in the online voting system. For the conversion table, [click here](#)

Reference to the last report on the subject of approving a private proposal (T138):

*Not* a transaction between the company and a controlling shareholder therein as stated in Articles 275 and 320(f) of the Companies Law

Reference to the last report on the subject (T133):

Explanation of the article in the Companies Law or the Securities Law or in another law for the approval of the resolution:

Explanation: In a transaction with a controlling shareholder that does not match any field in the law articles table, select the fields “Declaration: No appropriate classification field exists” and “Yes” transaction with controlling shareholder.

Only in the event of a bonds meeting or that this is not a transaction with a controlling shareholder and no appropriate field can be found in the table, should the relevant articles of the law by power of which the resolution is required be detailed and explained.

Does the issue require the disclosure of a connection or another characteristic of the voting shareholder: *No*

Notice: These values can only be selected if the field "Declaration: No appropriate classification field exists" was marked in the previous table and the transaction at hand is not between the company and its controlling shareholder

**In the event of a bonds meeting**

The existence of another issue has been decided:

Details of the other issue:

Notice: The details of the other issue establish the text of the declaration which will be included in the online voting system. The question must be worded so as to have a “Yes”/”No” answer. The question will appear in the voting system next to the resolution on the agenda and the voter will be able to choose between “Yes”/”No” and be able to add details if the answer is “Yes”.

**Request for additional information from the holders:**

It was decided to require additional information from the holders: *No*

Details of the additional information required from the holders or manner of meeting convention (in the event of a meeting according to 350):

**Notice: This field establishes the text of the requirement for additional information which will be included in the online voting system. The voter will have the possibility to add the information in a text field.**

- Amendment of a disclosure
- Negligible change or one that only benefits the company compared with the text of a resolution detailed in a last report.
- Removed from the agenda
- The subject was discussed in a previous meeting
- The subject was added to the agenda by court order
- The subject was added to the agenda according to Regulation 5b of the Companies Regulations (Notice of General Meetings and of Category Meetings in a Public Company, and Addition of an Issue to the Agenda) 5760-2000
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**Explanation: After the record date, a resolution cannot be amended except for an amendment of the transaction conditions that benefits the company or a negligible change. Likewise, new issues cannot be added to the agenda after the record date, except by court order or in accordance with Regulation 5B of the Notice of General Meetings Regulations**

The resolution on the agenda is brought to *a vote*

Type of majority required for approval *an ordinary majority*

Does the rate of the controlling shareholder's holdings of the corporation's shares bestow the controlling shareholder with the required majority for the adoption of the proposed resolution in this matter *No*

The issue/resolution and its details:

*Description of the nature of the issue:*

*Reappointment of a director.*

*The proposed resolution:*

*To reappoint Mr. Eli Alroy as a director at the bank, as stated in Section 2.3 of the immediate report regarding the convening of the general meeting, attached herein, provided that the Supervisor of Banks does not announce her objection to the aforesaid appointment or announces her consent thereto.*

*Additional information:*

*For additional information, see Section 2 of the immediate report regarding the convening of the general meeting, attached herein, as well as Mr. Eli Alroy's statement, which is appended to the aforesaid immediate report.*

*Appointment or dismissal of a director under Articles 59 and 230 of the Companies Law*

**Notice: A value in this table sets the text of the shareholder's declaration in the online voting system. For the conversion table, [click here](#)**

Reference to the last report on the subject of approving a private proposal (T138):

*Not a transaction between the company and a controlling shareholder therein as stated in Articles 275 and 320(f) of the Companies Law*

Reference to the last report on the subject (T133):

Explanation of the article in the Companies Law or the Securities Law or in another law for the approval of the resolution:

**Explanation: In a transaction with a controlling shareholder that does not match any field in the law articles table, select the fields "Declaration: No appropriate classification field exists" and "Yes" transaction with controlling shareholder.**

**Only in the event of a bonds meeting or that this is not a transaction with a controlling**

shareholder and no appropriate field can be found in the table, should the relevant articles of the law by power of which the resolution is required be detailed and explained.

Does the issue require the disclosure of a connection or another characteristic of the voting shareholder: *No*

Notice: These values can only be selected if the field "Declaration: No appropriate classification field exists" was marked in the previous table and the transaction at hand is not between the company and its controlling shareholder

**In the event of a bonds meeting**

The existence of another issue has been decided:

Details of the other issue:

Notice: The details of the other issue establish the text of the declaration which will be included in the online voting system. The question must be worded so as to have a "Yes"/"No" answer. The question will appear in the voting system next to the resolution on the agenda and the voter will be able to choose between "Yes"/"No" and be able to add details if the answer is "Yes".

**Request for additional information from the holders:**

It was decided to require additional information from the holders: *No*

Details of the additional information required from the holders or manner of meeting convention (in the event of a meeting according to 350):

Notice: This field establishes the text of the requirement for additional information which will be included in the online voting system. The voter will have the possibility to add the information in a text field.

- Amendment of a disclosure
- Negligible change or one that only benefits the company compared with the text of a resolution detailed in a last report.
- Removed from the agenda
- The subject was discussed in a previous meeting

- The subject was added to the agenda by court order
- The subject was added to the agenda according to Regulation 5b of the Companies Regulations (Notice of General Meetings and of Category Meetings in a Public Company, and Addition of an Issue to the Agenda) 5760-2000
- The subject was added to the agenda after the record date due to a technical error, as specified:

**Explanation:** After the record date, a resolution cannot be amended except for an amendment of the transaction conditions that benefits the company or a negligible change. Likewise, new issues cannot be added to the agenda after the record date, except by court order or in accordance with Regulation 5B of the Notice of General Meetings Regulations

The resolution on the agenda is brought to *a vote*

Type of majority required for approval *an ordinary majority*

Does the rate of the controlling shareholder's holdings of the corporation's shares bestow the controlling shareholder with the required majority for the adoption of the proposed resolution in this matter *No*

**9**

The issue/resolution and its details:

*Description of the nature of the issue:*

*The reappointment of Brightman Almagor Zohar and Co. as the bank's auditors and a report on the auditors' compensation for 2018*

*The proposed resolution:*

*To reappoint Brightman Almagor Zohar and Co. as the bank's auditors*

*Declaration: No appropriate classification field exists*

**Notice:** A value in this table sets the text of the shareholder's declaration in the online voting system. For the conversion table, [click here](#)

Reference to the last report on the subject of approving a private proposal (T138):



*Not* a transaction between the company and a controlling shareholder therein as stated in Articles 275 and 320(f) of the Companies Law

Reference to the last report on the subject (T133):

Explanation of the article in the Companies Law or the Securities Law or in another law for the approval of the resolution:

*Article 154(b) of the Companies Law*

Explanation: In a transaction with a controlling shareholder that does not match any field in the law articles table, select the fields “Declaration: No appropriate classification field exists” and “Yes” transaction with controlling shareholder.

Only in the event of a bonds meeting or that this is not a transaction with a controlling shareholder and no appropriate field can be found in the table, should the relevant articles of the law by power of which the resolution is required be detailed and explained.

Does the issue require the disclosure of a connection or another characteristic of the voting shareholder: *No*

Notice: These values can only be selected if the field "Declaration: No appropriate classification field exists" was marked in the previous table and the transaction at hand is not between the company and its controlling shareholder

**In the event of a bonds meeting**

The existence of another issue has been decided:

Details of the other issue:

Notice: The details of the other issue establish the text of the declaration which will be included in the online voting system. The question must be worded so as to have a “Yes”/”No” answer. The question will appear in the voting system next to the resolution on the agenda and the voter will be able to choose between “Yes”/”No” and be able to add details if the answer is “Yes”.

**Request for additional information from the holders:**

It was decided to require additional information from the holders: *No*

Details of the additional information required from the holders or manner of meeting convention (in the event of a meeting according to 350):

**Notice: This field establishes the text of the requirement for additional information which will be included in the online voting system. The voter will have the possibility to add the information in a text field.**

- Amendment of a disclosure
- Negligible change or one that only benefits the company compared with the text of a resolution detailed in a last report.
- Removed from the agenda
- The subject was discussed in a previous meeting
- The subject was added to the agenda by court order
- The subject was added to the agenda according to Regulation 5b of the Companies Regulations (Notice of General Meetings and of Category Meetings in a Public Company, and Addition of an Issue to the Agenda) 5760-2000
- The subject was added to the agenda after the record date due to a technical error, as specified:

**Explanation: After the record date, a resolution cannot be amended except for an amendment of the transaction conditions that benefits the company or a negligible change. Likewise, new issues cannot be added to the agenda after the record date, except by court order or in accordance with Regulation 5B of the Notice of General Meetings Regulations**

The resolution on the agenda is brought to *a vote*

Type of majority required for approval *an ordinary majority*

Does the rate of the controlling shareholder's holdings of the corporation's shares bestow the controlling shareholder with the required majority for the adoption of the proposed resolution in this matter *No*

The issue/resolution and its details:

*Description of the nature of the issue:*

*Approval of an updated remuneration policy for officers at the bank.*

*The proposed resolution:*

*To approve the updated remuneration policy for officers at the bank, in the version attached as Appendix B to the immediate report regarding the convening of the general meeting, attached herein, for a period of three years commencing on January 1, 2020.*

*Approval of a remuneration policy under Article 267a(a) of the Companies Law*

**Notice: A value in this table sets the text of the shareholder's declaration in the online voting system. For the conversion table, [click here](#)**

Reference to the last report on the subject of approving a private proposal (T138):

*Not a transaction between the company and a controlling shareholder therein as stated in Articles 275 and 320(f) of the Companies Law*

Reference to the last report on the subject (T133):

Explanation of the article in the Companies Law or the Securities Law or in another law for the approval of the resolution:

**Explanation: In a transaction with a controlling shareholder that does not match any field in the law articles table, select the fields "Declaration: No appropriate classification field exists" and "Yes" transaction with controlling shareholder.**

**Only in the event of a bonds meeting or that this is not a transaction with a controlling shareholder and no appropriate field can be found in the table, should the relevant articles of the law by power of which the resolution is required be detailed and explained.**

Does the issue require the disclosure of a connection or another characteristic of the voting shareholder: *No*

Notice: These values can only be selected if the field "Declaration: No appropriate classification field exists" was marked in the previous table and the transaction at hand is not between the company and its controlling shareholder

**In the event of a bonds meeting**

The existence of another issue has been decided:

Details of the other issue:

Notice: The details of the other issue establish the text of the declaration which will be included in the online voting system. The question must be worded so as to have a "Yes"/"No" answer. The question will appear in the voting system next to the resolution on the agenda and the voter will be able to choose between "Yes"/"No" and be able to add details if the answer is "Yes".

**Request for additional information from the holders:**

It was decided to require additional information from the holders: *No*

Details of the additional information required from the holders or manner of meeting convention (in the event of a meeting according to 350):

Notice: This field establishes the text of the requirement for additional information which will be included in the online voting system. The voter will have the possibility to add the information in a text field.

- Amendment of a disclosure
- Negligible change or one that only benefits the company compared with the text of a resolution detailed in a last report.
- Removed from the agenda
- The subject was discussed in a previous meeting
- The subject was added to the agenda by court order

□ The subject was added to the agenda according to Regulation 5b of the Companies Regulations (Notice of General Meetings and of Category Meetings in a Public Company, and Addition of an Issue to the Agenda) 5760-2000

□ The subject was added to the agenda after the record date due to a technical error, as specified:

**Explanation:** After the record date, a resolution cannot be amended except for an amendment of the transaction conditions that benefits the company or a negligible change. Likewise, new issues cannot be added to the agenda after the record date, except by court order or in accordance with Regulation 5B of the Notice of General Meetings Regulations

The resolution on the agenda is brought to *a vote*

Type of majority required for approval *not an ordinary majority*

*The majority required at the general meeting and at a deferred meeting, in order to approve the proposal on the agenda to approve the updated remuneration policy, is an ordinary majority of the shareholders present at the general meeting, who are entitled to vote and voting thereat, provided that one of the following takes place:*

*1) The counting of the majority votes at the general meeting will include a majority among the votes of shareholders who are not controlling shareholders at the bank or have personal interest in the approval of the remuneration policy, who are participating in the vote; in the counting of the total votes of the aforesaid shareholders, abstaining votes will not be taken into account;*

*2) The total opposing votes of the shareholders referred to in paragraph 1 above does not exceed two percent (2%) of the total voting rights at the bank*

Does the rate of the controlling shareholder's holdings of the corporation's shares bestow the controlling shareholder with the required majority for the adoption of the proposed resolution in this matter *No*

## **11**

The issue/resolution and its details:

*Description of the nature of the issue:*

*Approval of the service and employment terms of the bank's Chief Executive Officer, Mr. Eldad Fresher (hereinafter: the "CEO")*

*The proposed resolution:*

*To approve the service and employment terms of Mr. Eldad Fresher, the Bank's CEO, for a period to commence on January 1, 2020, including an approval of the Bank's engagement with the CEO through the amended employment agreement, as detailed in Appendix C to the immediate report on the convening of the general meeting attached herein, without derogating from any of the CEO's rights that were formerly granted by the Bank*

*Declaration: No appropriate classification field exists*

**Notice: A value in this table sets the text of the shareholder's declaration in the online voting system. For the conversion table, click [here](#)**

Reference to the last report on the subject of approving a private proposal (T138):

*Not a transaction between the company and a controlling shareholder therein as stated in Articles 275 and 320(f) of the Companies Law*

Reference to the last report on the subject (T133):

Explanation of the article in the Companies Law or the Securities Law or in another law for the approval of the resolution:

*Brought to approval for the sake of prudence, under Article 272(c1)(2) of the Companies Law, since an aspect of the adjustment bonus (which was approved in the past and included in the employment terms) may be considered not in accordance with the remuneration policy, as detailed in section 5.3.5 of the attached immediate report.*

Explanation: In a transaction with a controlling shareholder that does not match any field in the law articles table, select the fields “Declaration: No appropriate classification field exists” and “Yes” transaction with controlling shareholder.

Only in the event of a bonds meeting or that this is not a transaction with a controlling shareholder and no appropriate field can be found in the table, should the relevant articles of the law by power of which the resolution is required be detailed and explained.

Does the issue require the disclosure of a connection or another characteristic of the voting shareholder: *Yes*

Notice: These values can only be selected if the field "Declaration: No appropriate classification field exists" was marked in the previous table and the transaction at hand is not between the company and its controlling shareholder

*Are you a controlling shareholder or have a personal interest in the approval of the resolution*

**In the event of a bonds meeting**

The existence of another issue has been decided:

Details of the other issue:

Notice: The details of the other issue establish the text of the declaration which will be included in the online voting system. The question must be worded so as to have a “Yes”/”No” answer. The question will appear in the voting system next to the resolution on the agenda and the voter will be able to choose between “Yes”/”No” and be able to add details if the answer is “Yes”.

**Request for additional information from the holders:**

It was decided to require additional information from the holders: *No*

Details of the additional information required from the holders or manner of meeting convention (in the event of a meeting according to 350):

Notice: This field establishes the text of the requirement for additional information which will be included in the online voting system. The voter will have the possibility to add the information in a text field.

- Amendment of a disclosure
- Negligible change or one that only benefits the company compared with the text of a resolution detailed in a last report.
- Removed from the agenda
- The subject was discussed in a previous meeting
- The subject was added to the agenda by court order
- The subject was added to the agenda according to Regulation 5b of the Companies Regulations (Notice of General Meetings and of Category Meetings in a Public Company, and Addition of an Issue to the Agenda) 5760-2000
- The subject was added to the agenda after the record date due to a technical error, as specified:

**Explanation: After the record date, a resolution cannot be amended except for an amendment of the transaction conditions that benefits the company or a negligible change. Likewise, new issues cannot be added to the agenda after the record date, except by court order or in accordance with Regulation 5B of the Notice of General Meetings Regulations**

The resolution on the agenda is brought to *a vote*

Type of majority required for approval *not an ordinary majority*

*The majority required at the general meeting and at a deferred meeting, in order to approve the proposal on the agenda to approve the CEO's service and employment terms, is an ordinary majority of the shareholders present at the general meeting, who are entitled to vote and voting thereat, provided that one of the following takes place:*

*1) The counting of the majority votes at the general meeting will include a majority among the votes of shareholders who are not*



*controlling shareholders at the bank or have personal interest in the approval of the CEO's employment terms, who are participating in the vote; in the counting of the total votes of the aforesaid shareholders, abstaining votes will not be taken into account;*

*2) The total opposing votes of the shareholders referred to in paragraph 1 above does not exceed two percent (2%) of the total voting rights at the bank.*

Does the rate of the controlling shareholder's holdings of the corporation's shares bestow the controlling shareholder with the required majority for the adoption of the proposed resolution in this matter *No*

Attachment of the report on the convening of the meeting: *zimun02122019\_isa.pdf*

#### 4. Attachments

4.1 Attachment of a file which includes a voting paper/position papers:

*votingpaper02122019\_isa.pdf*

*Yes* a voting paper

*No* position paper

**Explanation:** If a voting paper and/or a position paper has been attached, it must be verified that they are drafted in accordance with the Companies Regulations (Written Votes and Position Papers), 5766-2005. The company must assemble all position papers (per the meaning in Article 88 of the Companies Law) in a single file, in which it will be specified when the notice was published, from whom it was received, and a reference will be made to the relevant page in the consolidated file.

4.2 Attachment of a file which includes candidate statements/other related documents:

*hazharot02122019.isa.pdf*

*Yes* declaration of the candidate to serve as corporate director

*No* declaration of an independent director

No declaration of an outside director

\_\_\_\_\_ declaration of a representative's appointment to representation

\_\_\_\_\_ amended deed of trust

\_\_\_\_\_ an application to approve a creditors' arrangement under Article 350

\_\_\_\_\_ other \_\_\_\_\_

Link to the voting system website where voting may take place: Voting system

**Explanation: Those who are entitled to vote through the system will receive access information from stock exchange members.**

5. The legal counting for holding the meeting:

*The legal counting for holding the general meeting will be constituted upon the presence, in person or by proxy, of two shareholders holding at least twenty-five percent (25%) of the voting rights, within half an hour from the time set for the beginning of the meeting.*

6.  In the absence of a legal counting, the deferred meeting will be held on *December 25, 2019 at 14:00*, at the following address: *7 Jabotinsky Street, Ramat Gan, 13<sup>th</sup> floor*

No meeting shall be held in the absence of a legal counting

7. The times and place where any proposed resolution which was not described in full in the above description of the agenda may be perused:

*At the bank's offices (tel: 03-7559720), 7 Jabotinsky Street (13th Floor), Ramat Gan, during standard business hours, until the time set for the meeting*

Meeting identifier: 2019-01-096900

**Note: The meeting identifier is the reference of the initial report. The field will remain empty in the initial report on the meeting.**

*The above report was signed by Ms. Racheli Friedman, Adv., Chief Legal Advisor and Ms. Maya Feller, Bank Secretary.*

Reference numbers of previous documents concerning the issue reported herein (the mention does not constitute inclusion by way of reference):

2019-01-096900 2019-01-098419

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Securities of a Corporation Listed for Trading on the Tel Aviv Stock Exchange Form structure revision date: October 29, 2019

Abbreviated Name: Mizrahi Tefahot

Address: 7 Jabotinsky Street, Ramat Gan, 52520 Tel:03-7559720 Fax:03-7559923

E-mail: mangment@umtb.co.il Company website: <https://www.mizrahi-tefahot.co.il>

Previous name of the reporting entity: United Mizrahi Bank Ltd

Name of the person reporting electronically:	Position:	Name of Employing
Feller Maya	Bank Secretary	Company:
Address: 7 Jabotinsky Street, Ramat Gan, 52520	Tel: 03-7559720	Fax: 03-7559923
		E-mail: mangment@umtb.co.il

**Mizrahi Tefahot Bank Ltd**

Date: ~~December 2, 2019~~ **November 11, 2019**

To	To
Israel Securities Authority	Tel Aviv Stock Exchange Ltd
www.isa.gov.il	www.tase.co.il

**Re: Supplementary Report to the Immediate Report (dated November 11, 2019) on the Convening of a General Annual Meeting of the Shareholders of Mizrahi Tefahot Bank Ltd**

Pursuant to the immediate report published by the bank on November 11, 2019 (reference no. 2019-01-096900), and in accordance with the Companies Law, 5759-1999 (hereinafter: the “**Companies Law**”), the Securities Regulations (Periodic and Immediate Reports) 5730-1970 (hereinafter: the “**Periodic and Immediate Report Regulations**”), the Companies Regulations (Notice and Announcement of General Meeting and Class Meeting in Public Company) 5760-2000, the Companies Regulations (Written Votes and Position Papers) 5766-2005 (hereinafter: “**Written Vote Regulations**”) and the Remuneration for Officers in Financial Corporations (Special Approval and Non-Deductibility of Expense for Tax Purposes Due to Special Remuneration) Law 5776-2016 (hereinafter: “**Senior Officers’ Wage Law**”), Mizrahi Tefahot Bank Ltd (hereinafter: the “**Bank**” or the “**Company**”) hereby announces the convening of an annual meeting (hereinafter: the “**general meeting**” or the “**Annual Meeting**”) on Wednesday, December 18, 2019, at 14:00, at the Bank's offices on 7 Jabotinsky Street, Ramat Gan, 13th floor.

**The issues on the agenda and a summary of the proposed resolutions:**

1. **Financial reports**

1.1 **Description of the nature of the issue and the principle facts required to understand the matter:** A discussion of the Bank’s financial reports for December 31, 2018, and the Board of Directors’ report on the state of the Bank’s affairs in 2018.

1.2 **Text of the proposed resolution:** No resolution will be made on this issue.

2. **Reappointment of directors**

2.1 **Description of the nature of the issue:** The reappointment of directors.

2.2 **The principle facts required to understand the matter:** Per the Bank's Articles of Association, it is proposed to reappoint the members of the Board of Directors, whose names are listed in Section 2.3 below.

The outside directors under the Companies Law 5759-1999 (hereinafter: the “**Companies Law**”) – Ms. Hannah Feur and Messrs. Gilad Rabinovich and Joseph Fellus – are continuing with their current tenures as directors at the Bank, according to the law. Mr. Abraham Neyman, who serves as an outside director under the Companies Law, has notified the Bank that he wishes to end his service as a director at the Bank on December 31, 2019 (as detailed in the immediate report published by the Bank on November 7, 2019, reference no.: 2019-01-095775). Ms. Sabina Biran, who is an outside director under Proper Conduct of Banking Directive no. 301 Regarding the Board of Directors, issued by the Supervisor of Banks (hereinafter: “**Directive 301**”), continues with her current tenure as director at the Bank under Directive 301 and in accordance with the instructions of the Bank's Articles of Association.

2.3 **Text of the proposed resolutions**

To reappoint the following members of the Board of Directors as directors at the Bank:

2.3.1 Moshe Vidman (who serves as chairman of the Board of Directors);

2.3.2 Ron Gazit;

2.3.3 Jonathan Kaplan;

~~2.3.4 Joav Asher Nachshon;~~

~~2.3.42.3.5 Avraham Zeldman;~~

~~2.3.52.3.6 Ilan Kremer;~~

~~2.3.62.3.7 Eli Alroy.~~

According to the Bank's Articles of Association, the directors who will be appointed, as aforesaid, will end their service at the end of the third annual meeting to be held after the meeting at which their appointment will be approved.

~~In accordance with the amendment of Directive 301 published by the Supervisor of Banks, which will come into effect on July 1, 2020, the Bank's Board of Directors shall not include more than ten (10) directors; however, according to the aforesaid amendment, a banking corporation which is of the opinion that it requires a higher number of directors for the purpose of its orderly functioning may, with the Supervisor's approval, appoint a larger number of board members. In this matter, the aforesaid amendment's explanatory notes establish~~

~~that a banking corporation may request the Supervisor to appoint a larger number of directors, as aforesaid.~~

~~The Bank has contacted the Supervisor of Banks with a request to receive approval for the inclusion of up to eleven (11) directors on the Board of Directors. After the Supervisor's response is received, the Board of Directors will, insofar as required, examine the need to remove the reappointment of one of the directors enumerated above in section 2.3 from the General Meeting's agenda, as well as his appointment as a director at the Bank, by the Board of Directors, to a shorter period, subject to the instructions of the law. The Bank will release an immediate report on this matter, insofar as it may be required by law.~~

- 2.4 Voting on each candidate for tenure as a director, as specified above, will be done separately.
- 2.5 The reappointment of these directors is subject to the Supervisor of Banks not announcing her objection to the aforesaid appointment or notifying of her consent thereto.
- 2.6 Below, to the best knowledge of the Bank, are details regarding the aforesaid directors, in accordance with Regulation 26 of the Periodic and Immediate Report Regulations:
  - 2.6.1 With respect to the directors Messrs. Moshe Vidman, Ron Gazit, Jonathan Kaplan ~~Joav Asher Nachshon~~ and Avraham Zeldman, the Bank hereby refers to the details required by Regulation 26 of the Periodic and Immediate Reports Regulations regarding the aforesaid directors, as included in the periodic report for 2018, published by the Bank on March 27, 2019 (Reference No. 2019-01-027799) (hereinafter: the "**Periodic Report**"), including pages 331 through 343 of the Periodic Report, subject to the changes outlined below (this mention constitutes inclusion by way of reference to all information included in this matter in said report):
    - a. Mr. Ron Gazit:
      - (1) Mr. Ron Gazit currently serves as a member of the Board of Directors' Credit Committee, and as a member of the Board of Directors' Information Technology and Technological Innovation Committee (in March 2019, Mr. Gazit ended his service as a member of the Board of Directors' Risk Management Committee).

- (2) Changes in the list of occupations:
- In the list of current occupations: his tenure as a director at Gazit Rotenberg Trusteeship Ltd should be omitted, while his occupations as an advisor to Tanzanite Capital Ltd, as well as administrator of arbitration and mediation, should be added.
  - In the list of former occupations (in the last five years): his tenure as the founder and head of the Ron Gazit Rotenberg & Co. law company, as well as his tenure as a director at Gober Radio Ltd should be omitted, since more than five years have passed since the dates on which Mr. Ron Gazit left the aforesaid positions.

~~b. Mr. Joav Asher Nachshon:~~

~~Changes in the list of current occupations: Mr. Joav Asher Nachshon's tenure as a director at the following companies should be added: Keshet Broadcasting International Ltd, Beer Breweries Israel (Import & Export 1995) Ltd, Transportation Industries T.I. Ltd, Mileo SA (Proprietary) Ltd, Mileo Mauritius International Limited.~~

2.6.2

Mr. Ilan Kremer:

- (1) **I.D. no.:** 059841742
- (2) **Date of birth:** October 2, 1967
- (3) **Address for service of court documents:** HaDror 7b,  
Mevasseret Zion
- (4) **Nationality:** Israeli
- (5) **Membership of Board Committee(s):** Risk Management Committee
- (6) **Is he an independent director:** No.
- (7) **Is he an outside director, per this term's definition in the Companies Law:** No.
- (8) **Does he have accounting and financial expertise or professional qualifications, per these terms' definitions in the Companies Regulations (Conditions and Criteria for a Director with Accounting and Financial Expertise and for a Director with Professional Qualifications) 5766-**

**2005:** Yes – has accounting and financial expertise and has professional qualifications.

- (9) **Is he an expert director, per this term’s definition in the Companies Regulation (Rules Regarding the Remuneration and Expenses of an Outside Director) 5760-2000:** Yes.
- (10) **Is he an employee of the Company, its subsidiary, its affiliate or an interested party therein:** No.
- (11) **The date on which he began his tenure as a director at the Company:** March 28, 2019.
- (12) **Education:** B.Sc. in Physics and Computer Science (Hebrew University in Jerusalem); M.Sc. in Computer Science (Hebrew University in Jerusalem); Ph.D. in Financing – Northwestern University, Evanston, Illinois.
- (13) **His current occupations (including details of the corporations in which he currently serves as a director):** Professor of Economics and Financing (Hebrew University in Jerusalem); professor of Economics at Warwick University; project advisor via Wise Consulting Group (a consultancy firm).
- (14) **His occupations in the last five years, including details of the corporations in which he had served as a director (except for his current occupations, as detailed above in subsection (13)):** External advisor at the Bank of Israel’s Research Department
- (15) **Is he a family member of another interested party at the corporation:** No.
- (16) **Does the Bank consider him as having accounting and financial expertise for the purpose of meeting the minimum number established by the Board of Directors per Article 92(a)(12) of the Companies Law:** Yes.

2.6.3

Mr. Eli Alroy:

- (1) **I.D. no.:** 050606318
- (2) **Date of birth:** May 13, 1951
- (3) **Address for service of court documents:** Amirim 24, Savyon.



- (4) **Nationality:** Israeli
- (5) **Membership of Board Committee(s):** Not a member of any board committees.
- (6) **Is he an independent director:** No.
- (7) **Is he an outside director, per this term's definition in the Companies Law:** No.
- (8) **Does he have accounting and financial expertise or professional qualifications, per these terms' definitions in the Companies Regulations (Conditions and Criteria for a Director with Accounting and Financial Expertise and for a Director with Professional Qualifications) 5766-2005:** He has professional qualifications.
- (9) **Is he an expert director, per this term's definition in the Companies Regulation (Rules Regarding the Remuneration and Expenses of an Outside Director) 5760-2000:** Yes.
- (10) **Is he an employee of the Company, its subsidiary, its affiliate or an interested party therein:** No.
- (11) **The date on which he began his tenure as a director at the Company:** June 26, 2019.
- (12) **Education:** B.Sc. in Civil Engineering (Technion – Israel Institute of Technology); M.Sc. in Infrastructure Planning and Management (Stanford University, California, USA)
- (13) **His current occupations (including details of the corporations in which he currently serves as a director):**  
Member of the O.G. Advisory Committee; director and service provider for L.Y.N. (Holdings) Ltd; CEO and director at IRAD Investment Ltd; director, chairman of the Investment Committee and member of the Remuneration Committee at Globalworth Real Estate Investment Limited; furthermore, he is a director at the following corporations: Globalworth Real Estate Investment Limited; Director in the following corporations: L.Y.N. Innovation Ltd; L.A.B.M. (Holdings) Ltd; OG Tech Holdings 2017 Ltd; OG Tech Ventures Ltd; OG Tech Partners Ltd; L.Y.N.-L.A.B.M.

Holdings Ltd; Nalyn (Holdings) Ltd (in voluntary liquidation as of April 18, 2019).

- (14) **His occupations in the last five years, including details of the corporations in which he had served as a director (except for his current occupations, as detailed above in subsection (13)):** Director at the following companies: Ofer Investments Ltd, Ofer Brothers Holdings (1989) Ltd, Abeer Habar Ltd, Bizzabo Ltd, Healarium Inc, Shahal Telemedicine Ltd, OFA Real Estate Investments Ltd, Roboteam Ltd, Cloud 9 Wellness and Fitness Ltd, A.Y.A.D.A.R. Ltd, Quick Check Ltd.
- (15) **Is he a family member of another interested party at the corporation:** No.
- (16) **Does the Bank consider him as having accounting and financial expertise for the purpose of meeting the minimum number established by the Board of Directors per Article 92(a)(12) of the Companies Law:** No.

- 2.7 The candidates nominated to be reappointed as directors, as specified above, have delivered statements to the Bank pursuant to Article 224B(a) of the Companies Law, which are attached to the Immediate Report as **Appendix A**.
- 2.8 2.8.1 The directors, Messrs. Moshe Vidman, Jonathan Kaplan, Joav-Asher Nachshon, Abraham Neyman, Avraham Zeldman, Gilad Rabinovich, Ilan Kremer and Joseph Fellus, and Mmes. Sabina Biran and Hannah Feuer, were evaluated by the Board of Directors as having accounting and financial expertise, per the Companies Regulations (Terms and Conditions for a Director with Accounting and Financial Expertise) 5765-2005 (hereinafter: “**Regulations on Expertise and Eligibility Criteria**”).
- 2.8.2 All currently-serving directors were evaluated by the Board of Directors as having professional eligibility, per the Regulations on Expertise and Eligibility Criteria.
- 2.9 It is hereby clarified that the remuneration which will be paid to candidates for reappointment as directors, as specified above, shall be according to the resolution on directorial remuneration, as detailed in the immediate report published by the Bank on June 19, 2017 (ref. no. 2017-01-051271). This

mention constitutes inclusion by way of reference to all information included in this matter in the aforesaid immediate report.

It is further clarified that said directors are entitled to the exemption, indemnification and insurance of officers, as approved by the Bank's general meetings, as detailed in Section 1.4 of the amended immediate report published by the Bank on December 7, 2015 (ref. no. 2015-01-175365), in Section 1.2 of the amended immediate report released by the Bank on July 24, 2018 (ref. no. 2018-01-069970) and in the immediate report released by the Bank on September 6, 2018 (ref. no.: 2018-01-083194).

2.10 **The majority required to pass the resolution**

The majority required at the General Meeting and at a deferred general meeting to approve the reappointment of each of the directors, as detailed in section 2.3 above, is an ordinary majority of all shareholders present at the Annual Meeting, who are entitled to vote and voting thereat, without taking into account the abstaining votes.

3. **Reappointment of the auditors and a report on their compensation**

3.1 **Description of the nature of the issue and the principle facts**

**required to understand the matter:** The reappointment of Brightman Almagor Zohar and Co. as the bank's auditors and a report on the auditors' compensation for 2018.

3.2 **Text of the proposed resolution:** To reappoint Brightman Almagor Zohar and Co. as the bank's auditors.

3.3 **The required majority:** The majority required at the General Meeting and at a deferred general meeting to approve the reappointment of the Bank's auditors, as aforesaid in section 3.2, is an ordinary majority of all shareholders present at the Annual Meeting, who are entitled to vote and voting thereat, without taking into account the abstaining votes.

4. **Approval of an updated remuneration policy for officers at the Bank**

4.1 **Description of the nature of the issue:** Approval of an updated remuneration policy for officers at the Bank.

4.2 **The proposed resolution:** To approve the updated remuneration policy for officers at the Bank, in the version attached as **Appendix B** to this report, for a period of three years commencing on January 1, 2020.

4.3 **The principle facts required to understand the issue**

4.3.1 **Background**

- a. On April 12, 2016, the Senior Officers' Wage Law was published, in which it was determined, *inter alia*, that the determination of remuneration for an employee of the Bank (including an officer at the Bank), for whom the projected expense (according to the standard accounting rules) is expected to exceed ILS 2.5 million *per annum*, is subject to the approval of the Bank's certified organs (in accordance with the authorization apparatuses established in this regard by the Senior Officers' Wage Law); and that in such an event, a remuneration for a Bank employee cannot be approved, unless the ratio between the expense projected for him, as aforesaid, and the expense for the lowest remuneration which the Bank had paid to a Bank employee (including contract workers employed at the Bank) in the year prior to the engagement approval's date, is smaller than 35.

In accordance with the transitory provision established in the Senior Officers' Wage Law, regarding the Bank's engagement with a senior officer or employee, which was approved prior to the publication of this law, the instructions of the law shall apply as of six (6) months after the publication date – i.e., as of October 12, 2016 (hereinafter in this section: “**End of the Transitory Period**”).

- b. On February 14, 2017, the general meeting of the Bank's shareholders approved an officers' remuneration policy that had been adapted to the instructions set forth by the Senior Officers' Wage Law, as well as the instructions of the Supervisor of Banks (hereinafter: the “**Previous Remuneration Policy**”); the Previous Remuneration Policy was approved for a period of three (3) years, commencing on January 1, 2017 (see the immediate report dated January 9, 2017, reference no.: 2017-01-003454).

4.3.2 The updated remuneration policy's manner of determination, date of approval and the information regarding this matter brought before the Remuneration Committee and the Board of Directors

On November 11, 2019, having received the recommendation of the Remuneration Committee on November 4, 2019, the Bank's Board of Directors approved the remuneration policy for officers at the Bank, in the version attached as Appendix B to this report (hereinafter: the "**Updated Remuneration Policy**" or the "**Remuneration Policy**"), following a previous discussion of the Remuneration Committee (dated October 28, 2019).

These resolutions were received unanimously by all Remuneration Committee members who had attended the Remuneration Committee meeting on November 4, 2019; and all members of the Board of Directors who had attended the Board of Directors meeting on November 11, 2019.

- a. In the course of the meetings held by the Remuneration Committee and the Board of Directors, the following data were reviewed before them and examined by them, including through the external consultants:
  - (1) The conditions of the Updated Remuneration Policy, while comparing them to the conditions of the Previous Remuneration Policy and the current wage terms.
  - (2) The expense for the lowest remuneration paid by the Bank to a Bank employee (including contract workers employed at the Bank) in the year prior to the date on which the Board of Directors approved the Updated Remuneration Policy.
  - (3) A comparison of the Updated Remuneration Policy's conditions to the remuneration policies at Israel's other major banks.
  - (4) The position of the Bank's management, as presented by the Bank's CEO.
- b. The following documents and information, *inter alia*, were presented before the Remuneration Committee and the Board of Directors:
  - (1) The Previous Remuneration Policy for officers at the Bank, approved by the Bank's general meeting on February 14, 2017;

- (2) The wage cost figures of employees of the Bank and subsidiaries fully controlled by the Bank, including the contract workers employed by them, as well as figures regarding the cost of the average and median wage of these employees;
  - (3) Figures regarding the ratio between the total cost of officers' remuneration, according to the Updated Remuneration Policy, and the total cost of the remuneration of the rest of the employees of the Bank and subsidiaries fully controlled by the Bank (including the contract workers employed by them); as well as figures on the ratio between the cost of the total, maximal remuneration of the Board of Directors' chairman, the CEO and the rest of the officers under the Updated Remuneration Policy; and the cost of the average and median wage of the rest of the employees of the Bank and subsidiaries fully controlled by the Bank (including the contract workers employed by them);
  - (4) The figures of a comparison between the remuneration proposed for the Board of Directors' chairman and the CEO, and the remuneration of the Board of Directors chairpersons and CEOs, respectively, of Israel's four other major banks;
  - (5) The Remuneration for Officers in Financial Corporations (Special Approval and Non-Deductibility of Expense for Tax Purposes Due to Special Remuneration) Law 5776-2016;
  - (6) Proper Conduct of Banking Business Directive No. 301A in the matter of remuneration policies at banking corporations, released by the Supervisor of Banks (hereinafter: "**Directive 301A**"), as well as relevant articles from the Companies Law.
- c. The Updated Remuneration Policy was determined, *inter alia*, considering the following objectives:

- (1) The creation of an incentives structure for officers at the Bank, which maintains an appropriate balance between the fixed remuneration component and the variable remuneration component, and which promotes well-founded, effective risk management that does not encourage risk-taking beyond the Bank's risk appetite, and allows for maintaining a strong capital core;
- (2) The adjustment of the remuneration incentives granted to officers at the Bank to the Bank's strategic plan, the Bank's long-term goals, the Bank's results over time and the *de facto* contribution of the officers to the achievement of the Bank's goals, as aforesaid;
- (3) The preservation of the Bank's senior echelon and securement, insofar as possible, of the Bank's ability to recruit quality managers in the future, taking into account organization-wide considerations, such as remuneration costs and the preferred remuneration differences between the Bank's different echelons, the competitiveness of the banking sector, the size of the bank, the scope of its operations and the character of its business.

All with attention, *inter alia*, to the instructions and limitations set forth in Directive 301A and in the Senior Officers' Wage Law.

#### 4.4 **The identity of the members of the Remuneration Committee and the members of the Board of Directors who participated in the meetings**

- 4.4.1 The following members of the Remuneration Committee participated in the Remuneration Committee meetings in which the Remuneration Policy was discussed, for the purpose of its recommendation to the Bank's Board of Directors: Mr. Abraham Neyman (outside director), Ms. Hanna Feuer (outside director), Mr. Gilad Rabinovich (outside director), Mr. Joseph Fellus (outside director) and Ms. Sabina Biran (independent director).
- 4.4.2 The following directors participated in the Board of Directors meeting in which the Remuneration Policy was discussed: Mr.

Moshe Vidman, chairman, Mr. Abraham Neyman (outside director), Mr. Gilad Rabinovich (outside director), Ms. Hanna Feuer (outside director), Mr. Joseph Fellus (outside director), Ms. Sabina Biran (independent director), Mr. Ron Gazit, Mr. Avraham Zeldman, Mr. Jonathan Kaplan, Mr. Ilan Kremer and Mr. Eli Alroy.

4.5 **Directors who may have a personal interest in the decision**

The Chairman of the Board of Directors may have a personal interest in the approval of the Remuneration Policy, insofar as it concerns his terms of service and employment.

The rest of the directors at the Bank may have a personal interest in the approval of the Remuneration Policy, since the Remuneration Policy also refers, *inter alia*, to the service and employment terms of the directors at the Bank.

4.6 **The considerations made by the Remuneration Committee and the Board of Directors**

For the purpose of approving the Updated Remuneration Policy, the Remuneration Committee and the Board of Directors took into account the considerations listed in Article 267b(a) of the Companies Law and other considerations, as detailed in the Updated Remuneration Policy and below:

- 4.6.1 The advancement of the Bank's objectives, its strategic plan, its work plans and its policy from a long-term view;
- 4.6.2 The creation of appropriate incentives for the officers, considering, *inter alia*, the Bank's risk management policy;
- 4.6.3 The preservation and advancement of the Bank's ability to recruit and preserve quality, outstanding managers, who form the strong basis of the Bank's management, its ongoing development and success over time;
- 4.6.4 The size of the Bank and the character of its operations;
- 4.6.5 The officer's contribution to the achievement of the Bank's goals and the maximization of its profits, from a long-term view and in accordance with the position of the officer (in the matter of variable remuneration components).

4.7 **The reasoning of the Remuneration Committee and the Board of Directors for the approval of the Updated Remuneration Policy**



Below are the reasons of the Remuneration Committee, as adopted by the Board of Directors, for the approval of the Updated Remuneration Policy:

- 4.7.1 The Remuneration Policy was drafted while adjusting the remuneration customary at the Bank to Directive 301A and the Senior Officers' Wage Law. The Remuneration Policy was formulated with attention to the limitations established by the Senior Officers' Wage Law and it is aimed at preserving officers at the Bank and allowing the recruitment of new officers with the appropriate experience and capabilities, despite the limitations imposed by the aforesaid law.
- 4.7.2 The Remuneration Policy is consistent with the instructions of the Senior Officers' Wage Law and provides tools to the Bank for the recruitment and preservation of Bank officers with adequate qualifications.
- 4.7.3 While determining the Remuneration Policy, the Remuneration Committee and Board of Directors examined the existing situation at the Bank and the remuneration policies at other major banks in Israel.
- 4.7.4 The composition of the remuneration was determined according to the position of the officers, distinguishing between officers who are gatekeepers and other officers.
- 4.7.5 The variable components of the Remuneration Policy – including how they are determined and their scope relative to the fixed component – were examined with attention to the officers' contribution to the achievement of the Bank's goals, considering the Bank's strategic plan, and the maximization of its profits, from a long-term view and in accordance with the position of the officer.
- 4.7.6 The Remuneration Policy grants the Remuneration Committee and the Board of Directors reasonable room for discretion in determining officers' remuneration terms. The ratio between the remuneration terms of the officers and the rest of the Bank's employees is reasonable and does not negatively affect work relations at the Bank, *inter alia* due to the Bank's structure – in which officers constitute, in terms of quantity, a minimal part among all Bank employees; and in view of the difference between

the positions and responsibilities of the officers and the rest of the Bank's employees. Likewise, it was noted that these ratios reflect the remuneration differences customary in Israel's banking system.

4.7.7 The Remuneration Policy is appropriate for the Bank's results in recent years.

4.7.8 In the discussions of the Remuneration Committee and the Board of Directors, it was noted with respect to a possible remuneration in the Remuneration Policy for which the projected expense (according to standard accounting rules) is expected to exceed ILS 2.5 million *per annum*, that it is less than 35 times the lowest remuneration paid by the Bank to a Bank employee (including contract workers employed at the Bank) in the year prior to the date on which the Board of Directors approved the Updated Remuneration Policy. Furthermore, the Remuneration Committee and Board of Directors were mindful of the fact that a possible remuneration in the Remuneration Policy, the projected expense (according to standard accounting rules) for which is expected to exceed ILS 2.5 million *per annum*, that some of this remuneration will not be recognized as an expense for tax purposes. The Remuneration Committee and Board of Directors are of the opinion that the sum which will not be recognized as an expense for tax purposes, as aforesaid, is not significant to the Bank; and that the projected expense for the Bank is lower than the projected expense in the remuneration policy that was approved before the Senior Officers' Wage Law, with respect to these officers; and that it was determined that this projected remuneration is in the Bank's favor.

4.8 **The main changes between the Updated Remuneration Policy and the Previous Remuneration Policy**

4.8.1 The sum of the CEO's monthly salary was updated (from a total of ILS 190,660, linked to the CPI, based on the CPI for November 2016, to a total of ILS 238,000, linked to the CPI, based on the CPI for October 2019) and consequently, the sums of the provisions derived from the salary sum will also be updated, respectively. At the same time, the CEO's additional fixed remuneration component, in the total amount of one monthly

salary, *per annum* (for which the Bank made payments and provisions, as required by law, as well as a provision for compensation and a provision for remunerations, as required by law), was cancelled, all while the CEO's total remuneration was adjusted to the remuneration cap permitted under the Senior Officers' Wage Law.

4.8.2 It was determined that the value of the performance-based capital remuneration, insofar as it may be given to the CEO, shall not exceed 100% (instead of "exceed 50%", according to the Previous Remuneration Policy) from the performance-based remuneration that will be given to the CEO for a calendar year, *inter alia* to allow the Remuneration Committee and the Board of Directors flexibility in determining the mix of the performance-based remuneration that will be given to the CEO.

- 4.8.3 a. (1) The "supervisor's discretion", which was used as a basis (among other indices) to determine the entitlement of officers (except for the CEO and the directors) to a cash bonus and a performance-based capital remuneration, will serve from now on as a basis (among other indices) to determine entitlement only to a cash bonus (and not to determine entitlement to capital remuneration), in order to simplify the calculation of the fair value of performance-based capital remuneration, for financial reporting purposes in the Bank's financial reports; It is hereby clarified that the supervisor's discretion index will continue to be used as basis to determine the CEO's entitlement to performance-based remuneration.
- (2) In concurrence with the aforesaid in section (1), the weight of the "company-wide goals" index and "personal goals" index, out of the total, maximal capital remuneration of the officers (except for the CEO and the directors), was updated as detailed in section 6.5.1 of the Updated Remuneration Policy.
- b. In addition, the weight of the "company-wide goals" index, the "supervisor's discretion" index and "personal goals" index, out of the total, maximal capital remuneration of the

officers (except for the CEO and the directors), was updated as detailed in section 6.5.1 of the Updated Remuneration Policy, *inter alia* to increase the weight of the “supervisor’s discretion” index within the total cash bonus, with attention to this index’s cancellation with respect to the determination of entitlement to the performance-based capital remuneration (as aforesaid in subsection a(1)).

4.8.4 The authorities of the Remuneration Committee and the Board of Directors, in the matter of establishing the company-wide goals used as a basis to determine the entitlement of officers (except for the CEO and the directors) to performance-based remuneration, was broaden as detailed in sections 6.5.4 and 6.5.5 of the Updated Remuneration Policy, *inter alia* to allow the Remuneration Committee and the Board of Directors flexibility in adjusting the company-wide goals, the Bank’s strategic plan, as it may be updated from time to time.

4.8.5 Regarding Performance-based Remuneration, instructions regarding a “locking gate cap”, to be used as basis for the calculation of the cash bonus sum were added (as detailed in section 6.7.8 of the Updated Remuneration Policy) and in the matter of linking the realization price to the Consumer Price Index.

4.9 **The implementation manner of the Previous Remuneration Policy**

4.9.1 Below are data on the principle remuneration components that were paid to the chairman of the Board of Directors, in effect, for the years 2017-2019, compared to the caps determined in the Previous Remuneration Policy:

<b>Chairman of the Board of Directors</b>		
	<b>Cap determined in the Previous Remuneration Policy</b>	<b>The maximal remuneration given, in effect, according to the employment terms, as well as</b>

		<b>the remuneration paid in effect</b>
Fixed component (monthly salary)	₱189,660, linked to the Consumer Price Index	Under the terms of his employment, the chairman of the Board of Directors was given the full sum of the monthly salary; this sum was paid, in effect, for the years 2017-2019 (the salary for December 2019 has not yet been paid).
An additional fixed remuneration component	A sum which will not exceed two (2) monthly salaries, <i>per annum</i> , to be paid insofar as the permitted remuneration cap (under the Senior Officers' Wage Law) will allow it.	Under the terms of his employment, the chairman of the Board of Directors was given the additional fixed remuneration component, in full, and it was determined that this component will be paid insofar as the permitted remuneration cap (under the Senior Officers' Wage Law) will allow it.  The sum paid in effect to the chairman of the Board of Directors,

		for the additional fixed remuneration component, is as follows: ₺209K for 2017; paid in full for 2018; not yet paid in full for 2019.
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According to the Previous Remuneration Policy, the chairman of the Board of Directors was not entitled to a performance-based remuneration, and such remuneration was not, in effect, given to him.

4.9.2 Below are data on the principle remuneration components that were paid to the CEO, in effect, for the years 2017-2019, compared to the caps determined in the Previous Remuneration Policy:

<b>CEO</b>		
	<b>Cap determined in the Previous Remuneration Policy</b>	<b>The maximal remuneration given, in effect, according to the employment terms, as well as the remuneration paid in effect</b>
Fixed component (monthly salary)	₺190,660, linked to the Consumer Price Index	Under the terms of his employment, the CEO was given the full sum of the monthly salary; this sum was paid, in effect, for the years 2017-2019 (the salary for December

		2019 has not yet been paid).
An additional fixed remuneration component	A sum which will not exceed one (1) monthly salaries, <i>per annum</i> , to be paid insofar as the permitted remuneration cap (under the Senior Officers' Wage Law) will allow it.	Under the terms of his employment, the CEO was given the additional fixed remuneration component, in full, and it was determined that this component will be paid insofar as the permitted remuneration cap (under the Senior Officers' Wage Law) will allow it.  The additional fixed remuneration component was paid to the CEO in full for 2017 and 2018. This component has yet to be paid in full for 2019.
Performance-based remuneration (cash bonus and capital remuneration) – annual	The performance-based remuneration cap, <i>per annum</i> , is three (3) monthly salaries, subject to the remuneration cap permitted under the Senior Officers' Wage Law	Under the terms of his employment, the CEO was given performance-based remuneration, in a sum not to exceed three (3) monthly salaries <i>per annum</i> , subject to the

		<p>remuneration cap permitted under the Senior Officers' Wage Law.</p> <p>The sum paid in effect to the CEO:</p> <p>-Cash bonus -          ₩25K for 2017 and ₩174K for 2018.</p> <p>-Capital remuneration: No capital remuneration was given to the CEO for 2017 and 2018.</p> <p>No decision has been made yet regarding whether to give a cash bonus or a capital remuneration for 2019.</p>
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4.10 **Agreements which are not in accordance with the Remuneration Policy**

4.10.1 The service and employment terms of the current chairman of the Board of Directors, as of January 1, 2017 and onwards, were determined according to the Bank's Previous Remuneration Policy, and are also in accordance with the Updated Remuneration Policy, the commencement of which is on January 1, 2020, subject to that which is detailed below:

- a. (1) Under the chairman of the Board of Directors' 2012-2015 employment agreement, it was agreed that the Bank would acquire a loss of work capacity insurance for the chairman, and that the Bank's severance



payments would come in lieu of the severance pay under Article 14 of the Severance Pay Law. However, as it became clear that a loss of work capacity insurance could not be purchased for the chairman because of his age, it was agreed under the former employment agreement (approved by the general meeting of the Bank's shareholders on March 8, 2016 and which preceded the chairman of the Board of Directors' current employment agreement) (hereinafter, in this section 4.10, the "**Former Employment Agreement**"), as well as under the chairman of the Board of Directors' current employment agreement (approved by the general meeting of the Bank's shareholders on February 14, 2017), that all of the Bank's severance payments, including their revenues, will come in lieu of severance pay, if such are due by the Severance Pay Law; and if these are not enough to cover severance pay under the Severance Pay Law, the retirement bonus which is to be paid to the chairman under the 2012-2015 employment agreement shall come in lieu of the severance pay; and if this too is insufficient, the bank shall pay the missing balance to the chairman (until severance pay by law).

- (2) In this matter, it should be noted that section 9.2 of the Bank's Updated Remuneration Policy (as well as the Previous Remuneration Policy) states, *inter alia*, that upon retirement, the Bank may release the severance pay monies accumulated for the officer in the provident/severance fund, and that Article 14 of the Severance Pay Law shall apply in this matter (i.e. the Bank's payments to provident/severance fund shall come in lieu of the full liability to severance pay, and the bank shall be exempt from Severance Pay in accordance with the instructions of the aforesaid Article 14). However, as no loss of work capacity insurance can be purchased for the Chairman, as stated above, the arrangement specified in paragraph (a) above was

established under the Former Employment Agreement and the current employment agreement, in the matter of Severance Pay under the Severance Pay Law.

- b. For the sake of good order, it should be noted that in section 9.2 of the Updated Remuneration Policy, it was determined that the entitlement to the adjustment bonus will be accrued over the Chairman's first two (2) tenure years, as detailed in the aforesaid section; according to the 2012-2015 employment agreement, as well as the Former Employment Agreement and the current employment agreement, the chairman is entitled to an adjustment bonus regardless of his tenure. However, in effect, the adjustment bonus entitlement terms determined for the chairman (as detailed in section 9.2 of the Updated Remuneration Policy) are fulfilled regarding the Chairman of the Board of Directors.
- c. In the matter of the retirement bonus accrued and paid in the past to the chairman of the Board of Directors, see footnote no. 21 to the Updated Remuneration Policy, attached as Appendix B to this report.

4.10.2 In the matter of the CEO's remuneration component, which may be considered as remuneration components which are not in accordance to the Updated Remuneration Policy, see section 5.3.5 below.

4.10.3 In the matter of the retirement bonus and the spread of retirement payments, as provided in sections 9.3 and 9.4 of the Updated Remuneration Policy, it should be noted that with respect to rights for retirement bonuses of the officers who are not directors, who served at the Bank prior to June 3, 2013, the Bank will act in accordance with the transitory instructions established in this matter either in the Supervisor of Banks' directives or according to the Supervisor of Banks' authorization; in this matter, see also section 1.7 of the Updated Remuneration Policy, attached as Appendix B to this report. It should be further noted that in the matter of the remission instructions established in section 6.10 of the Updated Remuneration Policy, the transitory instructions established by the Supervisor of Banks shall apply.

4.11 **The majority required to pass the resolution**

The majority required at the general meeting and at the deferred general meeting in the resolution to approve the proposal on the agenda to approve the Updated Remuneration Policy, as aforesaid in section 4.2, is an ordinary majority of the shareholders present at the general meeting, who are entitled to vote and voting thereat, provided that one of the following takes place:

- 4.11.1 The counting of the majority votes at the general meeting will include a majority of the votes of shareholders who are not controlling shareholders at the Bank or have personal interest in the approval of the Remuneration Policy, who are participating in the vote; in the counting of the total votes of the aforesaid shareholders, abstaining votes will not be taken into account;
- 4.11.2 The total opposing votes of the shareholders referred to in section 4.11.1 above does not exceed two percent (2%) of the total voting rights in the Bank.

Despite the aforesaid, the Bank's Board of Directors shall be entitled to approve the Remuneration Policy, even if the general meeting opposed the approval thereof, provided that the Remuneration Committee - and thereafter, the Bank's Board of Directors – have decided, based on detailed arguments and having re-discussed and re-examined the remuneration policy, that the approval of the Remuneration Policy, despite the opposition of the general meeting, is in the Bank's favor.

A shareholder participating at the vote, with regard to the resolution detailed above in this section 4, shall notify the Bank prior to the vote; and if the vote is through a voting paper – shall mark the designated place in Part B of the voting paper attached as **Appendix D** to this immediate report whether he is considered a controlling shareholder in the Bank, or any party on behalf thereof or whether he has a personal interest in the approval of the Remuneration Policy, as the case may be, and also describe the relevant affiliation, if any. Should a shareholder fail to notify or mark as aforesaid, or if he has made a mark and not provided a description as aforesaid, his vote shall not be counted.

In this report – “**personal interest**” – an individual's personal interest in any activity or transaction of a company, including the personal interest of a relative and another corporation wherein he or his relative are interested parties, excluding personal interest arising from holding shares at the company, including the personal interest of an individual voting by power of attorney

granted to him by another individual even if the other has no personal interest; likewise, the vote of an individual who has been granted power of attorney to vote on behalf of an individual who has personal interest will be considered as a vote by the holder of the personal interest, and all whether the judgment in the vote is that of the voter or not.

5. **Approval of the service and employment terms of the Bank's Chief Executive Officer**

- 5.1 **Description of the nature of the issue:** Approval of the service and employment terms of Bank's Chief Executive Officer, Mr. Eldad Fresher (hereinafter: "CEO").
- 5.2 **The proposed resolution:** To approve the service and employment terms of Mr. Eldad Fresher, the Bank's CEO, for a period to commence on January 1, 2020, including an approval of the Bank's engagement with the CEO through the amended employment agreement, as detailed in **Appendix C** to this report, without derogating from any of the CEO's rights that were formerly granted by the Bank.

5.3 **The principle facts required to understand the issue**

- 5.3.1 Mr. Eldad Fresher began to work at the Bank in November 2004, and on August 16, 2013, he began his tenure as the Bank's CEO. During the period from the commencement of his employment at the Bank and until his appointment as the Bank's CEO, Mr. Fresher served as a member of the Board of Management - CFO, and as the head of Market, Interest and Liquidity Risks. Moreover, from February 28, 2005 and until August 16, 2013, Mr. Fresher served as the chairman of the Board of Directors at Mizrahi Tefahot Issuing Company Ltd. (a subsidiary fully owned by the Bank); and as of July 22, 2010, he also serves as the chairman of the Board of Directors at Mizrahi Tefahot Switzerland (United Mizrahi Bank (Switzerland) Ltd).

In the matter of Mr. Eldad Fresher's education, see the information provided under Regulation 26 of the Periodic and Immediate Report Regulations, as included in the periodic report for 2018 that was published by the Bank on March 28, 2019 (Ref. No. 2019-01-027799); this mention constitutes inclusion by way of reference to all information listed in this matter in the aforesaid report.

5.3.2 Pursuant to the Senior Officers' Wage Law, on February 14, 2017, the Bank's general meeting approved, *inter alia*, the service and employment terms of Bank's CEO, including the Bank's engagement with the CEO through an employment agreement, for a period that commenced on January 1, 2017, which were detailed in section 3 and Appendix C of the immediate report published by the Bank on January 9, 2017 (reference: 2017-01-003454) (hereinafter: the "**Previous Employment Agreement**"); this mention constitutes inclusion by way of reference to all information listed in this matter in section 3 and Appendix C of the aforesaid report. Further to this, and in accordance with the Bank's Updated Remuneration Policy (attached to this report as Appendix B and brought to the approval of the general meeting), the Remuneration Committee and the Board of Directors approved updated service and employment terms for the CEO, which include amendments to the Previous Employment Agreement, as detailed in Appendix C to this report (hereinafter: the "**Amended Employment Agreement**"), which will apply to the period that will commence on January 1, 2020, *inter alia*, considering the remuneration cap permitted under the Senior Officers' Wage Law, per its meaning in section 4.6.2 of Appendix C to this report (hereinafter: "**Permitted Remuneration Cap**").

5.3.3 Details regarding the service and employment terms of the CEO, in accordance with the sixth addendum to the Periodic and Immediate Reports Regulations

Below are details in respect of the remunerations to which the CEO shall be entitled to in 2020, according to the Amended Employment Agreement (assuming a full calendar year's employment)

<b>Officer details</b>			
<b>Name</b>	<b>Position</b>	<b>Job schedule</b>	<b>Holding percentage of corporate capital</b>
Eldad Fresher	CEO	100%	---

Annual remuneration (In ILS K) for 2020 <sup>1)</sup>									
Mr. Eldad Fresher, CEO of the Bank									
(In terms of cost to the Bank)									
	Salary (2)	Other salary components (3)	Other		Bonus (6)	Share- based payment (7)	Management fees/ Consultation fees/ Commission/ Rent fees	Total remuneration cost (8)(9)	Social benefits by law (10)
			Social benefits (4)	Value of benefits and interest (5)					
2020	2,856	110	251	147	--	--	--	3,364	424

**Table notes:**

- 1) The remuneration sums are given in terms of annual cost to the Bank (not including wage taxes).  
The remuneration for 2020 was calculated according to the Amended Employment Agreement, as detailed in Appendix C to this report.
- 2) The salary is fully linked to CPI increases; the sum of the salary stated in the table does not include either social or other benefits.
- 3) These components include the tax gross-up for a car, mobile telephone and home communication expenses, as well as convalescence pay.
- 4) (a) Provisions to the advanced study fund, national insurance (employer's share) and annual leave days; the sums specified in the table are assuming full utilization of the entitlement to annual leave days.
- (b) The CEO is entitled to a non-competition adjustment bonus at a total of six (6) salaries, plus a sum at the value of the provisions for pension, pension, severance and the advanced study fund, as well as a retirement bonus, at a sum equal to 150% of the last monthly salary prior to the End of the Transitory Period, multiplied by the CEO's employment years at the Bank up to the End of the Transitory Period (i.e. October 12, 2016), as detailed in section 4.9.4 of Appendix C to this report.
- It should be noted that the cost of the adjustment bonus and the cost of the retirement bonus accrued for the CEO up to the End of the Transitory Period were fully provided in the Bank's financial reports prior to the End of the

Transitory Period, and shall not be taken into account for the purpose of calculating the total remuneration which the Bank may pay the CEO under the Senior Officers' Wage Law, including according to Article 2(b) of the aforesaid law

- 5) Car, mobile telephone and home communication expenses, leisure, holiday gift, and life insurance.
- 6)
  - (a) According to the CEO's Previous Employment Agreement, the Remuneration Committee and the Board of Directors may, at their discretion, give the CEO a cash bonus for 2019, provided that the cash bonus, in addition to the value of the capital remuneration (mentioned in note 7)(a) below), do not exceed three (3) monthly salaries; it is hereby clarified that the CEO's entitlement to a cash bonus (insofar as it may be given) will be on condition of the fulfillment of the prerequisites determined for this matter, and subject to the Permitted Remuneration Cap provided under the Senior Officers' Wage Law.
  - (b) According to the CEO's Amended Employment Agreement, the Remuneration Committee and the Board of Directors may, at their discretion, grant the CEO a cash bonus for 2020, provided that the cash bonus, in addition to the value of the capital remuneration (mentioned in note 7)(b) below), do not exceed three (3) monthly salaries; it is hereby clarified that the CEO's entitlement to a cash bonus (insofar as it may be given) will be on condition of the fulfillment of the prerequisites determined for this matter, and subject to the Permitted Remuneration Cap provided under the Senior Officers' Wage Law, as detailed in section 5 of Appendix C to this report.
- 7)
  - a) According to the CEO's Previous Employment Agreement, the Remuneration Committee and the Board of Directors may, at their discretion, give the CEO a capital remuneration for 2019, the value of which shall not exceed one-and-a-half (1.5) monthly salaries, under the prerequisites that will be determined for this matter by the Remuneration Committee and the Board of Directors, provided that the value of the capital remuneration, in addition to the cash bonus that will be given to the CEO for 2019 (insofar as it may be given) do not exceed three (3) monthly salaries; it is hereby clarified that the CEO's entitlement will be on condition of the fulfillment of the prerequisite determined for this matter, and subject to the Permitted Remuneration Cap provided under the Senior Officers' Wage Law.
  - (b) According to the CEO's Amended Employment Agreement, if the Remuneration Committee and the Board of Directors decide that the performance-based

remuneration to be given to officers at the Bank (who are neither the CEO nor directors) for 2020 should also include capital remuneration, the Remuneration Committee and the Board of Directors shall be entitled to determine, according to their discretion, that the performance-based remuneration to be granted to the CEO for 2020, in full or in part, shall include capital remuneration under the prerequisites that will be determined for this matter by the Remuneration Committee and the Board of Directors, provided that the value of the capital remuneration, in addition to the cash bonus that will be given to the CEO for 2020 (insofar as it may be given) do not exceed three (3) monthly salaries; it is hereby clarified that the CEO's entitlement will be on condition of the fulfillment of the prerequisite determined for this matter, and subject to the Permitted Remuneration Cap provided under the Senior Officers' Wage Law, all as detailed in section 5 of Appendix C to this report.

- 8) Not including social benefits required by law.
- 9) The sum of the cash bonus (as detailed in note 6)(b) above) and the sum of the capital remuneration (as detailed in note 7)(b) above), to which the CEO shall be entitled (insofar as he may be entitled) for 2020 will be added to the sum presented in the table.
- 10) Provisions to a pension fund and executive insurance, at the expense of the Bank, for 2020 in its entirety. It should be noted that the aforesaid provisions for 2020 will not be taken into account for the purpose of calculating the total remuneration which the Bank may pay the CEO under the Senior Officers' Wage Law, including according to Article 2(b) of the aforesaid law.

5.3.4 The ratio between the cost of the CEO's remuneration and the cost of the average and median remuneration of the rest of the Bank's employees

The ratio between the cost of the total remuneration of the CEO according to the Amended Employment Agreement<sup>(1)</sup>, and the cost of the remuneration, average or median, of the rest of the Bank's employees, including the employees of the Bank's fully-controlled subsidiaries and including contract workers (hereinafter in this section: "Bank Employees")<sup>(2)</sup> is as follows:

<b>The ratio between the cost of the maximal monthly remuneration of the CEO and</b>	<b>The ratio between the cost of the maximal monthly remuneration of the CEO and</b>
--	--



<b>the average monthly remuneration of Bank Employees</b>	<b>the median monthly remuneration of Bank Employees</b>
12.5	15.6

- (1) The amounts were calculated according to the monthly average of the annual data of the CEO's maximal remuneration, in accordance with the Amended Employment Agreement, as detailed in section 4 of Appendix C to this report, including the performance-based remuneration at a sum of up to three (3) salaries (as specified in section 5 of Appendix C to this report), which the Bank is currently not allowed to pay, in full, due to the limitations set forth under the Senior Officers' Wage Law.
- (2) The total remuneration, average or median, of the rest of the Bank Employees was calculated based on the monthly average of the annual data on the total remuneration of Bank Employees for 2018, including cash bonuses paid in respect of 2018. With respect to employees who were employed part-time or worked only during part of 2018, the remuneration was calculated so as to reflect remuneration for a full-time annual position.

In this matter it should also be added that the ratio between the cost of the monthly remuneration of the CEO, according to the Amended Employment Agreement (after a reduction in view of the remuneration cap of the Senior Officers' Wage Law, as specified in section 4.6.1 of Appendix C to this report) and the cost of the average monthly remuneration of Bank Employees (as provided in note (2) to the table above) is 10.9; and 13.5 between that and the cost of the median monthly remuneration of Bank Employees.

It should be noted further that the ratio between the *de facto* cost of the CEO's average monthly remuneration for 2018, and the cost of the average monthly remuneration of Bank Employees for 2018 is 9.7; and 12.1 between that and the cost of the median monthly remuneration of Bank Employees for 2018.

5.3.5 The CEO remuneration component, which may be considered remuneration component that is not in accordance with the Remuneration Policy

The CEO's terms of service and employment as of January 1, 2020 were determined according to the Bank's Updated Remuneration Policy, subject to the statement below:

For the sake of good order, it should be noted that in section 9.2 of the Updated Remuneration Policy, it was determined that the entitlement to the adjustment bonus will be accrued over the CEO's first two (2) tenure years, as detailed in the aforesaid section; according to the CEO's Amended Employment Agreement and Previous Employment Agreement, and the employment agreement before that, the CEO is entitled to an adjustment bonus regardless of his tenure period.

However, in effect, the adjustment bonus entitlement terms determined for the CEO (as detailed in section 9.2 of the Updated Remuneration Policy) apply to the CEO.

5.3.6 The service and employment terms proposed to the CEO under the Amended Employment Agreement, relative to the CEO's previous service and employment terms

As noted above, the CEO's previous service and employment terms under the Previous Employment Agreement were detailed in section 3 and in Appendix C to the immediate report dated January 9, 2017, which are included in this report by way of reference, as provided in section 5.3.2 above. Below are the principle changes between the previous service and employment terms and the service and employment terms being proposed to the CEO:

- a. Under the service and employment terms being proposed to the CEO, the sum of the CEO's monthly salary has been updated from a total of ILS 190,660 per month (linked to the CPI, based on the index for November 2016), plus the additional fixed remuneration component of a single monthly salary in the total of ILS 190,660 *per annum*, i.e. a total sum of ILS 206,548 on a monthly average (linked to the CPI, as above), to a total of ILS 238,000 (linked to the CPI, based on the index for October 2019), without the additional fixed remuneration component, as aforesaid, which shall be cancelled as of January 1, 2020. As a result, the sums of the provisions deriving from the salary sum will also be updated accordingly. In this matter, it should be noted that the Bank made payments and provisions, as required by law,

as well as a provision for compensation and a provision for remunerations, as required by law, for the CEO's additional fixed remuneration component, which has been cancelled, as aforesaid.

- b. Under the service and employment terms being proposed to the CEO, it was determined that the performance-based remuneration that may be given to the CEO, at the discretion of the Remuneration Committee and the Board of Directors, may be given for the years 2020 and onwards (instead of the year 2017-2019, under the previous service and employment terms).
- c. Under the service and employment terms being proposed to the CEO, it was determined that the value of the performance-based capital remuneration, insofar as it may be given to the CEO, shall not exceed 100% (instead of "50%", under the previous service and employment terms) of the performance-based remuneration that may be given to the CEO for a calendar year.
- d. Under the service and employment terms being proposed to the CEO, Instructions were added to the service and employment terms being proposed to the CEO, according to which the capital remuneration that may be given to the CEO, at the discretion of the Remuneration Committee and the Board of Directors, will be determined, *inter alia*, in accordance with the instructions set forth in section 6.7 of the Updated Remuneration Policy, or in accordance with the instructions that will be set forth on this matter in the Remuneration Policy, as it may be from time to time, with the necessary changes.

5.4 **The determination manner of the service and employment terms proposed to the CEO, their approval date and the information brought in this matter before the Remuneration Committee and the Board of Directors**

- 5.4.1 On November 11, 2019, having received the recommendation of the Remuneration Committee on November 4, 2019, the Bank's Board of Directors approved the CEO's service and employment terms, per the Amended Employment Agreement, without derogating from any of the CEO's rights that were formerly granted by the Bank. These decisions were made after a previous discussion by the Remuneration Committee (on October 28, 2019).

These resolutions were received unanimously by all Remuneration Committee members who had attended the Remuneration Committee meeting on November 4, 2019; and all members of the Board of Directors who had attended the Board of Directors meeting on November 11, 2019.

- 5.4.2 The following documents and information, *inter alia*, were presented to the Remuneration Committee and the Board of Directors:
- a. The Previous Remuneration Policy for officers at the Bank , approved by the general meeting on February 14, 2017;
  - b. A draft of the Updated Remuneration Policy for officers at the Bank;
  - c. The principle service and employment terms proposed to the CEO of the Bank, according to the Amended Employment Agreement;
  - d. The expense for the lowest remuneration paid by the Bank to an employee of the Bank (including contract workers employed at the Bank) in the year prior to the date on which the Board of Directors would approve the CEO's terms of service and employment;
  - e. The principle service and employment terms of the CEO of the Bank, according to the Previous Employment Agreement;
  - f. Information regarding the remuneration costs of employees of the Bank and subsidiaries fully controlled by the Bank (including contract workers), as well as information on these employees' average and median remuneration, and the ratio between the cost of the remuneration proposed to the CEO according to the Amended Employment Agreement and the cost of the average and median remuneration of the rest of the employees, as stated above;
  - g. Data comparing the remuneration proposed to the CEO and the remuneration of the Chief Executive Officers at the four other major banks in Israel;
  - h. The Remuneration of Officers of Financial Institutions (Special Approval and Limitations on Expenses on account of Extraordinary Remuneration) Law, 5776-2016;

- i. Proper Conduct of Banking Directive No. 301A on the matter of remuneration policies at banking corporations, and relevant articles from the Companies Law.

5.5 **The identity of the members of the Remuneration Committee and the members of the Board of Directors who participated in the meetings**

- 5.5.1 The following members of the Remuneration Committee participated in the Remuneration Committee meetings in which the CEO's service and employment terms were discussed: Mr. Abraham Neyman (outside director), Ms. Hanna Feuer (outside director), Mr. Gilad Rabinovich (outside director), Mr. Joseph Fellus (outside director) and Ms. Sabina Biran (independent director).
- 5.5.2 The following members of the Board of Directors participated in the Board of Directors meeting in which the CEO's service and employment terms were discussed: Mr. Moshe Vidman, chairman, Mr. Abraham Neyman (outside director), Mr. Gilad Rabinovich (outside director), Ms. Hanna Feuer (outside director), Mr. Joseph Fellus (outside director), Ms. Sabina Biran (independent director), Mr. Ron Gazit, Mr. Avraham Zeldman, Mr. Jonathan Kaplan, Mr. Ilan Kremer and Mr. Eli Alroy.

The directors do not have a personal interest in the approval of the CEO's service and employment terms.

5.6 **The reasons of the Remuneration Committee and the Board of Directors for the approval of the CEO's terms of service and employment**

Below are the reasons of the Remuneration Committee, as adopted by the Board of Directors, for the approval of the CEO's terms of service and employment:

- 5.6.1 The CEO's service and employment terms were formulated considering, *inter alia*, his education, skills, achievements, seniority at the Bank and managerial experience accumulated during his various positions at the Bank, as well as the importance of the CEO's service over time.
- 5.6.2 The CEO's service and employment terms, as of January 1, 2020, were determined according to the Bank's Updated Remuneration Policy, considering, *inter alia*, the instructions set forth in this matter in the Senior Officers' Wage Law and the Supervisor of Banks' directives.

5.6.3 Under the service and employment terms being proposed to the CEO, the sum of the CEO's monthly salary has been updated from a total of ILS 190,660 per month (linked to the CPI, based on the index for November 2016), plus the additional fixed remuneration component of a single monthly salary in the total of ILS 190,660 *per annum*, i.e. a total sum of ILS 206,548 on a monthly average (linked to the CPI, as above), to a total of ILS 238,000 (linked to the CPI, based on the index for October 2019), without the additional fixed remuneration component, as aforesaid, which shall be cancelled as of January 1, 2020, adjusting the CEO's total remuneration to the Permitted Remuneration Cap provided under the Senior Officers' Wage Law.

5.6.4 Under the service and employment terms being proposed to the CEO, as was the case with the previous service and employment terms, it was determined, *inter alia*, that the performance-based remuneration (cash bonus and capital remuneration), insofar as it may be given to the CEO, shall not exceed three (3) monthly salaries per calendar year. However, in the proposed service and employment terms, it was determined that the value of the performance-based capital remuneration (insofar as it may be given to the CEO) can be set by the Remuneration Committee and the Board of Directors at a rate that shall not exceed 100% (instead of "shall not exceed 50%", according to the Previous Remuneration Policy) from the performance-based remuneration for a calendar year, *inter alia* to allow the Remuneration Committee and the Board of Directors flexibility in determining the mix of the performance-based remuneration that will be given to the CEO.

It is hereby clarified that the total remuneration to the CEO for any calendar year (not including provision for compensations and provision for remunerations, as required by law), plus the performance-based remuneration, insofar as it may be given to the CEO, as above, shall not exceed the remuneration cap permitted under the Senior Officers' Wage Law.

5.6.5 During the discussions of the Remuneration Committee and the Board of Directors, the committee and the Board of Directors were presented with data regarding the ratio between the cost of the CEO's proposed total remuneration and the cost of the remuneration of the rest of the

employees at the Bank and at subsidiaries fully controlled by the Bank, including the contract workers employed by them, and particularly the ratio between the cost of the CEO's proposed total remuneration and these employees' average and median wages. With respect to the impact of the differences between the aforesaid remuneration costs on work relations at the Bank, the Remuneration Committee and the Board of Directors are of the opinion that the aforesaid ratios are reasonable and that they do not impair work relations at the Bank, due to the difference between the roles and responsibilities of the CEO and those of other employees.

5.6.6 Furthermore, as part of the approval of the CEO's service and employment terms, the Remuneration Committee and the Board of Directors were mindful that since the expense due to the cost of the wage that the Bank would bear, directly or indirectly, in a tax year for the CEO, would exceed the "payment cap", per its meaning in Article 4 of the Senior Officers' Wage Law, part of the remuneration which will be paid to the CEO will not be recognized as a tax-deductible expense for the Bank, under the instructions of Article 4 of the aforesaid law. The Remuneration Committee and the Board of Directors are of the opinion that the sum which will not be recognized as a tax-deductible expense for the Bank, as stated above, is not material to the Bank.

5.6.7 Being mindful of the aforesaid, and in view of the entirety of information, figures, documents and considerations examined in this matter, it is the opinion of the Remuneration Committee and the Board of Directors that the service and employment terms proposed to the CEO and brought here for approval are reasonable and appropriate under the circumstances, considering, *inter alia*, the scope of the Bank's operations and their complexity, as well as the great responsibility bestowed upon the CEO of the Bank by virtue of his position, and the CEO's proven managerial capabilities, which had contributed to the Bank's good performance and business results in recent years. Moreover, the aforesaid service and employment terms are intended to promote the Bank's best interest and grant the CEO an appropriate and adequate incentive to work towards the achievement of the Bank's goals and the yield of its profits, while maintaining the

Bank's risk profile within the boundaries of the risk appetite determined by the Board of Directors.

5.7 **The majority required to pass the resolution**

The majority required at the general meeting and at the deferred general meeting in the resolution to approve the proposal on the agenda to approve the CEO's service and employment terms, as aforesaid in section 5.2, is an ordinary majority of the shareholders present at the general meeting, who are entitled to vote and voting thereat, provided that one of the following takes place:

- 5.7.1 The counting of the majority votes at the general meeting will include a majority of the votes of shareholders who are not controlling shareholders at the Bank or have personal interest in the approval of the CEO's service and employment terms, who are participating in the vote; in the counting of the total votes of the aforesaid shareholders, abstaining votes will not be taken into account;
- 5.7.2 The total opposing votes of the shareholders referred to in section 5.7.1 above does not exceed two percent (2%) of the total voting rights in the Bank.

Despite the aforesaid, the Bank's Remuneration Committee and thereafter the Bank's Board of Directors shall be entitled to approve the CEO's service and employment terms, even if the general meeting opposed the approval thereof, provided that the Remuneration Committee - and thereafter, the Bank's Board of Directors - will decide so based on detailed arguments and having re-discussed them and examined, *inter alia*, the opposition of the general meeting.

A shareholder participating at the vote, with regard to the resolution detailed above in this section 5, shall notify the Bank prior to the vote; and if the vote is through a voting paper - shall mark the designated place in Part B of the voting paper attached as Appendix D to this immediate report whether he is considered a controlling shareholder in the Bank, or any party on behalf thereof or whether he has a personal interest in the approval of the CEO's service and employment terms, as the case may be, and also describe the relevant affiliation, if any. Should a shareholder fail to notify or mark as aforesaid, or if he has made a mark and not provided a description as aforesaid, his vote shall not be counted.

In this report - "**personal interest**" - per its definition in section 4.11 above.



6. **The identity of the Bank's controlling shareholders and the rights which grant them control**

For details regarding the identity of the Bank's controlling shareholders and the rights which grant them control at the Bank, including their holdings of the voting rights and the Bank's issued and redeemed capital, as well as the voting agreements to which they are party, which regard voting rights at the Bank, see the explanations regarding holders nos. 1 through 3 in the immediate report regarding the "status of holdings of interest parties and senior officers" published by the Bank on October 6, 2019 (reference no.: 2019-01-086241) (hereinafter: "**Status Report**"). This mention constitutes inclusion by way of reference to all information listed in the aforesaid explanations in the Status Report

7. **Location and time of the meeting's convening**

7.1 The General Meeting will convene on Wednesday, December 18, 2019, at 14:00, at the Bank's offices, 7 Jabotinsky St., Ramat Gan, 13th floor (hereinafter: the "**Bank's Offices**"). If the meeting is deferred, it will be held on December 25, 2019, at the same time and place.

The date for determining the entitlement of shareholders to vote at the General Meeting, as provided in Section 182 of the Companies Law, will be November 17, 2019 (hereinafter: the "**Effective Date**").

7.2 The legal counting for holding the General Meeting will be constituted upon the presence, in person or by proxy, of two shareholders with at least twenty five percent (25%) of the voting rights, within half an hour from the time scheduled for the beginning of the meeting.

7.3 The Bank's controlling shareholders' holdings of the Bank's issued and redeemed capital shall not grant the Bank's controlling shareholders the majority required to approve each of the resolutions on the agenda of the General Meeting.

7.4 A shareholder is entitled to vote at the General Meeting, in person or through an agent granted power of attorney to vote. In addition, a shareholder is entitled to vote at the General Meeting at the vote to approve the resolutions, as provided above in sections 2, 4 and 5, via voting paper, as detailed below (hereinafter: "**Written Vote**" or "**Voting Paper**").

7.5 7.5.1 In addition, an unregistered shareholder (i.e. a person to whom shares are registered with a TASE member, and those shares are also included in the Shareholder Registry under a registration company's name) (hereinafter: "**Unregistered Shareholder**") is also entitled to

vote through an electronic Voting Paper, which shall be transferred to the Bank through the electronic voting system (hereinafter:

“**Electronic Voting System**”) up to 6 hours prior to the meeting.

7.5.2 An Unregistered Shareholder may, at any time, announce by writing to the TASE member through which he holds shares that he is not interested in being included on the list of those entitled to vote through the Electronic Voting System (as determined by the Effective Date). If he has done so, then the TASE member shall not deliver information about him according to the Written Votes and Position Papers Regulations, as long as no other instruction has arrived from the Unregistered Shareholder. Such instructions from shareholders, as stated above, shall be delivered to the TASE member no later than 12:00 noon on the Effective Date, with regard to the securities account and not particular securities held in the account.

- 7.6 A Written Vote will be made through the second part of the Voting Paper, attached as **Appendix D** to this immediate report. The Voting Paper and the documents which must be attached thereto (hereinafter: “**Attached Documents**”), as provided in the Voting Paper, should be delivered to the Bank’s Offices up to 4 hours prior to the convening of the meeting (with respect to an Unregistered Shareholder); and up to 6 hours prior to the convening of the meeting (with respect to a Registered Shareholder). In this regard, the “time of delivery” shall be the time at which the Voting Paper and the Attached Documents arrive at the Bank’s Offices.
- 7.7 The document appointing an agent to vote (hereinafter: “**Letter of Appointment**”) and the power of attorney under which the Letter of Appointment was signed (if any) or a copy thereof, certified to the Bank’s satisfaction, is to be prepared and signed by the appointer or by an agent authorized therefor in writing; and if the appointer is a corporation, will be signed in a manner such that binds the corporation. The Letter of Appointment will be deposited at the Bank’s Offices no later than 48 hours prior to the time scheduled for the beginning of the meeting.
- 7.8 Voting on each candidate for tenure as a director, as specified above in section 2.3, will be done separately.
- 7.9 The address of the Israel Securities Authority’s distribution site and the website of the Tel-Aviv Stock Exchange Ltd, on which the voting papers and position papers are posted:

- 7.9.1 The distribution site of the Israel Securities Authority:  
<http://www.magna.isa.gov.il/>;
- 7.9.2 The Internet site of the Tel-Aviv Stock Exchange Ltd:  
<http://maya.tase.co.il/>
- 7.10 A shareholder may contact the Bank directly to receive the text of the voting paper and position papers from it.
- 7.11 An Unregistered Shareholder is entitled to receive by e-mail a link to the voting paper and position papers on the distribution site from the TASE member through which he holds his shares, free of charge, unless he has notified the TASE member that he does not wish to receive such a link, or that he wishes to receive voting papers by regular mail in return for payment; a notice regarding voting papers shall also apply to receiving position papers.
- 7.12 A shareholder whose shares are registered with a TASE member may receive the ownership confirmation at a branch of the TASE member or by mail, if he has requested it. A request in this matter shall be given in advance regarding a particular securities account.
- An Unregistered Shareholder may instruct that his ownership confirmation be transferred to the Bank through the Electronic Voting System.
- 7.13 7.13.1 A Voting Paper shall be valid with respect to an Unregistered Shareholder only if an ownership confirmation has been attached thereto, or if such a confirmation has been transferred to the Bank through the Electronic Voting System.
- 7.13.2 The Voting Paper shall be valid with respect to a shareholder according to Article 177(2) of the Companies Law (i.e. those registered as a shareholder in the Shareholder Registry) only if a photocopy of one's identification card, passport or incorporation certificate is attached thereto.
- 7.14 The Bank's address for the delivery of voting papers and position papers: The Bank's Offices at 7 Jabotinsky Street, Ramat-Gan.
- 7.14.1 The deadline for the delivery of position papers to the Bank: Up to 10 days before the meeting.
- 7.14.2 The deadline for the delivery of the Board of Directors' response to the position papers: No later than 5 days prior to the date of the meeting.
- 7.15 7.15.1 Attention is directed to the instructions of Article 34(a1) of the Banking (Licensing) Law, 5741-1981, according to which:

***“A person shall not make an agreement with another in regard to their vote for the appointment of a director in a banking corporation or in a bank holding corporation, including in regard to their vote for termination of his office, except under a permit issued by the Governor, after consulting with the Licensing Committee; this provision shall not apply to ... or to a holder of means of control who agrees with another that the other will vote in his name and on his behalf without any discretion, as the said holder of means of control instructs him, provided that if the other holds, himself, means of control in the banking corporation or in the bank holding corporation, as the case may be, he shall not vote in the name and on behalf of more than one other holder”.***

7.15.2 From the aforesaid provisions it arises, *inter alia*, that with respect to the appointment of the directors, as specified in section 2 above, a proxy for the meeting, who is also a shareholder at the Bank, may vote in the name and on behalf of only one more shareholder, as specified in said provisions.

With respect to the additional issues on the agenda of the meeting (as detailed in sections 3, 4 and 5), there is no bar against the proxy for the vote representing more than one shareholder.

7.16 Any shareholder at the Bank voting at the meeting on the resolutions in section 4.2 above (the approval of the Updated Remuneration Policy) and in section 5.2 above (the approval of the service and employment terms of the Bank’s CEO), which are on the agenda, who is an interested party at the Bank (as defined in Article 1 of the Securities Law 5728-1968), an officer at the Bank (as defined in Article 37(d) of the Securities Law 5728-1968), a financial institution (as define in the Control of Financial Services (Insurance) Law 5741-1981), or a fund manager (per its meaning in the Joint Investment Trust Law, 5721-1961), is required to notify the Bank, prior to voting at the meeting, with the details below regarding his or its voting manner at the meeting:

7.16.1 The voter's identity: last name and first name for an individual, corporation name and number for a corporation;

7.16.2 The amount of securities by power of which the vote was made;

7.16.3 Voting manner;

- 7.16.4 Whether the voter has a personal interest or some other characteristic, as determined in the table in the addendum to the Companies Regulations (Written Votes and Position Papers) 5766-2005;
- 7.16.5 Additional relations between the voter and the company, the controlling shareholder or a senior officer therein, and details of the nature of the relationship;
- 7.16.6 If the vote is by proxy, the above details shall also be made with regard to both the power of attorney grantor and agent.

8. **Adding an Issue to the Agenda and Position Papers**

After the publication of this report, there may be changes to the agenda, including the addition of an issue thereto, and position papers may be published; it will be possible to review the updated agenda and published position papers in the Bank's reports on the distribution site.

One or more shareholder(s) who hold(s) shares representing at least 1% of the voting rights at the General Meeting of the Bank may request the Board of Directors to include an issue on the agenda of the meeting up to 7 days after the convening of the meeting, provided that the issue is appropriate to be discussed at the general meeting. Should the Board of Directors find that the issue requested to be included on the agenda is appropriate for a discussion at the General Meeting, the Bank shall prepare an updated agenda and an amended Voting Paper, insofar as this may be required, which will be published no later than 7 days after the final date to produce a request to include another issue on the agenda, as stated above. It is clarified that the publication of an updated agenda, as stated above, shall not change the Record Date as set forth in this report.

9. **Details regarding the Bank's representative in respect of the handling of this report**

Racheli Friedman, Adv., Chief Legal Advisor, Mizrahi Tefahot Bank Ltd, 7 Jabotinsky St., Ramat-Gan, Tel: 03-7559500, Fax: 03-7559655

10. **Perusal of Documents**

This report and the full text of the proposed resolutions may be perused at the Bank's offices, Tel: 03-7559720, during standard business hours, until the time scheduled for the meeting.

Mizrahi Tefahot Bank Ltd

**December 2,**  
**2019**~~**November 11,**~~  
**2019**

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Date

**Via:**

Racheli Friedman  
**Chief Legal Advisor**

Maya Feller  
**Bank Secretary**

To

Mizrahi Tefahot Bank Ltd (the "**Bank**" or the "**Company**")

**Statement of a Director or Candidate for a Director's Position**

Pursuant to Section 224B of the Companies Law, 5759-1999 (the "Companies Law")

I, the undersigned, **Moshe Vidman**, bearer of ID No. **000690875**, hereby state in writing as follows:

1. I have the required qualifications and the ability to dedicate the appropriate amount of time to performing my duties as a director at the Bank, considering, *inter alia*, the Bank's special needs and size.

Noting the above, below are details regarding my qualifications, including my education, experience and knowledge:

**Education:**

Bachelor's degree in Economics from the Hebrew University in Jerusalem

Master's degree in Business Administration, specializing in financing, from the Hebrew University in Jerusalem

**Professional Experience and Board of Directors Membership:**

I have 40 years' worth of experience in managing companies. I have served as a director at leading businesses for over 25 years. I have served as a director at banks for over 10 years.

2010 and onwards: Director at Mizrahi Tefahot Bank Ltd.

As of December 1, 2012: Serving as the Chairman of the Board of Directors at Mizrahi Tefahot Bank Ltd.

2. I have read Articles 226 and 227 of the Companies Law, and I hereby declare that the limitations provided in these articles do not apply to me.
3. I am aware that this statement of mine will be attached to the immediate report released by the Company regarding the convening of a general meeting, the agenda of which shall include, *inter alia*, my appointment as a director at the Bank.

In witness whereof, I have hereunto set my hand:

Date: November 11, 2019

Signature: [Moshe Vidman]

To

Mizrahi Tefahot Bank Ltd (the "**Bank**" or the "**Company**")

**Statement of a Director or Candidate for a Director's Position**

Pursuant to Section 224B of the Companies Law, 5759-1999 (the "Companies Law")

I, the undersigned, **Ron Gazit**, bearer of ID No. **050688605**, hereby state in writing as follows:

1. I have the required qualifications and the ability to dedicate the appropriate amount of time to performing my duties as a director at the Bank, considering, inter alia, the Bank's special needs and size.

Noting the above, below are details regarding my qualifications, including my education, experience and knowledge:

A graduate (L.L.B.) of Tel Aviv University

Certified attorney and mediator

A graduate of courses in Bookkeeping A+B at the Faculty of Management, Tel Aviv University

Founder of the Ron Gazit, Rotenberg & Co. Law Offices

2. I have read Articles 226 and 227 of the Companies Law, and I hereby declare that the limitations provided in these articles do not apply to me.
3. I am aware that this statement of mine will be attached to the immediate report released by the Company regarding the convening of a general meeting, the agenda of which shall include, *inter alia*, my appointment as a director at the Bank.

In witness whereof, I have hereunto set my hand:

Date: November 11, 2019

Signature: [Ron Gazit]



To

Mizrahi Tefahot Bank Ltd (the "**Bank**" or the "**Company**")

**Statement of a Director or Candidate for a Director's Position**

Pursuant to Section 224B of the Companies Law, 5759-1999 (the "Companies Law")

I, the undersigned, **Yoni Kaplan**, bearer of ID No. **05525139-1**, hereby state in writing as follows:

1. I have the required qualifications and the ability to dedicate the appropriate amount of time to performing my duties as a director at the Bank, considering, *inter alia*, the Bank's special needs and size.

Noting the above, below are details regarding my qualifications, including my education, experience and knowledge:

1. Holder of a B.A. in Economics and Accounting – Tel Aviv University
2. Certified Public Accountant
3. Holder of an M.A. in Political Science and National Security, Haifa University
4. In service as a director at the following companies: The Central Bottling Company Ltd, International Beer Breweries Ltd, Novolog Pharm-Up (1966) Ltd, Villar International Ltd.

1982-1999 – various positions in the Income Tax Department

1999-2001 – Income Tax Commissioner

2. I have read Articles 226 and 227 of the Companies Law, and I hereby declare that the limitations provided in these articles do not apply to me.
3. I am aware that this statement of mine will be attached to the immediate report released by the Company regarding the convening of a general meeting, the agenda of which shall include, *inter alia*, my appointment as a director at the Bank.

In witness whereof, I have hereunto set my hand:

Date: November 11, 2019

Signature: [Yoni Kaplan]

To

Mizrahi Tefahot Bank Ltd (the "**Bank**" or the "**Company**")

**Statement of a Director or Candidate for a Director's Position**

Pursuant to Section 224B of the Companies Law, 5759-1999 (the "Companies Law")

I, the undersigned, Avraham Zeldman, bearer of ID No. 05795919, hereby state in writing as follows:

1. I have the required qualifications and the ability to dedicate the appropriate amount of time to performing my duties as a director at the Bank, considering, *inter alia*, the Bank's special needs and size.

Noting the above, below are details regarding my qualifications, including my education, experience and knowledge:

Experience at the senior management levels at Leumi Bank, both as a senior management member and as the chairman of the board of Leumi Mortgage, and as a manager of subsidiaries in the field of investment banking. Furthermore, a director in many companies in which I invested as the CEO of Leumi Partners, as a representative of Leumi Bank, including Paz, Partner, Electra Consumption, Super-Pharm, Abgol, Keshet Broadcasting, Technorob and a chairman of an investment fund.

1987-1995: Head of the banking division and responsible for the Leumi Bank branches in Israel

1995-12/2000: Senior management member for private and commercial banking

1987-2010: Chairman of Leumi Mortgage Bank

2000-2010: Leumi Partners CEO

Currently: Chairman of the Board of Fox Wizel Ltd

2. I have read Articles 226 and 227 of the Companies Law, and I hereby declare that the limitations provided in these articles do not apply to me.
3. I am aware that this statement of mine will be attached to the immediate report released by the Company regarding the convening of a general meeting, the agenda of which shall include, *inter alia*, my appointment as a director at the Bank.

In witness whereof, I have hereunto set my hand:

Date: November 11, 2019

Signature: [Avraham Zeldman]

To

Mizrahi Tefahot Bank Ltd (the "**Bank**" or the "**Company**")

**Statement of a Director or Candidate for a Director's Position**

Pursuant to Section 224B of the Companies Law, 5759-1999 (the "Companies Law")

I, the undersigned, **Ilan Kremer**, bearer of ID No. **059841742**, hereby state in writing as follows:

1. I have the required qualifications and the ability to dedicate the appropriate amount of time to performing my duties as a director at the Bank, considering, *inter alia*, the Bank's special needs and size.

Noting the above, below are details regarding my qualifications, including my education, experience and knowledge:

Doctor of Financing – Northwestern-Kellogg

2000-2012 - Professor of Financing at Stanford University

2011-Today - Professor of Economics and Financing at the Hebrew University

2012-Today - Professor of Economics at the Warwick University

August 2014-March 2019 - External advisor at the Bank of Israel's Research Department

2. I have read Articles 226 and 227 of the Companies Law, and I hereby declare that the limitations provided in these articles do not apply to me.
3. I am aware that this statement of mine will be attached to the immediate report released by the Company regarding the convening of a general meeting, the agenda of which shall include, *inter alia*, my appointment as a director at the Bank.

In witness whereof, I have hereunto set my hand:

Date: November 10, 2019

Signature: [Ilan Kremer]

## Supplement

To

Mizrahi Tefahot Bank Ltd (the "**Bank**" or the "**Company**")

### Statement of a Director or Candidate for a Director's Position

Pursuant to Section 224B of the Companies Law, 5759-1999 (the "Companies Law")

I, the undersigned, **Eli Alroy**, bearer of ID No. **050606318**, hereby state in writing as follows:

1. I have the required qualifications and the ability to dedicate the appropriate amount of time to performing my duties as a director at the Bank, considering, inter alia, the Bank's special needs and size.

Noting the above, below are details regarding my qualifications, including my education, experience and knowledge:

Academic education:

B.Sc. in Civil Engineering from the Technion – Israel Institute of Technology, Haifa, Israel, 1974.

M.Sc. from the Stanford University, California, USA, 1982.

Professional experience and Board of Directors membership:

Many years of experience with management, consultancy and service as a director and a Board of Directors chairman at international and public companies in Israel and around the world, along with many years of experience with private investments in the real estate and high-tech sectors, including:

Military service with the Air Force until 1991 (discharged with the rank of Colonel)

CEO of Karden Real Estate Ltd (1992-1997)

Active chairman of the Supervisory Board at Global Trade Center S.A., a company traded on the Warsaw Stock Exchange in Poland (1994-2012)

Director at Shahal Telemedicine Ltd, a company traded on the Swiss Stock Exchange (2015-2016)

Member of the O.G. Advisory Committee, which advises private companies in the international OG Group on international activities in real estate, shipping, finance, energy and technology (2013-present)

Director at Globalworth Real Estate Investment Limited, a company traded on the AIM (London Stock Exchange) (2013-present)

I have served as a director at other companies, including sectors such as holdings, infrastructure, real estate and technology.

2. I have read Articles 226 and 227 of the Companies Law, and I hereby declare that the limitations provided in these articles do not apply to me.
3. I am aware that this statement of mine will be attached to the immediate report released by the Company regarding the convening of a general meeting, the agenda of which shall include, *inter alia*, my appointment as a director at the Bank.

In witness whereof, I have hereunto set my hand:

Date: November 11, 2019

Signature: [Eli Alroy]

**Mizrahi Tefahot Bank Ltd (hereinafter: “Bank”) – Remuneration Policy for Officers**

1. **Background: Goals, application and update**

- 1.1 On November 12, 2012, Amendment no. 20 to the Companies Law, 5759-1999 (hereinafter: “**Companies Law**” or “**Law**” and “**Amendment 20**”, as the matter may be) which first establishes the statutory principles of an officers’ remuneration policy that each public company must adopt, was published. On November 19, 2013, the Bank of Israel published Proper Conduct of Banking Business Directive No. 301A in the matter of remuneration policies at banking corporations, as well as a modification to Proper Conduct of Banking Business Directive No. 301 in the matter of the Board of Directors, as updated from time to time (hereinafter: “**Remuneration Directives**”). On April 12, 2016, the Remuneration for Officers in Financial Corporations (Special Approval and Non-Deductibility of Expense for Tax Purposes Due to Special Remuneration) Law 5776-2016 was published (hereinafter: “**Senior Officers’ Wage Law**”). Per the transitory provision established in the Senior Officers’ Wage Law regarding the Bank’s engagement with a senior officer or employee, approved prior to the publication of this law, the instructions of the law shall apply as of six (6) months after the publication date – i.e., as of October 12, 2016 (hereinafter in this section: “**End of the Transitory Period**”). On August 27, 2013, the general meeting of the Bank’s shareholders approved a remuneration policy for officers, which was updated on June 10, 2014; thereafter, on February 14, 2017, the general meeting of the Bank’s shareholders approved a remuneration policy for officers, complying with the provisions of the Senior Officers’ Wage Law and the Remuneration Directives (hereinafter: “**Previous Remuneration Policy**”). The Previous Remuneration Policy was approved for a period of three (3) years, commencing on January 1, 2017.
- 1.2 The updated remuneration policy detailed in this document, to begin on January 1, 2020, is a product which combines the provisions of the law, the Senior Officers’ Wage Law and the Remuneration Directives, with the broad principles that the Bank’s Board of Directors, having adopted the recommendation of the Remuneration Committee; and in consideration of the Bank’s strategic plan and the employment terms which are currently customary

for officers at the Bank, saw fit to adopt in all that regards the remuneration of officers at the Bank.

This policy is of practical importance with respect to the manner of approval of concrete remuneration terms for any of the Bank's officers in the future. The remuneration policy is also of principle importance, as it methodically and publicly puts in writing the central considerations which appear relevant to the Bank's Board of Directors in the issue of officer remuneration and the manner in which they should be implemented in practice. The various remuneration components are intended to encourage the continuation of officers' employment at the Bank, as well as allowing for the employment of new, quality officers, who together can contribute to the Bank, promote its goals and its strategic plan and improve its performance; and also, insofar as possible, to define and make official the adequate relationship between the Bank's performance and the performance of the officers and the salary and remuneration granted to them. The inclusion of these under a wide, uniform policy could also assist in terms of the transparency of the Bank's remuneration rules (inside the Bank and outside of it), as well as the matching expectations between the Bank and the officers employed thereat.

1.3 The Bank's Board of Directors considers the establishment of an appropriate remuneration policy highly important, with respect to ensuring that the remuneration arrangements for officers at the Bank will be consistent with the Bank's risk management, the Bank's long-terms goals, the Bank's strategic plan and the officers' actual performance in the short, medium and long term, subject to the instructions and limitations of the Senior Officers' Wage Law. According to the aforesaid, the goals which the Bank's Board of Directors considered while formulating this policy document were as follows:

1.3.1 The creation of an incentives structure for officers at the Bank, which maintains an appropriate balance between the fixed remuneration component and the variable remuneration component, and which promotes a well-founded, effective risk management that does not encourage risk-taking beyond the Bank's risk appetite, and allows for maintaining a strong capital basis;

1.3.2 The adjustment of the remuneration incentives granted to officers at the Bank to the Bank's strategic plan, the Bank's long-term goals, the Bank's results over time and the de facto contribution of the officers to the achievement of the Bank's goals, as aforesaid;

- 1.3.3 The preservation of the Bank's senior echelon and securement, insofar as possible, of the Bank's ability to recruit quality managers in the future, taking into account organization-wide considerations, such as remuneration costs and the preferable remuneration gaps between the Bank's different echelons, the competitiveness of the banking sector, the size of the bank, the scope of its operations and the character of its business.
- 1.4 The Remuneration Policy applies to the remuneration terms of all officers at the Bank, which at the time of this policy's adoption include:
  - 1.4.1 The Chairman of the Board of Directors.
  - 1.4.2 The Chief Executive Officer (hereinafter: "CEO").
  - 1.4.3 Deputy CEOs.
  - 1.4.4 The Chief Internal Auditor.
  - 1.4.5 The Bank's Secretary.
  - 1.4.6 The Information Technology Manager.
  - 1.4.7 The members of the Board of Directors.
  - 1.4.8 The Board of Directors may determine, occasionally, that the remuneration policy shall also apply to senior employees at the Bank who are not officers under the Companies Law.
- 1.5 The officers' service or employment terms are either via fixed or variable remuneration, including exemption, insurance, undertaking of indemnification or indemnification under an indemnification permit, a retirement bonus (a bonus, a payment, a remuneration, a compensation or any other benefit granted to an officer in connection with the end of his employment at the Bank), and any benefit, other payment or undertaking to pay as aforesaid, granted due to tenure or employment as aforesaid.
- 1.6 Naturally, the Remuneration Policy must be reviewed occasionally, whether due to significant changes at the Bank, including an update of the Bank's strategic plan; or due to significant changes in the macro-economic environment and what is customary in Israel with respect to the remuneration of officers in general, and in the banking system in particular; or whether because of a change in the Supervisor of Bank's directives. The Remuneration Committee will examine at least once a year whether there have been any significant changes as aforesaid, and in any case the committee and the Board of Directors will review the Remuneration Policy on its merits once every three (3) years, and the Remuneration Policy will be approved as required by Law.



1.7 To remove any doubt, it is clarified that this Remuneration Policy shall apply to the service and employment terms of officers at the Bank which will be approved as of the implementation date of this policy, as detailed in section 11 below and subject to that which is stated therein; and that this Remuneration Policy shall not harm the Bank’s engagements and undertakings towards officers, in connection with their service and employment terms at the Bank, which exist at the time of the Remuneration Policy’s approval date. Such engagements which were approved when the Previous Remuneration Policy, or any remuneration policy preceding it, was in effect, were approved according to the provisions of the relevant policy. Furthermore, this Remuneration Policy shall not harm the rights that have been accrued and/or shall be accrued for the officers due to periods prior to the approval date of this Remuneration Policy or due to periods after this date, regarding which agreements which preceded the Remuneration Policy apply.

This policy document does not create for any officer, current or future, any legal rights towards the Bank; the rights and undertakings of an officer were established or will be established, as the case may be, according to the Bank decisions in this matter and the concrete engagement terms between him and the Bank, and according cognate law, insofar as it applies to them.

2. **Definitions**

In this Remuneration Policy, the terms specified below shall have the meaning next to them:

<b>Variable remuneration</b>	Performance-based remuneration, as detailed in section 6 below (hereinafter: “ <b>Performance-Based Remuneration</b> ”); a monetary bonus under special circumstances, as detailed in section 8.2 below; part of a non-competition adjustment bonus (hereinafter: “ <b>Adjustment Bonus</b> ”) which is higher than the sum of three (3) monthly salaries, and with respect to the CEO, part of an Adjustment Bonus which is higher than the sum of three (3) salaries, including social provisions, as detailed in section
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**Appendix B**

	9.2.3 below, as the case may be; and retirement payments, as detailed in section 9.3 below.
<b>Fixed remuneration</b>	A monthly salary, social provisions and additional related benefits, as detailed in section 5 below, an additional fixed remuneration component, as detailed in section 7.2 below (with respect to the Chairman of the Board), an adjustment bonus at a sum of up to three (3) salaries and with respect to the CEO, an adjustment bonus at a sum of up to three (3) salaries plus social provisions as detailed in section 9 below, as the case may be, as well as other retirement payments as customary for the Bank's employees, as detailed in section 9 below. With respect to gatekeepers, the fixed remuneration shall also include an additional fixed component for gatekeepers, as detailed in section 8.1 below.
<b>Service and employment terms</b>	The fixed remuneration and the variable remuneration of an officer (hereinafter: " <b>Total Remuneration</b> "), including exemption, insurance, undertaking of indemnification or indemnification under an indemnification permit.
<b>Gatekeepers</b>	Anyone of these: Chief Legal Advisor, Chief Internal Auditor, Chief Accountant, Chief Risk Manager and the Secretary of the Bank.
<b>Other officers</b>	Non-gatekeeper officers (excluding the CEO and members of the Board of Directors).

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<b>Return on equity</b>	The net profit yield attributed to the shareholders for equity, as published in the (consolidated) annual financial reports of the Bank for the relevant year, excluding extraordinary profits or losses.
<b>Extraordinary profits or losses</b>	Profits or losses derived from non-recurring or extraordinary events, adjusted for their tax effect in the (consolidated) annual financial reports of the Bank for the relevant year. For the purpose of the remuneration plan, extraordinary profits or losses shall be defined as such by the Remuneration Committee and the Board of Directors, when approving the financial reports for the relevant year.
<b>Return on the Bank's Share Relative to the Benchmark Index</b>	The return on the Bank's share (including dividend) after deduction of the TA Banks Index, as it is defined in the directives of the Tel Aviv Stock Exchange Ltd., including in its regulations or in any provisions arising therefrom, for the measured period (including dividend) as it shall be provided from time to time.
<b>Operational efficiency ratio</b>	The total operating and other expenses in relation to the total amount of operating and financial income (net interest income and income which is not from interest), before provisions for credit losses, as published in the (consolidated) annual financial reports of the Bank for the relevant year.
<b>Deposits to Loans Ratio</b>	The ratio of the total deposits from the public to the total loans to the public, after provisions for credit losses.
<b>Deposits to Loans Average Ratio</b>	An average of the deposits to loans ratio as of March 31, June 30, September 30,

	and December 31, as published in the Bank's quarterly or annual (consolidated) financial statements, as the case may be, for each calendar year.
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3. **Fundamental considerations**

- 3.1 The Remuneration Policy was established by the Board of Directors, and a concrete remuneration of an officer which will be considered by the Bank will be determined in accordance with the purposes defined above and based on the fundamental considerations specified below:
- 3.1.1 Promotion of the Bank's purposes, its strategic plan, its work plans and its policy, in long-term view;
  - 3.1.2 The creation of appropriate incentives for the officers, considering, *inter alia*, the Bank's risk management policy;
  - 3.1.3 Maintenance and promotion of the Bank's ability to recruit and retain outstanding quality managers, who constitute the strong basis for the Bank's management, its further development and its success over time;
  - 3.1.4 The Bank's size and the nature of its activity;
  - 3.1.5 The officer's contribution to achieving the Bank's goals and to maximizing its profits, all in long-term view and in accordance with the officer's position (in respect of variable remuneration components);
- 3.2 Additional relevant data which will be considered when determining specific remuneration for an officer:
- 3.2.1 The education, qualifications, expertise, professional experience and achievements of the position candidate or serving officer will be taken into account;
  - 3.2.2 The officer's role, areas of responsibility and prior agreements will be taken into account (insofar as it is not a new officer);
  - 3.2.3 Relation to other officers at the Bank – when approving remuneration for an officer, the following data will be presented: (1) Remuneration for officers at a similar level at the Bank; (2) the salary of the previous officer at the same position (insofar as relevant); (3) the average and median salary of the Bank's employees and the contractor employees who are employed by the Bank (including, as aforesaid, employees in

fully-owned subsidiaries), and the relation between each one of these and the remuneration offered to the officer. In this regard, the effect of the gap between the officer's terms of service and the salary terms of the other employees in the Bank on the working relations in the Bank will be examined;

- 3.2.4 Comparison of the officer's remuneration to the remuneration of an officer in a similar position in the reference group, which is composed of the other four large banks in Israel, according to public figures, insofar as published by the said banks;
- 3.2.5 The amount of the Chairman of the Board of Directors' fixed remuneration shall be determined relative to the remuneration manner of the rest of the Board of Directors' members, and considering, *inter alia*, the size of the Bank and the complexity of its activities, as well as the position scope of the Chairman of the Board of Directors.

4. **Comprehensive remuneration package**

4.1 Subject to the limitations of the Senior Officers' Wage Law, the remuneration package for officers who are not directors may include two main components: a monthly salary (and its related components), and a variable Performance-Based Remuneration which will include a monetary bonus and an equity-based remuneration, if and insofar as it is decided to grant it, as provided in section 6.1 below. The remuneration package may also include remuneration in connection with retirement, as detailed in section 9 below. The variable remuneration is intended to promote the identity of interests between the officer and the Bank, and to strengthen the connection between the Bank's performance in general and the officer's contribution to achieving said results and the officer's remuneration, while maintaining the Bank's risk profile.

4.2 When discussing each remuneration component (even when it is discussed in a separate discussion), the remuneration package will be taken into account in its entirety, its total cost, as well as the relevant implications of each separate remuneration component (financial, accounting, tax, etc.);

4.3 The ratio between the fixed and variable remunerations:  
The Remuneration Committee and the Board of Directors discussed the ratio between the fixed and variable remunerations, taking into account the maximum variable remuneration<sup>1</sup> according to this remuneration policy and the purposes thereof. In this respect, the Remuneration Committee and the Board of Directors have resolved that the maximum variable remuneration shall not exceed 85% of the fixed remuneration, and, with regard to the gatekeepers, 55% of the fixed remuneration.

Despite the aforesaid, under extraordinary circumstances, the Bank may determine that the variable remuneration reach 170% of the fixed remuneration. Such determination shall be accompanied by a detailed and reasoned resolution of the Board of Directors, and shall include, *inter alia*, the detailed reasons, the number of affected employees, their positions, and the effect on the Bank.

4.4 The ratio between the officers' remuneration and the average and median salary of all Bank employees:

The Remuneration Committee and the Board of Directors examined the ratio between the cost of the total remuneration of officers and the cost of the total

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<sup>1</sup> Maximum variable remuneration is the variable remuneration which the officer will receive upon meeting the top levels of the quantitative and qualitative goals which constitute the basis for determining the officer's variable remuneration, and assuming that the full variable component, which is in his supervisor's discretion, has been granted. The ratios provided above are considering an economic – rather than accounting – calculation of the remuneration

## Appendix B

remuneration of the other Bank employees, as well as the ratio between the cost of the maximum total remuneration pursuant to the remuneration policy of the Chairman of the Board of Directors, the CEO, and the rest of the officers, and the average and median salaries of the other Bank employees. The Remuneration Committee and the Board of Directors are of the opinion that the ratios presented to them were reasonable and do not harm the working relations at the Bank, *inter alia*, due to the structure of the Bank, in which the officers constitute, quantity-wise, a minimal part of all of the Bank's employees, and due to the differences between the roles and responsibility areas of the officers and the other Bank employees. The Remuneration Committee and the Board of Directors also stated that such ratios reflect the customary remuneration gaps in the Israeli banking system. The ratios between the total maximum remuneration cost of the officers under this Remuneration Policy and the total average/median remuneration of the rest of the Bank's employees and the contractor employees employed by the Bank (including, as aforesaid, employees of wholly-owned subsidiaries), in 2018, (hereinafter, in this Section 4.4: "**Bank's Employees**") are as follows:

<b>Officer</b>	<b>Ratio between the cost of the officer's maximum monthly remuneration and the cost of the average monthly remuneration of the Bank's employees</b>	<b>Ratio between the cost of the officer's maximum monthly remuneration and the cost of the median monthly remuneration of the Bank's employees</b>
CEO	12.5	15.6
Chairman of the Board	10	12.5
Deputy CEO (other than gatekeepers)	7.7	9.5
Gatekeepers	6.3	7.9

Notes to the table:

- (1) CEO – the sums were calculated according to the monthly average of the annual CEO remuneration figures, according to the cost of the maximum overall remuneration under this Remuneration Policy, including the performance-based remuneration in the amount of up to three (3) salaries (as stated in Section 6.1 below).

It is noted in this respect that in 2018 the ratio between the actual cost of the average monthly remuneration of the CEO and the cost of the average monthly remuneration of the Bank's Employees is 9.7, and the ratio to the median monthly salary of the Bank's Employees is 12.1.

- (2) Chairman of the Board of Directors – the sums were calculated according to the monthly average of the annual remuneration figures of the Chairman of the Board of Directors, according to the cost of the maximum overall remuneration under this Remuneration Policy, including the Additional Fixed Remuneration in the amount of up to two (2) salaries (as stated in Section 7.2 below).
- (3) Deputy CEO and Gatekeepers – the sums were calculated according to the monthly average of the annual figures regarding the remuneration of Deputy CEOs or gatekeepers, as the case may be, according to the cost of the maximum overall remuneration under this Remuneration Policy, including the performance-based remuneration.

It is noted in this respect that in 2018 the ratio between the actual cost of the average monthly remuneration of Deputy CEOs or gatekeepers (excluding the Bank's secretary, whose remuneration cost is lower than that of the other gatekeepers) and the cost of the average monthly remuneration of the Bank's Employees is 5.6 and 5.9, respectively; and the ratio to the median monthly salary of the Bank's Employees is 7 and 7.3, respectively.

- (4) The average or median overall remuneration for the rest of the Bank Employees was calculated according to the monthly average of the annual figures of the overall remuneration of the Bank's Employees for 2018, including monetary bonuses paid for 2018. The remuneration of employees who were employed part-time, or during a part of 2018 only, was calculated as to reflect the remuneration for a full-time annual position.

4.5 All remunerations of the Bank's officers (with the exception of directors) shall be paid directly to the officers, and not via any corporation or other institution.

5. **Fixed remuneration**

5.1 5.1.1 **Salary**

The salary of the Bank's officers shall not be higher than the caps below<sup>2</sup>, plus sums in respect of immaterial changes, as provided in section 5.8 below:

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<sup>2</sup> Subject to that which is stated in section 5.1.3 below.



a. **The CEO and the Chairman of the Board of Directors**

The CEO's monthly salary shall not exceed a total of ILS 238,000.

The Chairman of the Board of Directors' monthly salary shall not exceed a total of ILS 189,660.

b. **An officer who is not a CEO or a director**

The monthly salary of an officer who is not a CEO or a director shall not exceed a total of ILS 86,135.

The above sums are linked to the Consumer Price Index (hereinafter: "CPI") for October 2019, as published on November 15, 2019, in respect of the CEO, and for November 2016, as published on December 15, 2016<sup>3</sup> in respect of the Chairman of the Board and officers who are neither the CEO nor directors<sup>1</sup>.

5.1.2 **Linkage to the CPI**

The Bank may determine that the officers' monthly salary be linked to the CPI.

5.1.3 **Update of the monthly salary, without increasing the cost of employment**

An officer who is an employee of the Bank will be entitled to request that his monthly salary be updated, subject to the changes and adjustments required in the related terms, specified in section 5.2 below, all or some, in such a manner that an increase or a reduction, as the case may be, of the monthly salary, shall come in lieu of a corresponding increase or a reduction (as the case may be) in the related benefits, and vice versa (provided that the cost of employment does not grow, including the cost of the tax which applies to the Bank), subject to any law and also subject to the remuneration cap allowed under the Senior Officers' Wage Law, as the case may be, and rate of deposits for severance pay and remunerations, according to the law. The Remuneration Committee shall be notified of any such changes.

5.2 **Additional terms for officers who are employees of the Bank**

5.2.1 **Car**

The Bank may provide the officers with a company car, which will be accessorized in accordance with the Bank's procedures, for the

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<sup>3</sup> In the event of a CPI decline, the wage cap will not be reduced accordingly.

purpose of fulfilling their duties, and may bear all expenses in connection with the use and maintenance thereof, and will gross up any tax which will be imposed on the officer in respect of the provision of the car.

5.2.2 Telephone

The Bank may provide the officers, for their use, a cellular phone, and bear its maintenance expenses as well as the expenses of home communication and the taxes in respect thereof.

5.2.3 Annual leave

Officers are entitled to an annual leave of up to 22 work days (according to a 5-day working week).

Each year, the officer will be able to redeem an accrued leave balance which exceeds the annual leave quota he is owed for that year, according to the law (after the number of leave days he had used, *de facto*, during that year are deducted therefrom); such a redemption by an officer who is not the CEO or the Chairman of the Board of Directors is subject to the approval of the CEO.

5.2.4 Convalescence pay

Officers are entitled to a convalescence pay, per the tariff customary for managers at the Bank.

5.2.5 Sick leave

Officers are entitled to up to thirty (30) calendar days of sick leave per annum, after a deduction of the days which were used *de facto* during that year. The accrued sick days are not redeemable upon the termination of employment or at any other date.

5.2.6 Social benefits

Officers are entitled to social benefits, such as provisions to provident funds, pension, loss of working capacity and compensation pay, as well as to advanced study funds, as customary in respect of the senior echelon at the Bank (hereinafter: “**Social Provisions**”).

5.3 Adjustment bonus

Officers who are the Bank’s employees are entitled, upon retirement, to an adjustment bonus, as determined in section 9.2.3 below.

5.4 Severance pay

Officers who are the Bank’s employees are entitled, upon retirement, to the release of all accrued severance pay/provident fund monies, as determined in

section 9.2.2 below. Such monies shall be considered a portion of the fixed remuneration.

5.5 **Insurance**

5.5.1 The Bank may become engaged in policies to insure the liability of the directors and the other officers who serve from time to time (including those that will be appointed in the future) or who have served at the Bank and/or companies in the Bank's cluster, which includes subsidiaries of the Bank (hereinafter: "**Bank Cluster**"). Controlling shareholders at the Bank and their relatives, who serve from time to time (including those that will be appointed in the future) or who have served as directors at the Bank shall also be insured under the aforesaid insurance policies, including officers that a controlling shareholder at the Bank has a personal interest in the insurance of their liability, and anyone who serves from time to time (including anyone who will be appointed in the future) or who have served as the Bank's Chief Executive Officer. Under this framework, the Bank shall be entitled, *inter alia*, to become engaged in a run-off insurance policy or in an insurance policy in connection with a relevant event or activity. The scope of the insurance coverage will be determined from time to time, in view of the risk involved in the activities of officers at the Bank, taking into consideration the Bank's activity areas, those of its subsidiaries and their scope, as well as the Bank's status as a banking corporation and a public company.

5.5.2 Without derogating from the aforesaid in section 5.5.1 above, in accordance with Regulation 1B1 of the Companies Regulations (Relief in Transactions with Interested Parties) 5766-2006 (hereinafter: "**Relief Regulations**"), the Bank shall be entitled to become engaged in a policy to insure the liability of directors and other officers, as stated above (hereinafter: "**Insurance Policies**") during the period of the Remuneration Policy<sup>4</sup>, under the conditions detailed below:

- a. An engagement in an insurance policy, as stated above, may be made via extending the policy or its renewal or the purchase of a different policy.

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<sup>4</sup> Including an engagement during the Remuneration Policy's period in a policy which terminates after the end of the Remuneration Policy's period.

## Appendix B

- b. The insurer's liability limit according to the insurance policy shall be no less than 120 Million US dollars (hereinafter: "**Dollars**") and shall not exceed a total of 200 Million Dollars for one event and 400 Million Dollars, in total, for the insurance period.

Further to the aforesaid, it is possible to include in the insurance policy an insurance coverage for legal expenses, at up to 20% of the insurer's liability sum, as may occasionally be.

- c. The annual premium to be paid for the insurance policy shall not exceed 1.5 Million Dollars (plus a relative share for an insurance period of over one year), at up to 20% of this sum addition each year (and a relative share for an insurance period of over one year)
- d. In the event of a lawsuit against any of the officers, no personal participation at any sum will apply to the officer, under the policy. In such a case, the Bank will bear the personal participation sum, as will be determined in the insurance policy, provided it does not exceed 200 Thousand Dollars per event.
- e. The Bank may contact the Bank's subsidiaries and propose that they participate in the insurance policy and bear their share of the premium, as it will be determined in this matter by the Remuneration Committee and the Bank's Board of Directors. If any of the subsidiaries does not become engaged in the insurance policy, then the Bank's share of the premium sum shall increase up to the premium's full sum.
- f. The Bank's engagement in an insurance policy, as aforesaid, will be subject to the approval of the Remuneration Committee and the Bank's Board of Directors, and shall not require the approval of the general meeting. During the engagement's approval, as aforesaid, the Remuneration Committee and the Board of Directors shall confirm that the engagement is under market conditions and that it will not materially affect the Bank's profitability, its property or undertakings materially.

### 5.6 Exemption and indemnification

- 5.6.1 Subject to the instructions of the law, the Bank may exempt an officer of his liability, in full or in part, due to damage pursuant to a breach of

the duty of prudence towards the Bank, per the instructions established in the Bank's Articles of Association in this matter.

5.6.2 Subject to the instructions of the law, the Bank may provide an advance undertaking for indemnification to an officer at the Bank and/or an officer at a company in which the Bank holds shares, directly or indirectly, at some rate (hereinafter: "**Held Company**"). The maximum indemnification sum shall be per the instructions established in the Bank's Articles of Association in this matter.

5.6.3 Without derogating from the aforesaid, the Bank may indemnify an officer at the Bank and/or an officer at a Held Company, *post factum*, in the widest manner possible under law.

5.7 Miscellaneous

Officers who are Bank employees are entitled to benefits in connection with banking services for them and for their family members, similarly to other Bank employees, according to the Bank's procedures.

In addition, and insofar as shall be relevant, the Bank may pay membership fees for professional associations, professional courses and studies, subscription to newspapers and professional literature, professional liability insurance, medical insurances and periodic medical examinations, participation in a collective insurance policy (risk only), holiday gifts, vacation pay, team-building days, etc.

Furthermore, officers as stated above, shall be entitled to a reimbursement of expenses related to the fulfillment of their role, including business-related hospitality expenses, as customary at the Bank (with no cap set for such reimbursement amount).

5.8 Immaterial changes in service and employment terms

5.8.1 The salary of officers who are Bank employees will not be updated automatically, other than in relation to linkage to the CPI, as provided in section 5.1 above, and subject to that which is stated in section 7.2 below (with respect to the Chairman of the Board).

5.8.2 The Chief Executive Officer: According to the instructions of Article 272(d) of the Companies Law, it is hereby established that the total immaterial changes in the service and employment terms of the CEO, which shall be made after the service and employment terms were recently approved by the Bank's authorized organs (other than changes resulting from the linkage of the salary to the CPI) shall not

exceed an accrued rate of 15% of a sum equal to the cost of the annual remuneration of the CEO, as approved by the Bank's authorized organs (hereinafter in this section: "**Immaterial Quantitative Change**"). If and insofar as the change does not relate to a quantitative value, the significance will be reviewed according to the quality and nature of the issue. An Immaterial Quantitative Change or a non-quantitative change which the Remuneration Committee and the Board of Directors have deemed immaterial may be approved the Remuneration Committee and the Board of Directors alone.

5.8.3 Officer serving under the Chief Executive Officer: According to Regulation 1b3 of the Relief Regulations and despite that which is stated in Articles 272 (c) and (d) of the Companies Law, an immaterial change in the service and employment terms of an Officer serving under the Bank's CEO shall not require the approval of the Remuneration Committee or the Board of Directors, if the CEO of the Bank has approved it, and the service and employment terms are in line with the Bank's Remuneration Policy.

In this matter, "**immaterial change**": The total changes in an officer's service and employment terms which shall be made after the service and employment terms were recently approved by the Remuneration Committee and the Board of Directors (other than changes resulting from the linkage of the salary to the CPI) that do not exceed an accrued rate of 15% of a sum equal to the cost of the annual remuneration of that officer, as approved by the Remuneration Committee and the Board of Directors.

6. **Goals and performance-based variable remuneration – for the Bank's officers who are not directors**

The Bank's Remuneration Committee and Board of Directors see the granting of performance-based Remuneration to Bank officers who are Bank employees (other than the Chairman of the Board) as a remuneration arrangement which encourages the Bank's officers to create economic value and promote the Bank's goals for the medium and long terms, while maintaining the Bank's risk management framework and risk appetite. Therefore, the performance-based remuneration which will be granted to the officers shall be conditioned upon the Bank's performance considering the Bank's strategic plan, but shall not encourage risk-taking beyond the Bank's risk appetite, and shall maintain an appropriate balance between the variable remuneration components

and all of the fixed remuneration components, subject to the limitations established in the Senior Officers' Wage Law.

It is hereby clarified that the Chairman of the Board of Directors shall not be entitled to a performance-based remuneration, as detailed below.

6.1 Performance-based remuneration – monetary bonus and equity-based remuneration

6.1.1 The Bank may grant officers (who are not directors) performance-based monetary bonuses and equity-based remunerations (hereinafter: “**Performance-Based Remuneration**”), as detailed below:

<b>Officer</b>	<b>The maximum rate of the Performance-Based Remuneration out of the fixed remuneration</b>	<b>The Performance-Based Remuneration cap in achieving the maximum goals, as detailed in section 6.5 below</b>
<b>CEO</b>	20%	3 monthly salaries
<b>Gatekeepers</b>	55%	ILS 860 K
<b>Other officers</b>	85%	ILS 1200 K

The Performance-Based Remuneration cap shall be linked to the CPI, in accordance with the increase rate of the known CPI as compared to the CPI for November 2016, with the addition of amounts in respect of immaterial changes, as provided in section 5.8 above.

6.1.2 The Remuneration Committee and the Bank's Board of Directors may decide that the Performance-Based Remuneration which will be granted to officers at the Bank (who are not the CEO or directors) for a certain year will include just a monetary bonus or a monetary bonus and an equity-based remuneration, as provided in section 6.7 below. If it is decided that the Performance-Based Remuneration shall also include an equity-based remuneration, as aforesaid, the Remuneration Committee and the Board of Directors shall determine the sum or the maximum rate to be granted as a monetary bonus, as well as the sum or the maximum rate to be granted as an equity-based remuneration, provided that the value of the equity-based remuneration does not exceed 50% of the Performance-Based Remuneration.

The value of the equity-based remuneration, as aforesaid, shall be calculated based on the value of the securities at the time when the Board of Directors approves the relevant allotment.

- 6.1.3 a. The Performance-Based Remuneration which will be granted to the CEO shall only include a monetary bonus, which shall be granted at the discretion of the Remuneration Committee and the Board of Directors, as provided in section 6.5.1 below.

Notwithstanding the aforesaid, should it be decided that the Performance-Based Remuneration which will be granted to officers at the Bank (who are not the CEO or directors) for a certain year shall also include an equity-based remuneration, then the Remuneration Committee and the Board of Directors shall be entitled to decide, at their discretion, that the Performance-Based Remuneration which will be granted to the CEO for that year will include, exclusively or partially, equity-based remuneration, on such terms and conditions as determined in this respect by the Remuneration Committee and the Board of Directors, at their discretion, according, *inter alia*, to the provisions of Section 6.7 below *mutatis mutandis*;

The value of the aforesaid equity-based remuneration shall be calculated on the basis of the value of the Securities on the date on which the Board of Directors approves the relevant allotment.

It is clarified that the value of the equity-based remuneration which will be granted to the CEO for any particular year, as aforesaid, together with the monetary bonus granted to the CEO for that year (if any) shall not exceed (in the aggregate) 100% of the performance-based remuneration cap (3 Monthly Salaries) for that year.

- b. The CEO's entitlement to the equity-based remuneration, as provided above, shall be established according to the evaluation of the CEO's functioning by the Remuneration Committee and the Board of Directors, at their discretion

6.2 **Prerequisites for the Performance-Based Remuneration**

The entitlement to a Performance-Based Remuneration in respect of a certain year of any of the Bank's officers shall be subject to the total capital adequacy ratio and tier-1 capital ratio of the Bank, according to the (consolidated) annual



financial reports of the Bank for that year, shall not be lower than the minimum ratios which were established or will be established in this matter in the Bank of Israel's directives.

- 6.3 Despite the aforesaid, in a year in which the prerequisite provided in section 6.2 above is not fulfilled, the Remuneration Committee and the Board of Directors shall be entitled, at their discretion and under special circumstances, to grant a special monetary bonus equal to up to two salaries to the officers, all or some.
- 6.4 The Board of Directors is given discretion to reduce the Performance-Based Remuneration, or any component thereof, and even to determine that no Performance-Based Remuneration shall be paid for a certain year.
- 6.5 Terms of the Performance-Based Remuneration

6.5.1 The scope of the annual Performance-Based Remuneration which will be granted to each one of the officers for a certain year will be determined based on the weighted calculation of the following components (the rates provided in the following tables are calculated out of the maximum monetary bonus or the maximum equity-based remuneration, as the case may be):

<b>Performance-Based Remuneration<sup>5</sup></b>						
	<b>Monetary Bonus</b>			<b>Equity-Based Remuneration</b>		
	<b>“Company-wide” goals</b>	<b>Supervisor’s discretion<sup>6</sup></b>	<b>Individual goals</b>	<b>“Company-wide” goals</b>	<b>Supervisor’s discretion<sup>7</sup></b>	<b>Individual goals</b>
<b>The CEO</b>	-	100% no more than 3 monthly salaries	-	-	100% No more than 3 monthly salaries	-
<b>Gatekeepers</b>	17%	60% (No more than 3	23%	43%	-	57%

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<sup>5</sup>It is hereby clarified that the total Monetary Bonus, together with the value of the Equity-Based Remuneration, that will be granted to an officer for any particular year, shall not exceed (in the aggregate) 100% of the Performance-Based Remuneration Cap to that officer for that year.

<sup>6</sup> "Supervisor" – for the purpose of this section, shall be the Remuneration Committee and the Board of Directors with respect to the CEO; the Audit Committee, pursuant to the recommendation of the Chairman of the Board of Directors, with respect to the Internal Auditor; and the CEO with respect to the rest of the officers.

<sup>7</sup> see Footnote 6 above.

**Appendix B**

		monthly salaries)				
<b>Other officers</b>	30%	44% (No more than 3 monthly salaries)	26%	55%	-	45%

6.5.2 The composition of the company-wide goals will be as follows:

<b>Return on equity</b>	<b>Return on the Bank's share relative to the Benchmark Index</b>	<b>Operational Efficiency Ratio</b>	<b>Average ratio of deposits to loans</b>
60%	14%	14%	12%

6.5.3 With regard to each of the officers (except for the CEO), individual goals shall be determined in advance, including during the discussions over annual work plans, which shall also include, *inter alia*, goals pertaining to risk management and compliance, as well as goals pertaining to the officer's personal contribution to the achievement of the Bank's various goals.

6.5.4 It is clarified that with respect to the return on equity goals, return on the Bank's share relative to the Benchmark Index, operational efficiency ratio, and deposits to loans average ratio (hereinafter: "**Company-Wide Goals**"), the Remuneration Committee and the Board of Directors will establish levels, the meeting of which shall grant entitlement to Performance-Based Remuneration at a graduated amount. For each such index, the Remuneration Committee and the Board of Directors will determine an initial goal (as specified in the table in Section 6.5.5 below) as well as a target goal and a maximum goal shall be determined, and the entitlement to the monetary bonus and equity-based remuneration shall be conditioned upon meeting said goals, as follows: (a) Meeting the initial goal shall entitle the officers to up to 25% (hereinafter: "**Initial Rate**") of the index weight out of the annual monetary bonus and equity-based remuneration cap;

(b) Meeting the target goal shall entitle the officers to 100% of the index weight out of the annual monetary bonus and equity-based remuneration cap; (c) Meeting the maximum goal shall entitle the officers to 120% of the index weight out of the annual monetary bonus and equity-based remuneration cap;

An index result that falls between the initial goal and the target goal shall entitle the officers to the relative share between the Initial Rate and 100% of the index weight, according to the remuneration program (as to be approved by the Remuneration Committee and the Board of Directors), and in a manner which is not necessarily linear. An index result that falls between the target goal and the maximum goal shall entitle the officers to the relative share between the 100-120% of the index weight, in a linear calculation. **In any case, the total variable remuneration shall not exceed 100% of the cap that was established<sup>8</sup>.**

6.5.5 The initial goal of the Company-Wide Indices shall be as follows:

	<b>Return on equity</b>	<b>Return on the Bank's share relative to the benchmark index</b>	<b>Operational Efficiency ratio</b>	<b>Average ratio of deposits to loans</b>
<b>Initial goal</b>	No less than 9%	No less than “-6%” <sup>9</sup>	Maximum 62%	No less than 85% or no more than 115% <sup>10</sup>

<sup>8</sup>Except in extraordinary cases, as detailed in section 4.3 above.

<sup>9</sup> I.e., the initial goal for "return on the Bank's share relative to the benchmark index" shall be determined such that the annual return on the Bank's share shall not be more than 6% lower than the return on the Tel Aviv Bank Index, (i.e., the return on the Bank's share relative to the benchmark index shall be a negative return of no more than -6% (minus 6%)).

<sup>10</sup>i.e., the initial goal for "average ratio of deposits to loans" shall be determined at a rate that shall not be lower than 85% and not exceed 115%.

The Bank shall be entitled to determine that an officer who began his work during a calendar year and worked six months or more *de facto* until the end of that calendar year, or an officer who ended his work at the Bank during a calendar year and worked and worked six months or more *de facto* during that calendar year, shall be entitled to a proportional, partial, Performance-Based Remuneration in respect of the period in which he worked during that calendar year, insofar as such entitlement is given to officers who worked during that entire calendar year. Such payment shall be made on the payment date of the Performance-Based Remuneration to all of the Bank's officers.

6.5.6 The goals for Performance-Based Remuneration shall be approved by the Remuneration Committee and the Bank's Board of Directors

6.6 **Spread of the monetary bonus**

Assuming that the prerequisites for the payment of the Performance-Based Remuneration are met, as provided in section 6.2 above, the entire monetary bonus will be paid following the approval of the (consolidated) financial reports for the year, in respect of which the Performance-Based Remuneration is granted (hereinafter: "**That Year's Financial Reports**"). Despite the aforesaid, in the event that the variable remuneration of an officer for a calendar year exceeds 40% of the fixed remuneration for that year, the following instructions shall apply:

- 6.6.1 a. If an equity-based remuneration has not been granted to the officer for that year, then half (50%) of the monetary bonus will be paid shortly after the approval of That Year's Financial Reports, and half (50%) will be paid in three (3) equal quotas: one year, two years and three (3) years after the payment date of the monetary bonus half (50%) paid to the officer, as provided above, subject to section 6.6.3 below.
- b. If the officer has been granted an equity-based remuneration, the following instructions shall apply:
- (1) If the equity-based remuneration is at a sum equal to half (50%) of the Performance-Based Remuneration for that year, then the equity-based remuneration shall not be spread, and it will be paid shortly after the approval date of That Year's Financial Reports.

- (2) If the equity-based remuneration is at a sum lower than half (50%) of the Performance-Based Remuneration for that year, then part of the monetary bonus will be spread (as provided at the end of section 6.6.1a above) at a sum equal to half (50%) of the Performance-Based Remuneration with the equity-based remuneration sum for that year deducted; and the rest of the monetary bonus for that year shall be paid shortly after the approval date of That Year's Financial Reports.

The spread monetary bonus part, as aforesaid, will hereinafter be called: "**Spread Remuneration**", and each of the spread remunerations will hereinafter be called: "**Deferred Monetary Bonus**".

- 6.6.2 A Deferred Monetary Bonus will be linked to the CPI, according to the increase rate of the CPI known on the pay date of the Deferred Monetary Bonus, compared with the known CPI on the approval of the (consolidated) financial reports of the year for which the aforesaid Deferred Monetary Bonus is granted (it is hereby clarified that the above linkage shall not lead to a reduction of the Deferred Monetary Bonus).
- 6.6.3
  - a. The payment of any Deferred Monetary Bonus, as provided above, shall be conditional to that during the calendar year which precedes the payment date of the aforesaid Deferred Monetary Bonus, the total capital adequacy ratio and tier-1 capital ratio of the Bank, according to the (consolidated) annual financial reports of the Bank for that year, were no lower than the minimum ratios which were established in this matter in the Bank of Israel's directives (hereinafter: "**Minimum Ratios**") during the calendar year which precedes the payment date of the aforesaid Deferred Monetary Bonus.
  - b.
    - (1) If the Bank had deviated from the Minimum Ratios in the calendar year prior to any Deferred Monetary Bonus payment date, then the payment of the aforesaid Deferred Monetary Bonus shall be postponed by 12 months (hereinafter: "**Deferred Payment Date**");
    - (2) In the event that the deviation from the Minimum Ratios continues in the calendar year that precedes the Deferred

Payment Date, then the aforesaid Deferred Monetary Bonus shall be cancelled and shall not be paid to the officers<sup>11</sup>.

- c. Despite the aforesaid in section b(2) above, if the Bank's deviation does not exceed 10% of the Minimum Ratios, the Remuneration Committee and the Board of Directors shall be entitled, at their discretion and under special circumstances, to decide to pay the aforesaid Deferred Monetary Bonus to the officers.

6.6.4 It is clarified that if the total variable remuneration for any calendar year does not exceed 40% of the relevant officer's fixed remuneration for that year<sup>12</sup>, then the full Spread Remuneration for that year shall be paid shortly after the publication of That Year's Financial Reports.

6.7 Long-term equity-based remuneration

If and insofar as it is decided during the period of the Remuneration Policy to grant any of the officers at the Bank, excluding the directors, an equity-based remuneration, as provided in section 6.1 above, the following instructions shall apply:

6.7.1 The equity-based remuneration may include options for the Bank's shares (hereinafter: "**Securities**"); the Bank shall be entitled to grant Securities to the officers, without payment of any sort from the officer upon their vesting or granting or exercise date, as the case may be. The Securities shall be granted (insofar as permitted by law) pursuant to the provisions of Article 102 of the Income Tax Ordinance, according to the "Capital Gains track".

6.7.2 The allocation of the total equity-based remuneration for each one of the years 2020 through 2022 (hereinafter: "**Annual Quota**"), insofar as it will be made, will be done shortly after the date in which the required approvals for the allocation are obtained, by means of a Securities trustee. The Annual Quotas may all be allocated on one date in advance, or on different dates (in this context, each Annual Quota of any or all of the officers, may be allocated on a different

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<sup>11</sup> It is hereby clarified that in the event that any Deferred Monetary Bonus is not paid, as aforesaid, the rest of the Deferred Monetary Bonuses shall not be cancelled, and shall be subject to compliance with the term provide above, at the relevant dates.

<sup>12</sup> Calculated before deferral.

date), per the decision in this matter of the Remuneration Committee and the Board of Directors.

6.7.3 The quantity of Securities to be included in each Annual Quota shall be calculated based on the value of the Securities on the approval date of the relevant allocation by the Board of Directors in this matter.

6.7.4 Each Annual Quota shall be divided to three (3) equal portions (hereinafter: “**Deferred Portions**”); the vesting date of the first Deferred Portion of each Annual Quota shall occur close to the lapse of one year from the date of approval of the (consolidated) financial reports for the year in respect thereof the Annual Quota has been granted (the “**First Deferred Vesting Date**”). The vesting dates of the two other Deferred Portions of each Annual Quota shall occur in the lapse of one year and two years, respectively, from the First Deferred Vesting Date.

- 6.7.5
- a. In addition to the entitlement terms, as provided in section 6 above, the vesting of each deferred portion shall be conditional to that in the calendar year that precedes the vesting date of that Deferred Portion, the total capital adequacy ratio and tier-1 capital ratio of the Bank, according to the (consolidated) annual financial reports of the Bank for that calendar year, shall be no lower than the minimum ratios according to the Bank of Israel’s directives (hereinafter: “**Minimum Ratios**”) in the calendar year that precedes the vesting date of that Deferred Portion.
  - b.
    - (1) If the Bank had deviated from the Minimum Ratios in the calendar year prior to the vesting date of any Deferred Portion, then the vesting date of the aforesaid Deferred Portion shall be postponed by 12 months (hereinafter: “**Deferred Vesting Date**”);
    - (2) In the event that the deviation from the Minimum Ratios continues in the calendar year that precedes the Deferred Vesting Date, then the aforesaid Deferred Portion shall be cancelled and shall not bestow any right<sup>13</sup>.
  - c. Despite the aforesaid in section b(2) above, if the Bank’s deviation does not exceed 10% of the Minimum Ratios, the

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<sup>13</sup> It is hereby clarified that in the event that any Deferred Portion is cancelled (and does not bestow any right), as aforesaid, the rest of the Deferred Portions shall not be cancelled, and shall be subject to compliance with the term provide above, at the relevant dates

Remuneration Committee and the Board of Directors shall be entitled, at their discretion and under special circumstances, that the aforesaid Deferred Portion not be cancelled, but rather vest according to the terms of the remuneration program, as shall be approved by the Remuneration Committee and the Board of Directors.

- 6.7.6 Subject to the terms provided in section 6.7.5 above, each of the Deferred Portions of an Annual Quota shall be exercisable from the vesting date determined in respect thereof, for a period that shall not exceed three (3) years; it is clarified that different exercise periods may be determined with respect to different officers, as shall be decided in this respect by the Remuneration Committee and the Board of Directors.
- 6.7.7 Despite the aforesaid, in the event that the variable remuneration for an officer due to any calendar year does not exceed 40% of the officer's fixed remuneration for that year<sup>14</sup>, then the full Annual Quota for that year may vest from the date of publication of the That Year's Financial Reports, as shall be decided in this respect by the Remuneration Committee and the Board of Directors (in addition to the monetary bonus which will be paid on the same date, in cash, for that year).
- 6.7.8 In the event of the allocation of option warrants, the exercise price of the options, which will be determined in each allocation shall not be lower than the average price of an ordinary share of the Bank on the stock exchange during the 30 trading days that preceded the date of approval of the relevant allocation by the Board of Directors, unless the Remuneration Committee and the Board of Directors decide that the volatility of the share price requires calculating the average over a longer period of time; the exercise price shall be linked to the CPI, from the index known on the date on which the Board of Directors approves the relevant allotment until the index known on the exercise date (hereinafter in this Section: "**Exercise Price**").
- It is clarified that on the exercise date, officers shall not be required to pay the Exercise Price, and the Exercise Prices serves only to determine the amount of the financial benefit and the number of

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<sup>14</sup> Calculated before deferral.



exercise shares to be allocated *de facto*, which will be calculated according to the difference between the TASE closing price of an ordinary share of the Bank on the trading day preceding the exercise date, or the Maximum Closing Price (as defined below), the lower of the two, and the Exercise Price (subject to adjustments); all in accordance with the terms and conditions determined in this respect by the Remuneration Committee and the Board of Directors.

In this context, the “**Maximum Closing Price**” – up to ILS 160 plus index-linked differentials, from the index known on the date on which the Board of Directors approves the relevant allotment until the index known on the exercise date; it is clarified that different Maximum Closing Prices may be determined in respect of different officers, as shall be decided in this respect by the Remuneration Committee and the Board of Directors.

- 6.7.9 Upon the granting of an equity-based remuneration, the rate of dilution which will result from the allocation of the Securities will also be taken into account.
- 6.7.10 The equity-based remuneration may be subject, insofar as it is relevant, to adjustments, including adjustments for dividend, bonus shares, changes in equity (consolidation and division), issuing of rights, a structural change of the Bank, a merger, as well as a sale of the Bank’s assets or the Bank’s issued capital, and so on.
- 6.7.11 In the discussion regarding the granting of equity-based remuneration, the economic value of the Securities which were allocated in the past to the officer, if any, and whose vesting period has not yet terminated, will be taken into account.

- 6.8 It is clarified that an officer who will retire from the Bank upon reaching retirement age or thereafter, an officer who retired from the Bank not by his own initiative (not upon reaching retirement age or thereafter, and not under circumstances which entitle the Bank the right to lay him off while denying severance pay, and not under extraordinary circumstances that shall be determined by the Remuneration Committee and the Board of Directors for this matter) and an officer who retired from the Bank of his own initiative after completing at least five years of employment in the Bank, shall be entitled to the balance of the variable equity-based remuneration the entitlement thereto arose in respect of previous years in which the officer has been employed in the

Bank, all this at the dates and conditions which are provided in section 6 above (as if he continued to serve as an officer in the Bank).

- 6.9 The officer will return, including by way of setoff, any variable remuneration granted thereto, pursuant to the terms, the manner and the way that shall be determined by the Remuneration Committee and the Board of Directors for this matter, if paid to him based on data which transpired to be erroneous and was re-presented in the Bank's consolidated financial statements during the three (3) years following the year in respect of which the variable payment has been granted thereto, and by no later than after the lapse of three (3) years from the termination date of the officer's employment in the Bank.
- 6.10 6.10.1 Without derogating from the aforesaid, all variable remuneration shall be granted and paid subject to the condition that it be remissible should any of the following criteria be met<sup>15</sup>:
- a. The officer took part in behavior which caused extraordinary damage to the Bank, including: illegal activities, a breach of the trust duty, intentional violation or ignoring in gross negligence the Bank's policies, rules and procedures. For the purpose of this section, "**extraordinary damage**": a material monetary expenditure due to fines or sanctions imposed upon the Bank by certified authorities under the law, or according to a peremptory ruling, a final arbitral award, a settlement agreement, *et cetera*, which is at a sum that exceeds 10% of the Bank's equity at the time of the extraordinary damage's occurrence.  
It is clarified that the expense due to the extraordinary damage, if applicable, will be calculated after the deduction of sums that have been paid or are expected to be paid to the Bank by third parties to repair its damages, and taking into account the recognition of tax losses.
  - b. Fraud or intentional impropriety by an officer, due to which data were discovered as incorrect and represented in the Bank's financial reports.
  - c. Circumstances which allow the Bank to dismiss an officer without severance pay, according to the applicable law; it is

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<sup>15</sup> It is clarified that in the matter of the remission instructions, the transitory instructions established by the Supervisor of Banks will apply. In this matter, see also section 1.7 above.

hereby clarified that this subsection c does not derogate from that which is provided in subsection a above.

Variable remuneration shall be remissible, as aforesaid, if it was granted due to a year in which the circumstances provided in subsections a, b or c above occurred with respect to the officer (i.e. during that year, the officer took part in behavior due to which extraordinary damage was caused to the Bank, or the circumstances listed in subsections b or c above applied to the officer during that year).

6.10.2 The variable remuneration shall be remissible for a period of five (5) years after it is granted (with the remission period including the period of the variable component's deferral, insofar as it may be deferred).

Despite the aforesaid, the remission period shall be extended by two additional years for the officer when all of the following conditions are met:

- a. During the remission period, the Bank has opened an internal investigation or has received a notice from a regulating authority (including a foreign regulating authority) that an investigation has been opened;
- b. The Bank believes that the investigation might prove that the remission criteria provided in section 6.10.1 above had occurred;
- c. The Remuneration Committee and the Board of Directors have decided that the circumstances to extend the remission period of the officer, as provided above, have been fulfilled. In the resolution regarding the extension, all relevant considerations will be taken into account, including the officer's level of responsibility and the scope of his involvement in the issue. The extension period will expire when the relevant investigation ends and when the officer's level of responsibility becomes clear.

6.10.3 a. Should the Remuneration Committee and the Board of Directors confirm that the remission criteria, as provided in section 6.10.1 above, have occurred, the Remuneration Committee and the Board of Directors shall determine the remission sum, being mindful, *inter alia*, of all considerations relevant to the matter at hand, including how much the officer contributed to the

extraordinary damage to the Bank, the scope of the officer's responsibility and the scope of his involvement in the issue which caused the activation of the remission mechanism. The scope of the extraordinary damage to the Bank and its implications, the timing of the occurrence of the events and circumstances which caused the extraordinary damage to the Bank, *et cetera*.

- b. The remission sum, as provided in subsection a. above, shall not exceed the difference between the variable (net, after tax deduction) remuneration that was paid to the officer for the period during which the circumstances provided in section 6.10.1 above occurred, and the variable (net, after tax deduction) remuneration that would have been paid to the officer if the monetary expense caused to the Bank by the above circumstances would have been attributed to this period (while attributing part of the expense, insofar as it may be attributed, to each year of the years in which the circumstances took place; and where lacking the ability to attribute it, a linear spread of the expense over the period years).

6.10.4 The resolution of the Remuneration Committee and the Board of Directors, as provided above, will be made after the officer has been granted a reasonable opportunity to voice his stance before the committee and the Board of Directors.

6.10.5 The Bank will take all reasonable means, including legal means, to remise the determined remission sum, subject to any law.

6.10.6 Despite the aforesaid, when the total variable remuneration which was granted to an officer for a calendar year did not exceed 1/6 of the fixed remuneration that year, it is not necessary to activate the remission mechanism provided above in respect of it, regarding the variable remuneration for that calendar year.

6.11 Instructions will be established, under which officers at the Bank shall not create private hedging arrangements which would nullify the impacts of risk sensitivity inherent in their remuneration.

## **7. Adjustments to the Senior Officers' Wage Law**

7.1 The total maximum remuneration which the Bank may pay (subject to receiving the authorizations required by law) to the CEO or to the Chairman of the Board

of Directors, according to Article 2(b) of the Senior Officers' Wage Law, at the time of this remuneration policy's approval by the Remuneration Committee and the Board of Directors, is approx. ILS 3,456 thousand *per annum*<sup>16</sup>.

- 7.2 Insofar as the annual remuneration cap under the Senior Officers' Wage Law, including Article 2(b) of the above law and/or according to any other law (hereinafter: "**Permitted Remuneration Cap**"), will allow it, for any reason, the Bank may pay the Chairman of the Board of Directors an additional fixed remuneration component (beyond that which is provided in section 5 above), at a sum which shall not exceed two (2) monthly salaries *per annum*; it is hereby clarified that due to the additional fixed remuneration component, as aforesaid, the Bank will pay and provide as required by law and provide for severance pay and remunerations strictly according to the law.

The component of the additional fixed remuneration, as provided above, may be paid without requiring any further approval, and reported to the Remuneration Committee.

- 7.3 The total annual remuneration (not including provision for severance pay and provision for pension according to law) of the CEO or the Chairman of the Board of Directors shall not, in any case, exceed the Permitted Remuneration Cap, as provided above.

If and insofar as the CEO's annual remuneration (not including provision for severance pay and provision for pension according to law) for any year exceeds the Permitted Remuneration Cap, as provided above (hereinafter in this section: "**Excess**"), the Excess sum will first be reduced from the monetary bonus sum to which the CEO will be entitled (insofar as he may be entitled) for that year (and insofar as a balance will remain, it will be reduced off the CEO's fixed remuneration for that year).

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<sup>16</sup>A. In this matter, it should be noted that the lowest remuneration, per the cost of a full-time position, which the Bank paid directly or indirectly to an employee of the Bank, including an employee of a manpower contractor that the Bank is his *de facto* employer, and a service contractor's employee who is employed as a service provider at the Bank, in the year preceding the date of approval of this Remuneration Policy by the Board of Directors, with respect to Article 2(b) of the Senior Officers' Salary Law, was approx. ILS 98,737 (not including provision to severance and pension, by law). In this matter, "Manpower contractor", "Service contractor" and "*de facto* employer" are per their meaning in the Senior Officers' Salary Law.

B. For the purpose of calculating the total remuneration which the Bank may pay under the Senior Officers' Salary Law, including under Article 2(b) of the aforesaid law, a remuneration that the expenditure for which is not predicted according to the standard accounting rules will not be taken into account, nor will provision to severance and provision to pension, by law.

An Excess, as provided above, in the Chairman of the Board of Directors' annual remuneration (insofar as it may occur) will be reduced off the Chairman's fixed remuneration for that year.

- 7.4 The total annual remuneration (not including provision for severance pay and provision for pension according to law) of any of the officers (who are not the CEO or directors) shall not, in any case, exceed the Permitted Remuneration Cap determined in Article 2(a) of the Senior Officers' Wage Law; if and insofar as an officer's annual remuneration, as provided above, for any year, exceeds the Permitted Remuneration Cap (hereinafter in this section: "Excess"), the Excess sum will first be reduced from the monetary bonus sum to which the officer will be entitled (insofar as he may be entitled) for that year (and insofar as a balance will remain, it will be reduced off the officer's fixed remuneration for that year).
- 7.5 It is hereby clarified that in the event that the expense due to a salary cost which the Bank bore, directly or indirectly, in a tax year for an officer, would exceed the "payment cap", per its meaning in Article 4 of the Senior Officers' Wage Law, part of the remuneration of the officer will not be recognized as a tax-deductible expense for the Bank, under the instructions of Article 4 of the aforesaid law.
8. 8.1 **Additional fixed component for gatekeepers**  
In addition to the aforesaid, the Gatekeepers (excluding the secretary of the Bank) shall be entitled to an additional fixed component, which is not performance-based, which shall not exceed two (2) salaries per annum. This component shall be deemed a portion of the fixed compensation component of the Gatekeepers.  
The additional fixed component for gatekeepers will be given each year, provided that the officer was employed at the Bank at the date on which the said component was granted.
- 8.2 **Monetary bonus under special circumstances**  
In addition to that which is provided in this remuneration policy and despite the limitations established therein, the Remuneration Committee and the Board of Directors shall be entitled to grant, from time to time, a special monetary bonus for a certain year, to an officer at the Bank (one or more) who is neither the CEO nor a director, which shall not exceed four (4) monthly salaries; this, subject to the instructions of the law, including the remuneration cap determined in Article 2(a) of the Senior Officers' Wage Law.

The aforesaid bonus shall be granted at the discretion of the Remuneration Committee and the Board of Directors, after receiving the recommendation of the Chief Executive Officer; and with respect to the Internal Auditor, after receiving the recommendation of the Chairman of the Board of Directors and the Remuneration Committee, under special circumstances and reasons specified thereby.

9. **Agreement period and retirement terms**

9.1 The period of the employment agreement will be either fixed or non-fixed, with a termination possibility for each one of the parties for any reason, by a notice which shall not be longer than six (6) months. The Bank shall have the right not to use the advance notice period, provided that it pay to the officer the redemption of such portion of the advance notice in which the Bank has waived his employment, plus Social Provisions.

9.2 In case of retirement not under circumstances which grant the Bank the right to deny severance pay from the officer, the Bank shall be entitled to grant the officer all or part of the following rights:

9.2.1 Paid advance notice period, as aforesaid;

9.2.2 Release of severance pay monies which accrued for the officer in provident funds, severance pay funds (arrangement according to Article 14 of Severance Pay Law), and the advanced study fund;

9.2.3 An adjustment bonus which will be calculated as follows<sup>17</sup>:

a. Chairman: Up to 3 salary months. The bonus will be accrued over the first two years of the Chairman's tenure (a month at the commencement of his work, another month after a year, and one additional month after another year) and shall be paid to the Chairman at the end of his service, according to the seniority with which he served<sup>18</sup>:

(1) Up to one year's seniority – one salary.

(2) One to two years' seniority – 2 salaries.

(3) More than two years' seniority – 3 salaries.

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<sup>17</sup> Except for officers serving at the time of this policy's approval, who according to their service terms are entitled to the full adjustment bonus. In this matter, it should be noted that in practice, the entitlement terms provided in section 9.2.3.c(3) below apply to them.

<sup>18</sup> According to the service and employment terms approved for the Chairman of the Board of Directors serving at the time of this remuneration policy's approval, the Chairman of the Board of Directors is entitled to an adjustment bonus as aforesaid, regardless of his tenure period. In this matter, it should be noted that in practice, the entitlement terms provided in section 9.2.3.a(3) above apply to him.

- b. CEO: Up to 6 salary months including social provisions. The bonus will be accrued over the first two years of the CEO's tenure (two months at the commencement of his work, another two months after a year, and two additional months after another year) and shall be paid to the CEO at the end of his service, per the seniority under which he served<sup>19</sup>:
  - (1) Up to one year's seniority – 2 salaries.
  - (2) One to two years' seniority – 4 salaries.
  - (3) More than two years' seniority – 6 salaries.
- c. An officer who is neither the CEO nor a director: Up to 6 salary months. The bonus will be accrued over the first two years of the officer's tenure (two months at the commencement of his work, another two months after a year, and two additional months after another year) and shall be paid to the officer at the end of his service, per the seniority under which he served:
  - (1) Up to one year's seniority – 2 salaries.
  - (2) One to two years' seniority – 4 salaries.
  - (3) More than two years' seniority – 6 salaries.

It is clarified that the adjustment bonus to an officer, at a sum of three (3) monthly salaries, and with respect to the CEO, three (3) monthly salaries including social provisions (as provided in section 5.2.6 above), will be considered part of the fixed remuneration. The portion of an officer's adjustment bonus which is higher than three (3) monthly salaries, and with respect to the CEO, the portion higher than three (3) monthly salaries including social provisions, will be considered part of the variable remuneration for that officer and paid as provided in section 9.4 below<sup>20</sup>.

### 9.3 Retirement bonus

- 9.3.1 The CEO is entitled to a retirement bonus accrued for the period until the End of the Transitory Period (i.e. until October 12, 2016) at a sum equal to 150% of the CEO's last monthly salary prior to the End of

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<sup>19</sup> According to the service and employment terms approved for the CEO serving at the time of this remuneration policy's approval, the CEO is entitled to an adjustment bonus as aforesaid, regardless of his tenure period. In this matter, it should be noted that in practice, the entitlement terms provided in section 9.2.3.b.(3) above apply to him.

<sup>20</sup> In this matter, see section 1.7 above.



the Transitory Period, multiplied by the CEO's employment years at the Bank until the End of the Transitory Period.

An officer who is neither a CEO nor a director<sup>21</sup> is entitled to a retirement bonus accrued over the period until December 31, 2016, at a sum equal to 150% of the monthly salary for December 2016, multiplied by his employment years at the Bank up to the end of 2016.

9.3.2 The entitlement of the officers, as provided above (excluding the Chairman) is subject to the Remuneration Committee and the Board of Directors' decision that no circumstances have occurred due to which the retirement bonus should be reduced<sup>22</sup>.

It should be noted that the cost of the retirement bonuses accrued for the officers, who are employees at the Bank, until the End of the Transitory Period, was fully provided in the Bank's financial reports prior to the End of the Transitory Period<sup>23</sup>.

As provided above, the retirement bonuses shall be considered variable remuneration, and paid to the aforesaid officers according to their terms, at the end of the employer-employee relations between them and the Bank, and the instructions established in section 9.4 below<sup>24</sup> will apply with regard to the aforesaid officers (excluding the Chairman).

#### 9.4 The spread of the retirement payments and adjustment mechanisms

9.4.1 Subject to that which is provided in section 9.2 above, any payment due to retirement arrangements which is paid to the officer and which is not considered part of the fixed remuneration (hereinafter: "**Excess Retirement Sum**"), shall be paid as follows: 50% of the Excess

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<sup>21</sup> In the service terms of the Chairman of the Board of Directors that were approved on January 25, 2016 by the Bank's general meeting, it was established that the Bank would pay the Chairman the retirement bonus to which the Chairman is entitled under the Chairman's employment agreement for the period commencing on December 1, 2012 and until November 30, 2015, at a sum equal to 150% of the Chairman's last monthly salary, according to the aforesaid agreement, multiplied by employment years according to the aforesaid agreement (three years); this, without reduction and spread instructions. Due to his current service period (from December 1, 2015), the Chairman is not entitled to a retirement bonus.

<sup>22</sup> In this matter, see section 8.3 of the remuneration policy which was approved by the general meeting on June 10, 2014 (immediate report dated May 4, 2014, ref. no. 2014-01-056838);

<sup>23</sup> It is hereby clarified that for the purpose of calculating the total remuneration which the Bank may pay under the Senior Officers' Salary Law, including under Article 2(b) of the aforesaid law, the cost due to retirement bonuses provided as aforesaid shall not be taken into account.

<sup>24</sup> With respect to the rights of officers, who are not directors, who served at the Bank before June 3, 2013, to retirement bonuses, the Bank will act according to the transitory instructions established in this matter in the remuneration directives or according to the Supervisor of Banks' approval; in this matter, see that which is provided in section 1.7 above.

Retirement Sum shall be paid close to the time of retirement and 50% of the Excess Retirement Sum shall be paid to the officer, in equal portions, after 12, 24 and 36 months have passed from the time of his retirement from the Bank (hereinafter: “**Deferred Retirement Bonus**”).

A Deferred Retirement Bonus will be linked to the CPI, according to the increase rate of the CPI known on the pay date of the Deferred Retirement Bonus, compared with the known CPI at the time of the termination of employer-employee relations (it is hereby clarified that the above linkage shall not lead to a reduction of the Deferred Retirement Bonus).

- 9.4.2 If the (consolidated) quarterly or annual financial reports of the Bank, published close to the payment date of any Deferred Retirement Bonus, have a deviation of more than 10% of the minimum ratios of the total capital adequacy and tier-1 capital determined for this in the Bank of Israel’s directives (hereinafter in this section: “**Material Deviation from the Minimum Ratios**”), then the payment of the aforesaid Deferred Retirement Bonus shall be postponed by 12 more months (hereinafter: “**Final Date**”). In the event that the Material Deviation from the Minimum Ratios continue in the (consolidated) quarterly or annual financial reports which will be published close to the Final Date, then the Deferred Retirement Bonus shall be cancelled and shall not be paid to the officer.

It is clarified that the rest of the deferred retirement bonuses, the payment date of which occurs after the time at which there was a Material Deviation from the Minimum Ratios, as provided above, shall not be cancelled and shall be subject to compliance with the above condition, at the dates relevant to them.

- 9.4.3 In the event that employment is terminated due to death, disability or disease, the spread arrangements established in sections 9.4.1 and 9.4.2 above shall not apply.
- 9.4.4 It is hereby clarified that the remission instructions per sections 6.9 and 6.10 above shall also apply to the Excess Retirement Sum.
- 9.4.5 It shall be established in the officers’ employment terms that for a period of six (6) months from the termination of work relations between the officer and the Bank, the officer shall not work under or

for any institution which competes with the Bank's activities, and the Bank shall not pay any sums to an officer due to this non-competition instruction, beyond that which is provided above.

10. **Directors' service terms**

- 10.1 Directors at the Bank (except for the Chairman of the Board of Directors), including external directors and including directors who are controlling shareholders at the Bank, are entitled to an annual honorarium and a meeting participation honorarium, under Regulations 4 and 5 of the Companies Regulations (Rules on Honorarium and Expenses of Outside Directors) 5760-2000 (hereinafter: "**Honorarium Rules**") which shall not exceed the "maximum amounts" included in the Honorarium Rules. All directors are also entitled to indemnification, exemption and officers' insurance, as customary at the Bank from time to time.
- 10.2 Despite the aforesaid in section 10.1 above, a director which the Bank's Board of Directors evaluates as an "expert director", per the definition in the Honorarium Rules, will be entitled to an annual honorarium and a meeting participation honorarium payment which shall not exceed the "maximum amount" for an expert director.

11. **The Remuneration Policy's period**

- 11.1 This Remuneration Policy shall be valid for a period of three (3) years commencing on January 1, 2020.
- 11.2 As provided in section 1.7 above, this Remuneration Policy shall apply to the service and employment terms of officers at the Bank that will be approved as of the commencement of this policy, without derogating from rights granted prior to the aforesaid date.

**Mizrahi Tefahot Bank Ltd**  
**Service & Employment Terms**  
**of the Chief Executive Officer of the Bank**

1. Introduction

- 1.1 Mr. Eldad Fresher began his work at the Bank in November 2004; and on August 16, 2013, he began to serve as the Bank's Chief Executive officer (hereinafter: "**CEO**").
- 1.2 On June 10, 2014, the Bank's general meeting approved the CEO's service and employment terms.
- 1.3 On April 12, 2016, the Remuneration for Officers in Financial Corporations (Special Approval and Non-Deductibility of Expense for Tax Purposes Due to Special Remuneration) Law 5776-2016 was published (hereinafter: "**Senior Officers' Salary Law**").
- According to the transitory instruction established in the Senior Officers' Salary Law, with respect to the Bank's engagement with a senior officer or employee that was approved prior to the publication date of this law, the instructions of the law shall apply after six (6) months from the publication date – i.e. October 12, 2016 (hereinafter: "**End of the Transitory Period**").
- 1.4 Pursuant to the Senior Officers' Salary Law, the general meeting of the Bank approved, on February 14, 2017, amended service and employment terms for the CEO, as specified in Section 3 and in Appendix C to the immediate report released by the Bank on January 9, 2017, Ref.: 2017-01-003454 (hereinafter: the "**Former Employment Agreement**"). Thereafter, and according to the Bank's updated remuneration policy (as defined in section 2.4 below), the Remuneration Committee and the Board of Directors approved updated service and employment terms for the CEO, including amendments to the previous employment agreement, as specified herein (hereinafter: the "**Amended Employment Agreement**"), which will apply from January 1, 2020, without derogating from the rights granted to CEO's by the Bank.
- 1.5 The service and employment terms of the CEO, as provided in this document below, were approved by the Remuneration Committee and by the Bank's Board of Directors, and they are subject to the approval of the general meeting, as required by law.

2. Definitions

- 2.1 "**Former Employment Agreement**": as defined in Section 1.4 above.
- 2.2 "**Amended Employment Agreement**": as defined in Section 1.4 above.
- 2.3 "**Senior Officers' Salary Law**": as defined in Section 1.3 above.
- 2.4 "**Updated Remuneration Policy**" or "**Remuneration Policy**": The Bank's remuneration policy, as defined in Article 267A of the Companies Law, 5759-

1999, which is brought to the approval of the general meeting at the same time as the CEO's employment terms are brought to approval, as detailed in this document below;

- 2.5 **"Former Remuneration Policy"**: The Bank's remuneration policy, as defined in Article 267A of the Companies Law, 5759-1999, which was approved by the general meeting on February 14, 2017 (see the immediate report published by the Bank on January 9, 2017 (ref. no. 2017-01-003454));
  - 2.6 **"Employer-Employee Relations Termination Date"**: The date on which the employer-employee relations come to an end, by law; it is hereby clarified that the advance notice period (all or part) in which the Bank has waived the CEO's work (insofar as it has waived) shall not be considered as a period in which employer-employee relations exist. In addition, the payment of the adjustment bonus shall not result in extension of the period in which employment relations exist;
  - 2.7 **"Salary" or "Monthly Salary"**: As defined in section 4.2 below;
  - 2.8 **"Exceptional Cause"**: A cause for the employer-employee relations' termination, by reason of which it is possible to dismiss an employee with denial of severance pay (even if *ex gratia* the severance pay is not actually denied) or a breach of fiduciary duty, within the meaning thereof in the Companies Law 5759-1999, or a conviction of an offence that harmed the Bank or its customers or an offence involving disgrace, in connection with the position;
  - 2.9 **"Performance-Based Remuneration"**: A monetary bonus or a performance-based equity-based remuneration, as specified in section 5 below;
  - 2.10 **"Variable Remuneration"**: A monetary bonus and an equity-based remuneration, as specified in section 5 below; the part of non-competition adjustment bonus, which is higher than the sum of three (3) Salaries plus provisions in respect thereof, as detailed in section 4.9.3 below, and the retirement bonus, as detailed in section 4.9.4 below;
  - 2.11 **"Fixed Remuneration"**: The Salary plus provisions and other related benefits, as detailed in sections 4.2 and 4.3 below, and a non-competition adjustment bonus in the sum of three (3) Salaries plus provisions in respect thereof, as detailed in section 4.9.3 below;
  - 2.12 **"End of the Transitory Period"**: October 12, 2016.
3. **The service and employment terms of the CEO – General**

The service and employment terms of the CEO, as of January 1, 2020, include the following components:

- 3.1 A Monthly Salary, related benefits (including social provisions) and retirement terms;
- 3.2 A performance-based remuneration, at the discretion of the Remuneration Committee and the Board of Directors;

All as detailed below.

4. **The main principles of the service and employment terms of the CEO**

The main principles of the service and employment terms of the CEO according to the Amended Employment Agreement, as of January 1, 2020, as approved by the Remuneration Committee and Board of Directors, are as follows:

4.1 **General**

- 4.1.1 The CEO's position at the Bank shall be full-time, including overtime beyond the full-time scope, insofar as required by work needs.

It is agreed that considering the CEO's status, the Hours of Work and Rest Law 5711-1951 shall not apply to him, and he shall not be entitled to the payment of overtime by its power.

- 4.1.2 As long as employer-employee relations exist, the CEO shall not be entitled to work in any other capacity or engage in any other occupation for a wage, whether as a salaried employee or in self-employment, advisor, agent, mediator or any other form, nor will he be able to fulfill any other position in any business entity, whether for consideration or not, unless he has received an approval in advance for this from the Board of Directors.

4.2 **Monthly salary**

- 4.2.1 For his work, the CEO shall be entitled to a monthly wage in the gross total of ILS 238,000 (hereinafter: "**Wage**").

The Wage determined above takes into consideration all of the CEO's roles and commitments at the Bank and/or subsidiaries of the Bank (including participation in the meetings of the Bank's Board of Directors and its committees and any participation in the meetings of the Board of Directors or committees of companies affiliated with the Bank).

- 4.2.2 The Wage shall be fully linked to changes in the Consumer Price Index (hereinafter: "**CPI**"), based on the CPI for October 2019, as

published on November 15, 2019, and with respect to the CPI which will be known at the time of the relevant Wage's payment; the Wage's update, as aforesaid, will occur four (4) times per annum, with the salaries of February, May, August and November.

Despite the aforesaid, in the event of a CPI decline, there shall be no reduction in accordance of the Wage; however, the rate of the CPI's decline shall be offset from the next CPI increase rate, and the one after that, as necessary, until the entire CPI decline is offset.

It was agreed that this update method shall come in lieu of the cost-of-living increment and/or economy-wide salary increase and includes these.

The Wage, including linkage differences, as provided in this section 4.2 above, shall be hereinafter called: "**Salary**" or "**Monthly Salary**"<sup>1</sup>. (It is hereby clarified that the term "Salary" does not include social provisions or other benefits).

4.3 **Related benefits**

The CEO shall be entitled to related benefits as follows:

4.3.1 Car: The Bank shall provide to the CEO, for the purposes of fulfilling his position, an equipped company car, according to the Bank's procedures, as well as a chauffeur; and shall bear all costs related to the use and maintenance of the car, and will gross up any tax that may be imposed upon the CEO due to the provided car.

4.3.2 Telephone: The bank shall provide a mobile telephone for the CEO's use, and shall bear all costs related to its maintenance, including taxes due thereto. In addition, the Bank will contribute up to a total of ILS 6,500 per annum to the CEO's home communication expenses, and will bear the tax in respect of such contribution.

4.3.3 Expenses: The CEO is entitled to a reimbursement of expenses related to the fulfillment of his position, including business-related hospitality expenses (with no cap set for such reimbursement amount). Likewise, the bank shall bear expenses due to newspapers, professional literature and professional training and finance periodic medical examinations, holiday gifts and team-building days for the CEO, all as customary in the Bank.

4.3.4 Annual leave, convalescence and sick leave

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<sup>1</sup> The sum of the monthly salary, subject to that which is provided in section 4.4 below.



## Appendix C

- a.
  - (1) The CEO shall be entitled to an annual leave of 22 work days per annum.
  - (2) Once a year, the CEO will take an annual leave of at least ten consecutive business days.
  - (3) The accrument of leave days (and their redemption, in the event that there remains a balance upon the termination of the work relationship) shall be up to 44 work days.
  - (4) Each year, the CEO will be able to redeem an accrued leave balance which exceeds the annual leave cap which he is owed for that year, according to the law (after the leave days he has taken *de facto* during that year are reduced therefrom).
- b. The CEO will be entitled to an annual convalescence pay in respect of a full year of work (and proportionally in respect to part of the year), according to 14 days per annum, at the customary rate for the Bank's managers. Likewise, the CEO will be entitled to an annual vacation voucher, at the customary sum for Bank employees.
- c. The CEO will be entitled to 30 calendar days of sick leave per annum, excluding the days he has used *de-facto* that year. The CEO will not be able to redeem accrued sick leave days at the termination of his employment at the bank (regardless of the reason for said termination) or at any other time.

4.3.5 **Provisions for a provident fund, pension, severance pay and an advanced study fund**

- a. The Bank is providing the CEO with a budget of 15.83% for provisions for provident funds, pension and severance pay at the Bank's expense, which shall be transferred to a provident fund chosen by the CEO, subject to the following aggregate terms and conditions:
- (1) The Bank shall deduct 5% from the CEO's salary for provident funds, which it shall also transfer to the provident fund to which the provident funds and severance monies at the Bank's expense are transferred, and shall purchase loss of working capacity insurance for him by paying 2.5% or such percentage that will vest the CEO with a disability allowance of 75% of the salary, whichever is lower.
  - (2) All the aforesaid provisions shall be based on the salary, as shall be from time to time.
  - (3) The parties have adopted the terms and conditions of the General Approval regarding Employers' Payments to a Pension Fund and Insurance Fund in lieu of Severance Pay, in accordance with Section 14 of the Severance Pay Law, 5723-1963 (the "**Severance Pay Law**").
- b. In addition, the Bank shall make provisions for the CEO to a advanced study fund chosen by the CEO, at a rate of 7.5% of the monthly salary (against the deduction of 2.5% from the CEO's monthly salary and its transfer to the advanced study fund).

4.3.6 **Life insurance policy** – the CEO is entitled to a contribution from the Bank to a collective (risk only) life insurance policy.

4.4 **Update of the Monthly Salary without increasing the cost of employment**

Insofar as the CEO will request it, from time to time, the Bank will update the CEO's Monthly Salary, subject to the adjustments and changes required to the terms provided in section 4.3 above, all or some; this, in a manner that the increase or reduction of the monthly Salary, as the case may be, will come at the expense of a corresponding reduction or increase (as the case may be) in the terms provided in section 4.3 above, and vice versa (provided that the cost

of the CEO's employment does not increase, including the cost of the tax which applies to the Bank), all subject to any law and subject to the remuneration cap permitted by the Senior Officers' Salary Law (as provided in section 4.6 below) and the rate of deposit for severance pay and provisions, according to the law.

Such changes will be brought to the knowledge of the Remuneration Committee.

4.5 **Banking services**

The CEO is entitled to benefits in connection with banking services for himself and his family members, in a manner similar to other Bank employees, per that which is established in the bank's procedures.

4.6 **Adjustments to the Senior Officers' Salary Law**

4.6.1 At the time of the approval of the CEO's service and employment terms by the Remuneration Committee and the Board of Directors, the total maximum remuneration which the Bank may pay to the CEO (subject to receiving the authorizations required by law) according to Article 2(b) of the Senior Officers' Salary Law, is approx. ILS 3,456 thousand *per annum*<sup>2</sup>.

4.6.2 The total annual remuneration (not including provision for severance pay and provision for pension according to law) of the CEO shall not, in any case, exceed the permitted annual remuneration cap permitted by the Senior Officers' Salary Law, including under Section 2(b) of the said law and/or any other law (hereinafter: "**Permitted Remuneration Cap**"); if and insofar as the CEO'S annual remuneration (not including provision for severance pay and provision for pension according to law) for any year exceeds the permitted remuneration cap, as provided above

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<sup>2</sup> A. It is noted in this respect that the lowest remuneration, per the cost of a full-time position, which the Bank paid directly or indirectly to an employee of the Bank, including an employee of a manpower contractor that the Bank is his *de facto* employer, and a service contractor's employee who is employed as a service provider at the Bank, in the year preceding the date on which the Board of Directors approved the Amended Employment Agreement, with respect to Article 2(b) of the Senior Officers' Salary Law, was approx. ILS 98,737 (not including provision to severance and pension, by law). In this matter, "Manpower contractor", "Service contractor" and "*de facto* employer" are per their meaning in the Senior Officers' Salary Law.

B. For the purpose of calculating the total remuneration which the Bank may pay under the Senior Officers' Salary Law, including under Article 2(b) of the aforesaid law, a remuneration that the expenditure for which is not predicted according to the standard accounting rules will not be taken into account, nor will provision to severance and provision to pension, by law.

(hereinafter in this section: "**Excess**"), the Excess sum will first be reduced from the monetary bonus to which the CEO shall be entitled (insofar as he may be entitled) for that year; and insofar as a balance will remain, it will be reduced from the CEO's fixed remuneration for that year.

4.6.3 It is hereby clarified that since the expense due to a salary cost which the Bank bore, directly or indirectly, in a tax year for the CEO, will exceed the "payment cap", per its meaning in Article 4 of the Senior Officers' Salary Law, part of the remuneration of the CEO will not be recognized as a tax-deductible expense for the Bank, under the instructions of Article 4 of the aforesaid law.

4.7 **Exemption, insurance and indemnification**

The CEO shall be entitled to the officers' exemption, indemnification and insurance as customary at the Bank, from time to time.

In the matter of approving the engagement through the policy to insure the liability of directors and other officers at the bank and in companies that are part of the bank's group, including the CEO of the bank and directors who are controlling shareholders at the Bank, see the immediate report published by the bank on September 6, 2018 (ref. no. 2018-01-083194).

In the matter of approving the deed of exemption and undertaking to indemnify of the bank for directors and other officers, including the CEO of the bank and controlling shareholders at the Bank, as well as employees, as approved by the Bank's general meeting on December 23, 2015, and on August 30, 2018, see section 1.4 of the amending immediate report published by the bank on December 7, 2015 (ref. no. 2015-01-175365) and Section 1.2 of the amending immediate report published by the Bank on July 24, 2018, (ref. no. 2018-01-069973).

4.8 **Termination of employment**

The Amended Employment Agreement is for an unlimited term, with each of the parties having an option to terminate, for any reason and without having to give reasons to the other party, on six (6) months' notice to the other party.

During the notice period, the CEO shall be under a duty to work as usual and fully; however, the Bank is reserving the right not to utilize said period, in whole or in part (regardless of which party gave the notice) and to bring the CEO's employment to an end before the end of the notice period; in such case, the Bank shall pay the CEO redemption for that part of the notice period

in which it waived the CEO's work, in the amount of the salary for the redemption period (hereinafter: "**Principal**") plus an amount equal to the Bank's payments detailed in Section 4.3.5 above, calculated on the basis of the Principal.

4.9 **Payments due to termination of employment**

Upon the termination of the CEO'S work at the Bank, at any time and for any reason, including due to the CEO's inability to continue to serve in his position for any reason, the CEO will be entitled to all of the following aggregate terms:

4.9.1 The Bank will provide a letter to release all payments (as provided in section 4.3.5.a. above), made per the personal employment agreement signed between the Bank and the CEO prior to his appointment as CEO, as well as the Employment Agreements signed between the Bank and the CEO with respect to his term of employment with the Bank after his appointment as CEO, including the Amended Employment Agreement, while waiving in advance any right to a refund of monies from the Bank's payments. These payments shall be in lieu of the full liability for severance pay to which the CEO or his heirs may be entitled, and the Bank shall be exempt from any payment of severance pay, in accordance with Section 14 of the Severance Pay Law and in accordance with the General Approval by virtue thereof.

Notwithstanding the aforesaid, in the event of the employment's termination (God forbid) in circumstances in which the CEO is fully or partially denied the right to severance pay, pursuant to a judgment in accordance with Articles 16 or 17 of the Severance Pay Law, the Bank shall withdraw the severance monies deposited in the funds, including all the profits thereon, in the ratio of the severance pay that is denied.

4.9.2 The Bank shall release the advanced study fund to the CEO.

4.9.3 Adjustment bonus: The Bank shall pay the CEO an adjustment bonus against non-competition, in the sum of six (6) monthly salaries plus the amount of the Bank's provisions as detailed in Section 4.3.5 above, calculated on the sum of the six (6) monthly salaries as aforesaid (hereinafter: "**Adjustment Bonus**").

In this matter, it is noted that in accordance with both the Updated Remuneration Policy and the policies preceding it, half of the Adjustment Bonus (in the sum of three (3) salaries plus the provisions in respect thereof, as provided above) shall be considered part of the CEO's fixed remuneration and paid shortly after the time at which the employer-employee relations are terminated (with tax deduction per the provisions of the law); whereas the other half of the Adjustment Bonus (in the sum of three (3) salaries plus the provisions in respect thereof, as provided above) shall be considered part of the CEO's variable remuneration, and paid as provided in section 4.9.5 above.

It is further noted that the CEO was entitled to an Adjustment Bonus, as aforesaid, according to both the employment agreement that was approved by the general meeting on June 10, 2014, and the Former Employment Agreement, and that the cost of the Adjustment Bonus was fully provided in the Bank's financial statements, prior to the End of the Transitory Period<sup>3</sup>.

4.9.4 Retirement bonus

- a. The CEO shall be entitled to a retirement bonus (which will be added to the sums mentioned in section 4.8 above) in an amount equal to 150% of the last monthly salary prior to the End of the Transitory Period, multiplied by the number of his years of employment at the Bank until the End of the Transitory Period (i.e. October 12, 2016) (hereinafter: "**Retirement Bonus**")<sup>4</sup>; the Remuneration Committee and the Board of Directors may reduce the Retirement Bonus in view of the Bank's performance in the CEO's years of employment, his contribution to the Bank achieving its goals, the Bank's profits and the circumstances of retirement.

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<sup>3</sup> It is clarified that this sum shall not be taken into account for the purpose of calculating the total remuneration which the Bank may pay to the CEO, according to the Senior Officers' Salary Law, including according to Article 2(b) of the aforesaid law.

<sup>4</sup> It is clarified in this respect that the Employment Agreement of the CEO, which was approved by the general meeting on June 10, 2014 stipulates that the CEO is entitled to a retirement bonus equivalent to a multiple of 150% of his last Monthly Salary by the number of his years of employment by the Bank, whereas the Employment Agreement of the CEO, which was approved by the general meeting on February 14, 2017 stipulates that the CEO is entitled to a retirement bonus equivalent to a multiple of 150% of his last Monthly Salary prior to the end of the Transitory Period, by the number of his years of employment by the Bank until the end of the Transitory Period (i.e. until October 12, 2016).

It is noted that the cost of the Retirement Bonus accrued for the CEO until the End of the Transitory Period was fully provided in the Bank's financial statements, prior to the End of the Transitory Period <sup>5</sup>;

- b. Per the Former Remuneration Policy and the Updated Remuneration Policy, the Retirement Bonus to the CEO shall be considered part of the variable remuneration.

4.9.5 The spread of the payment of the variable retirement terms

The Retirement Bonus and half the amount of the Adjustment Bonus (hereinafter: “**Variable Retirement Terms**”) shall be paid in four (4) installments, as follows:

- a. The first installment, in the amount of 50% of the Variable Retirement Terms, shall be paid close to the time at which the employer-employee relations are terminated (with tax deduction, in accordance with the instructions of the law);
- b. The payment of the balance of the Variable Retirement Terms shall be deferred and paid in three (3) equal annual installments, in the three (3) years following the time at which the employer-employee relations are terminated (hereinafter, in this section: “**Deferred Installments**”), as follows: after 12 months, 24 months and 36 months from the time at which the employer-employee relations are terminated, respectively;
- c. The Deferred Installments shall be paid with linkage to the CPI, in accordance with the rate of the rise in the index known on the actual payment date of any deferred installment, compared with the index known at the time at which the employer-employee relations are terminated (it is clarified that this linkage shall not result in a reduction in the Deferred Installments);
- d. Notwithstanding the aforesaid, if the (consolidated) quarterly or annual financial reports of the Bank, published close to the payment date of any Deferred Retirement Bonus, have a deviation of more than 10% of the minimum ratios of the total capital adequacy and tier-1 capital determined for this in the

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<sup>5</sup> It is clarified that this sum shall not be taken into account for the purpose of calculating the total remuneration which the Bank may pay to the CEO, according to the Senior Officers' Salary Law, including according to Article 2(b) of the aforesaid law.

Bank of Israel's directives (hereinafter: "**Material Deviation from the Minimum Ratios**"), then the payment of the aforesaid Deferred Installment shall be postponed by 12 months (hereinafter: "**Final Date**"). In the event that the Material Deviation from the Minimum Ratios continue in the (consolidated) quarterly or annual financial reports which will be published close to the Final Date, then the Deferred Installment shall be cancelled and shall not be paid.

It is clarified that the rest of the Deferred Installments, the payment date of which occurs after the time at which there was a Material Deviation from the Minimum Ratios, as provided above, shall not be cancelled and shall be subject to compliance with the above condition, at the dates relevant to them;

- e. In the event that employment is terminated due to death, disability or disease, the spread arrangements established in subsections b. through d. above shall not apply;
- f. It is hereby clarified that the remission instructions per section 6 below shall also apply to the Variable Retirement Terms, subject to the transitory instructions established by the Supervisor of Banks.

4.9.6 Lack of entitlement to an advance notice, an adjustment bonus and a retirement bonus

Notwithstanding the provisions of sections 4.8 and 4.9 above, if the CEO's employment is terminated (god forbid) under circumstances in which an employee can be laid off without severance pay, in full or partially, and even if the severance pay is not actually denied, *ex gratia*, the CEO shall not be entitled to an advance notice or to the redemption thereof, nor to an Adjustment Bonus and a Retirement Bonus, as provided above.

4.10 Confidentiality and no competition

- 4.10.1 Since due to the CEO's position and duties, he is entrusted with the Bank's trade secrets of any kind whatsoever, the CEO has undertaken to maintain the trade and other secrets of the Bank and its subsidiaries in strict confidentiality, as detailed in the Updated Employment Agreement. This undertaking shall be in force both



during the period of the CEO's employment and thereafter, indefinitely.

- 4.10.2 The CEO has undertaken that during six (6) months from the date of the termination of employer-employee relations between himself and the Bank (including in the Bank's subsidiaries), for any reason, he shall not engage or act directly or indirectly in any other banking corporation or for it, including (but without limitation) shall not serve as an employee of another banking corporation and shall not provide services to it as a self-employed individual and/or a consultant; nor will he serve as a member or a partner in such a corporation.

Furthermore, the CEO has undertaken that for six (6) months after the date on which the employer-employee relations are terminated, he shall not work as an officer under or for any institution which competes with the Bank's activities.

In this matter, "**Banking Corporation**" shall include any entity which engages in economic activity, competing with the Bank and/or a subsidiary thereof.

5. Performance-based remuneration

5.1 Variable Remuneration – Monetary bonus and equity-based remuneration

- 5.1.1 The Remuneration Committee and the Board of Directors may, at their discretion, grant the CEO a monetary bonus for each calendar year from 2020 onwards (each of these shall be hereinafter called: "**Bonus Year**"), as provided in section 5.3 below.
- 5.1.2
- a. The monetary bonus for each Bonus Year shall not exceed three (3) monthly salaries<sup>6</sup> (hereinafter: "**Annual Bonus Cap**").
  - b. The sum of the monetary bonus shall be paid to the CEO shortly after the publication of the Bank's annual (consolidated) financial reports for the Bonus Year; the Bank shall deduct tax off the sum of the monetary bonus paid to the CEO, as required by law.
- 5.1.3 Despite the aforesaid, should the Remuneration Committee and the Board of Directors decide that the performance-based remuneration which will be granted to officers at the Bank (who are not the CEO or directors) for a Bonus Year will also include equity-based remuneration (which is variable remuneration) (hereinafter: "**Equity-Based Remuneration**"), the following provisions shall apply:
- a. The Remuneration Committee and the Board of Directors shall be entitled to decide, at their discretion, that the Performance-Based Remuneration, in whole or in part, which will be granted to the CEO for that year will include an equity-based remuneration, per the conditions to be determined in this matter by the Remuneration Committee and the Board of Directors according to their discretion, *inter alia* pursuant to the relevant provisions of Section 6.7 of the Bank's Updated Remuneration Policy or to the provisions that will be determined in this respect in the Bank's remuneration policy as it shall be from time to time, *mutatis mutandis* and subject to the specifications below<sup>7</sup>;

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<sup>6</sup> Calculation will be based on the sum of the salary for December in the Bonus Year.

<sup>7</sup> The provisions with respect to 2020 through 2022 are determined in Section 6.7 of the Updated Remuneration Policy.

- b. The value of the Equity-Based Remuneration for the Bonus Year shall be calculated based on the value of the securities at the time when the Board of Directors approves the allotment;
- c. It is hereby clarified that the value of the Equity-Based Remuneration given to the CEO for the Bonus Year, plus the Monetary Bonus given to the CEO for the same Bonus Year (if any), shall (in the aggregate) not exceed 100% of the annual bonus cap.
- d. The CEO's entitlement to the equity-based remuneration, as provided above, shall be established according to the evaluation of the CEO's functioning by the Remuneration Committee and the Board of Directors, at their discretion, as provided in section 5.3 below.

5.2 **Prerequisites for the performance-based remuneration**

The CEO's entitlement to a performance-based remuneration (insofar as it is decided to grant it, as provided in section 5.1 above) for any Bonus Year shall be subject to the total capital adequacy ratio and tier-1 capital ratio of the Bank, according to the (consolidated) annual financial reports of the Bank for that year, shall not be lower than the minimum ratios which were established in this matter in the Bank of Israel's directives.

Despite the aforesaid, in a year in which the prerequisite provided above is not fulfilled, the Remuneration Committee and the Board of Directors shall be entitled, at their discretion and under special circumstances, to grant the CEO a special monetary bonus equal to up to two (2) salaries.

5.3 **Evaluation of the CEO's functioning**

At the end of each Bonus Year, the Remuneration Committee and the Board of Directors shall evaluate the CEO's functioning.

The CEO's entitlement to the performance-based remuneration, as provided above, shall be determined at the discretion of the Remuneration Committee and the Board of Directors, per their evaluation, as aforesaid.

5.4 **The CEO's entitlement to the performance-based remuneration on termination of service**

5.4.1 Subject to that which is provided in section 5.4.2 below, if the Remuneration Committee and the Board of Directors decide to grant the CEO a performance-based remuneration for any Bonus Year, and the employer-employee relations between the CEO and the

Bank terminate in that Bonus Year (save by reason of exceptional cause), the CEO shall be entitled to a proportionate part of the amount of the performance-based remuneration, for the period in which he actually worked in said bonus year (that is to say, until the time at which the employer-employee relations were terminated).

5.4.2 The CEO's entitlement in accordance with Section 5.4.1 above is conditional upon the CEO having actually worked for at least six (6) months in that Bonus Year, before the time at which the employer-employee relations were terminated. It is hereby clarified that if the CEO did not actually work for at least six months in that Bonus Year, he shall not be entitled to a performance-based remuneration for that Bonus Year.

5.5 **The permitted remuneration cap**

It is hereby clarified that the total remuneration of the CEO for any Bonus Year (not including provision for severance pay and provision for pension according to law), including the performance-based remuneration, as provided above, shall not exceed the Permitted Remuneration Cap, as specified in section 4.6.2 above.

5.6 **The Board of Directors' power to reduce the performance-based remuneration**

The Board of Directors may, for special reasons, reduce the performance-based remuneration and even determine that the CEO shall not be paid a performance-based remuneration bonus for any bonus year.

5.7 **Termination of the CEO's service by reason of exceptional cause**

If the CEO's service is terminated by reason of exceptional cause, he shall not be entitled to any performance-based remuneration not yet actually paid to him (or which was not yet exercised by him, in respect of the allotment of options) at the time at which the employer-employee relations were terminated or at the time at which he is given the dismissal letter, whichever is earlier.

6. **Refund**

The CEO shall refund to the Bank, including by way of set-off, a variable remuneration which was granted to him, within sixty (60) days, if he was paid on the basis of figures that turned out to be erroneous and were restated in the Bank's consolidated financial statements in the three (3) years following the end of the Bonus Year in respect of

which the variable bonus was paid and no later than three (3) years from the time at which the employer-employee relations were terminated.

Without derogating from the aforesaid, the variable remuneration remission instructions established in section 6.10 of the updated remuneration policy, shall apply in the matter of a variable remuneration's remission by the CEO. This mention constitutes inclusion by way of reference to all information listed in this matter in section 6.10 of the Updated Remuneration Policy.

**7. General instructions**

- 7.1 It is hereby clarified that the monetary bonus and equity-based remuneration have been calculated so as to include severance pay (if due in respect thereof), in a manner such that no severance will be paid in respect thereof.
- 7.2 Without derogating from the aforesaid, the CEO shall bear all the tax liabilities, compulsory payments or any other liability pursuant to the provisions of the law, in respect of the fixed remuneration and the variable remuneration, as detailed above, unless expressly provided otherwise above in this document; the Bank shall deduct withholding tax from any payment or benefit as aforesaid, as required by law.
- 7.3 The CEO undertakes not to create private hedging arrangements which would nullify the impacts of risk sensitivity inherent in their remuneration.
- 7.4 All remunerations to the CEO shall be paid directly to him, rather than through any corporation or some other entity.

**Mizrahi Tefahot Bank Ltd**  
**VOTING PAPER PURSUANT TO THE COMPANIES REGULATIONS (WRITTEN**  
**VOTES AND POSITION PAPERS), 5766-2005**  
**(THE "REGULATIONS")**

**Part One**

1. Name of Company: **Mizrahi Tefahot Bank Ltd.** (hereinafter: "**Company**" or "**Bank**")
2. The type of general meeting and the time and place thereof: An annual general meeting of all of the Bank's shareholders (hereinafter: the "**General Meeting**" or the "**Annual Meeting**"). The General Meeting shall convene on Wednesday, December 18, 2019, at 14:00, at the Bank's offices, 7 Jabotinsky Street, Ramat Gan, 13<sup>th</sup> floor. Should the meeting be deferred, it shall take place on December 25, 2019, at the same time and place.
3. Details of the issues on the agenda, as detailed in the supplementary immediate report published by the Bank on December 2, 2019~~November 11, 2019~~ (hereinafter: the "**Immediate Report**"), which can be voted on through the voting paper:
  - 3.1 **The reappointment of directors – the issue detailed in section 2 of the Immediate Report**
    - 3.1.1 **Text of the proposed resolution**: To reappoint the directors whose names are specified below:

No. of the issue on the meeting's agenda, as detailed in Section 2.3 of the Immediate Report	Director's Name	Board Committee(s) Membership	Year in which tenure as a director at the Bank began	Changes compared to the details appearing in the periodic report for 2018, published by the Bank on March 28, 2019 (Ref. No. 2019-01-027799) (hereinafter: the "Periodic Report") (Pursuant to Regulation 26 of the Securities Regulations (Periodic and Immediate Reports) 5730-1970 (hereinafter: the "Periodic and
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				<b>Immediate Report Regulations”))</b>
2.3.1	Moshe Vidman (serves as the Chairman of the Board of Directors)	Credit Committee; Risk Management Committee; the Information Technology and Technological Innovation Committee	2010 <sup>(1)</sup>	---
2.3.2	Ron Gazit	Credit Committee; the Information Technology and Technological Innovation Committee	2003	-Currently serves as a member of the Board of Directors’ Credit Committee, and as a member of the Board of Directors’ Information Technology and Technological Innovation Committee. In March 2019, he ended his service as a member of the Board of Directors’ Risk Management Committee; -Changes in the list of current occupations: his tenure as a director at Gazit Rotenberg Trusteeship Ltd should be omitted, while his occupations as an advisor to Tanzanite Capital Ltd, as well as administrator of arbitration and

				<p>mediation, should be added;</p> <p>-Changes in the list of former occupations (in the last five years): his tenure as the founder and head of the Ron Gazit Rotenberg &amp; Co. law company, as well as his tenure as a director at Gober Radio Ltd should be omitted, since more than five years have passed since the dates on which Mr. Ron Gazit left the aforesaid positions.</p>
2.3.3	Jonathan Kaplan	Risk Management Committee; the Information Technology and Technological Innovation Committee	2011	---
<del>2.3.4</del>	<del>Joav Asher Nachshon</del>	<del>Credit Committee; the Information Technology and Technological Innovation Committee</del>	<del>2012</del>	<p><del>Changes in the list of current occupations: Mr. Joav Asher Nachshon's tenure as a director at the following companies should be added: Keshet Broadcasting International Ltd, Beer Breweries Israel (Import &amp; Export 1995) Ltd, Transportation Industries T.I. Ltd,</del></p>



				<del>Mileo SA (Proprietary) Ltd, Mileo Mauritius International Limited.</del>
<del>2.3.42.3.5</del>	Avraham Zeldman	Audit Committee; Risk Management Committee	2015	---
<del>2.3.52.3.6</del>	Ilan Kremer	Risk Management Committee	2019	For details regarding Mr. Ilan Kremer, in accordance with Regulation 26 of the Periodic and Immediate Report Regulations – see section 2.6.2 of the Immediate Report.
<del>2.3.62.3.7</del>	Eli Alroy	-	2019	For details regarding Mr. Eli Alroy, in accordance with Regulation 26 of the Periodic and Immediate Report Regulations – see section 2.6.3 of the Immediate Report.

(1) Serves as the chairman of the Board of Directors since December 1, 2012.

According to the Bank's Articles of Association, the directors who will be appointed, as aforesaid, will end their service at the end of the third annual meeting to be held after the meeting at which their appointment will be approved.

~~In accordance with the amendment of Directive 301 published by the Supervisor of Banks, which will come into effect on July 1, 2020, the Bank's Board of Directors shall not include more than ten (10) directors; however, according to the aforesaid amendment, a banking corporation which is of the opinion that it requires a higher number of directors for the purpose of its orderly functioning may, with the Supervisor's approval, appoint a larger number of board members. In this matter, the aforesaid amendment's explanatory notes establish that~~

~~a banking corporation may request the Supervisor to appoint a larger number of directors, as aforesaid.~~

~~The Bank has contacted the Supervisor of Banks with a request to receive approval for the inclusion of up to eleven (11) directors on the Board of Directors. After the Supervisor's response is received, the Board of Directors will, insofar as required, examine the need to remove the reappointment of one of the directors enumerated above in section 3.1.1 from the General Meeting's agenda, as well as his appointment as a director at the Bank, by the Board of Directors, to a shorter period, subject to the instructions of the law. The Bank will release an immediate report on this matter, insofar as it may be required by law.~~

- 3.1.2 The reappointment of these directors is subject to the Supervisor of Banks not announcing her objection to the aforesaid appointment or notifying of her consent thereto.
- 3.1.3 The candidates nominated to be reappointed as directors, as specified above, have delivered statements to the Bank pursuant to Article 224B(a) of the Companies Law 5759-1999 (hereinafter: “**Companies Law**”), which are attached to the Immediate Report as **Appendix A**.
- 3.1.4 The outside directors under the Companies Law – Ms. Hannah Feur and Messrs. Gilad Rabinovich and Joseph Fellus – are continuing with their current tenures as directors at the Bank, according to the law. Mr. Abraham Neyman, who serves as an outside director under the Companies Law, has notified the Bank that he wishes to end his service as a director at the Bank on December 31, 2019 (as detailed in the immediate report published by the Bank on November 7, 2019, reference no.: 2019-01-095775). Ms. Sabina Biran, who is an outside director under Proper Conduct of Banking Directive no. 301 Regarding the Board of Directors, issued by the Supervisor of Banks, continues with her current tenure as director at the Bank under Directive 301 and in accordance with the instructions of the Bank's Articles of Association.
- 3.1.5 For information on the evaluation of the directors as having accounting and financial expertise, or as having professional eligibility, per the Companies Regulations (Terms and Conditions for a Director with

Accounting and Financial Expertise) 5765-2005, see section 2.8 of the Immediate Report.

- 3.1.6 For information on the remuneration to be paid to the candidates for reappointment as directors, as specified above, and information regarding their entitlement to the exemption, indemnification and insurance of officers, see section 2.9 of the Immediate Report.

3.2 **Approval of an updated remuneration policy for officers at the Bank – the issue detailed in section 4 of the Immediate Report**

- 3.2.1 **Text of the proposed resolution:** To approve the updated remuneration policy for officers at the Bank, in the version attached as **Appendix B** to the Immediate Report, for a period of three years commencing on January 1, 2020 (hereinafter: the “**Remuneration Policy**” or the “**Updated Remuneration Policy**”).

3.2.2 **Description of the nature of the issue and the main facts required to understand the issue:**

- a. On April 12, 2016, the Remuneration for Officers in Financial Corporations (Special Approval and Non-Deductibility of Expense for Tax Purposes Due to Special Remuneration) Law 5776-2016 (hereinafter: the “**Senior Officers’ Wage Law**”) was published, in which it was determined, *inter alia*, that the determination of remuneration for an employee of the Bank (including an officer at the Bank), for whom the projected expense (according to the standard accounting rules) is expected to exceed ILS 2.5 million *per annum*, is subject to the approval of the Bank’s certified organs (in accordance with the authorization apparatuses established in this regard by the Senior Officers’ Wage Law); and that in such an event, a remuneration for a Bank employee cannot be approved, unless the ratio between the expense projected for him, as aforesaid, and the expense for the lowest remuneration which the Bank had paid to a Bank employee (including contract workers employed at the Bank) in the year prior to the engagement approval’s date, is smaller than 35.

In accordance with the transitory provision established in the Senior Officers' Wage Law, regarding the Bank's engagement with a senior officer or employee, which was approved prior to the publication of this law, the instructions of the law shall apply as of

six (6) months after the publication date – i.e., as of October 12, 2016.

- b. On February 14, 2017, the general meeting of the Bank's shareholders approved an officers' remuneration policy that had been adapted to the instructions set forth by the Senior Officers' Wage Law, as well as the instructions of the Supervisor of Banks (hereinafter: the "Previous Remuneration Policy"); the Previous Remuneration Policy was approved for a period of three (3) years, commencing on January 1, 2017 (see the immediate report dated January 9, 2017, reference no.: 2017-01-003454).
- c. On November 11, 2019, having received the recommendation of the Remuneration Committee on November 4, 2019, the Bank's Board of Directors approved the Updated Remuneration Policy for officers at the Bank. For details regarding the manner in which the Updated Remuneration Policy was determined, its approval date and the information brought in this matter before the Remuneration Committee and the Board of Directors, see section 4.3.2 of the Immediate Report.
- d. For details regarding the identity of the members of the Remuneration Committee and the Board of Directors who had participated in the meetings, see section 4.4 of the Immediate Report.
- e. For details regarding the directors who may have a personal interest in the approval of the Remuneration Policy resolution, see section 4.5 of the Immediate Report.
- f. For details regarding the considerations taken into account by the Remuneration Committee and the Board of Directors for the purpose of approving the Remuneration Policy, see section 4.6 of the Immediate Report.
- g. For the Remuneration Committee and Board of Directors' reasons for approving the Remuneration Policy, see section 4.7 of the Immediate Report.
- h. For details regarding the main changes between the proposed Remuneration Policy and the Previous Remuneration Policy, see section 4.8 of the Immediate Report.

- i. For details regarding the implementation manner of the Previous Remuneration Policy and data about the remuneration components paid to the Chairman of the Board of Directors and the CEO, in effect, for 2017-2019, compared to the caps established in the Previous Remuneration Policy, see section 4.9 of the Immediate Report.
- j. For details regarding the employment agreements between the Bank and officers at the Bank, which are not in accordance with the Remuneration Policy, see section 4.10 of the Immediate Report

3.3 **Approval of the service and employment terms of the Chief Executive Officer of the Bank – the issue detailed in section 5 of the Immediate Report**

3.3.1 **The proposed resolution:** To approve the service and employment terms of Mr. Eldad Fresher, the Bank's CEO, for a period to commence on January 1, 2020, including an approval of the Bank's engagement with the CEO through the amended employment agreement, as detailed in **Appendix C** to the Immediate Report, without derogating from any of the CEO's rights that were formerly granted by the Bank.

3.3.2 **Description of the nature of the issue and the main facts required to understand the issue:**

- a. Mr. Eldad Fresher began to work at the Bank in November 2004, and on August 16, 2013, he began his tenure as the Bank's CEO. During the period from the commencement of his employment at the Bank and until his appointment as the Bank's CEO, Mr. Fresher served as a member of the Board of Management, CFO, and as the head of Market, Interest and Liquidity Risks. Moreover, from February 28, 2005 and until August 16, 2013, Mr. Fresher served as the chairman of the Board of Directors at Mizrahi Tefahot Issuing Company Ltd. (a subsidiary fully owned by the Bank); and as of July 22, 2010, he also serves as the chairman of the Board of Directors at Mizrahi Tefahot Switzerland (United Mizrahi Bank (Switzerland) Ltd).

In the matter of Mr. Eldad Fresher's education, see the information provided under Regulation 26 of the Periodic and Immediate Report Regulations, as included in the periodic report for 2018 that

was published by the Bank on March 28, 2019 (Ref. No. 2019-01-027799).

- b. Pursuant to the Senior Officers' Wage Law, on February 14, 2017, the Bank's general meeting approved, *inter alia*, the service and employment terms of Bank's CEO, including the Bank's engagement with the CEO through an employment agreement, for a period that commenced on January 1, 2017, which were detailed in section 3 and Appendix C of the immediate report published by the Bank on January 9, 2017 (reference: 2017-01-003454) (hereinafter: the "**Previous Employment Agreement**"). Further to this, and in accordance with the Bank's Updated Remuneration Policy (attached to the Immediate Report as Appendix B and brought to the approval of the General Meeting), the Remuneration Committee and the Board of Directors approved updated service and employment terms for the CEO, which include amendments to the Previous Employment Agreement, as detailed in Appendix C to the Immediate Report (hereinafter: the "**Amended Employment Agreement**"), which will apply to the period that will commence on January 1, 2020, *inter alia*, considering the remuneration cap permitted under the Senior Officers' Wage Law, per its meaning in section 4.6.2 of Appendix C to the Immediate Report.
- c. For details regarding the remunerations for 2020 to which the CEO will be entitled under the Amended Employment Agreement (assuming employment for a full calendar year period), see section 5.3.3 of the Immediate Report.
- d. For details regarding the ratio between the cost of the remuneration of the CEO according to the Amended Employment Agreement, and the cost of the remuneration, average or median, of the rest of the Bank's employees, including the employees of the Bank's fully-controlled subsidiaries and including contract workers, see section 5.3.4 of the Immediate Report.
- e. For details regarding the CEO's remuneration component, which may be considered as a remuneration component which is not in accordance with the Remuneration Policy, see section 5.3.5 of the Immediate Report.

- f. For details regarding the service and employment terms proposed to the CEO under the Amended Employment Agreement, relative to the CEO's Previous Employment Terms, see section 5.3.6 of the Immediate Report.
- g. For details regarding the method of determining the service and employment terms proposed to the CEO, their approval date and the information brought in this matter before the Remuneration Committee and the Board of Directors, see section 5.4 of the Immediate Report.
- h. For details regarding the identity of the Remuneration Committee's members and the members of the Board of Directors, who had participated in the meetings at which the CEO's service and employment terms were discussed, see section 5.5 of the Immediate Report.
- i. For the Remuneration Committee and Board of Directors' rationale for approving the CEO's service and employment terms, see section 5.6 of the Immediate Report.

4. **The majority required to pass the resolutions at the General Meeting, for the issues on the agenda, which can be voted on through the voting paper:**

- 4.1 The majority required at the General Meeting and at the deferred General Meeting to approve the reappointment of each of the directors listed in sections 2.3.1 through ~~2.3.6~~2.3.7 of the Immediate Report (i.e. section 3.1.1 of this voting paper) is an ordinary majority of the shareholders present at the General Meeting, who are entitled to vote and who have voted thereat, without accounting for abstaining votes.
- 4.2 4.2.1 The majority required at the General Meeting and at the deferred General Meeting to approve the Updated Remuneration Policy, as provided in section 4.2 of the Immediate Report (i.e. section 3.2.1 of this voting paper) and the approval of the service and employment terms of the Bank's Chief Executive Officer, as provided in section 5.2 of the Immediate Report (i.e. section 3.3.1 of this voting paper) is an ordinary majority of the shareholders present at the General Meeting, who are entitled to vote and who have voted thereat, provided that one of the following takes place:
  - a. The counting of the majority votes at the General Meeting will include a majority of the votes of shareholders who are not

controlling shareholders at the Bank or have personal interest in the approval of the resolution, who are participating in the vote; in the counting of the total votes of the aforesaid shareholders, abstaining votes will not be taken into account;

- b. The total opposing votes of the shareholders referred to in paragraph a. above does not exceed two percent (2%) of the total voting rights in the Bank.

4.2.2 Despite the aforesaid in section 4.2.1 above:

- a. The Bank's Board of Directors shall be entitled to approve the Remuneration Policy (as provided in section 3.2.1 above), even if the general meeting opposed the approval thereof, provided that the Remuneration Committee - and thereafter, the Bank's Board of Directors – have decided, based on detailed arguments and having re-discussed the remuneration policy, that the approval of the Remuneration Policy, despite the opposition of the general meeting, is in the Bank's favor
- b. The Bank's Remuneration Committee - and thereafter, the Bank's Board of Directors - shall be entitled to approve the CEO's service and employment terms (as provided in section 3.3.1 above), even if the General Meeting opposed the approval thereof, provided that the Remuneration Committee - and thereafter, the Bank's Board of Directors – will decide so based on detailed arguments and having re-discussed them and examined, *inter alia*, the opposition of the general meeting, in said discussion.

4.3 A shareholder participating at the vote, with regard to the resolutions detailed in sections 3.2.1 and 3.3.1 of this voting paper, shall notify the Bank prior to the vote; and if the vote is through a voting paper – shall mark the designated place in Part B of the voting paper attached whether he is considered a controlling shareholder in the Bank, or any party on behalf thereof or whether he has a personal interest in the approval of the resolution, as the case may be, and also describe the relevant affiliation, if any. Should a shareholder fail to notify or mark as aforesaid, or if he has made a mark and not provided a description as aforesaid, his vote shall not be counted.

4.4 In this report – “**personal interest**” – an individual's personal interest in any activity or transaction of a company, including the personal interest of a relative and another corporation wherein he or his relative are interested parties,



excluding personal interest arising from holding shares at the company, including the personal interest of an individual voting by power of attorney granted to him by another individual even if the other has no personal interest; likewise, the vote of an individual who has been granted power of attorney to vote on behalf of an individual who has personal interest will be considered as a vote by the holder of the personal interest, and all whether the judgment in the vote is that of the voter or not

5. Place and time during which the full text of the proposed resolutions can be perused:  
The Immediate Report released by the Company regarding the convening of the meeting and the full text of the proposed resolution may be inspected at the Bank's Offices, 7 Jabotinsky St., 13<sup>th</sup> floor, Ramat-Gan, Tel: 03-7559720, during standard business hours, until the time scheduled for the meeting.
6. Details to the best of the Company's knowledge regarding candidates for directorial service: As specified in Section 3.1 above and Section 2.6 of the immediate report. To remove doubt, it is hereby clarified that the voting for each candidate for directorial service, as detailed in this voting paper, shall be done separately.
7. A shareholder may contact the Bank directly to receive the text of the voting paper and position papers from it.
8. 8.1 The voting paper shall be valid for an unregistered shareholder (i.e. a person to whom shares are registered with a TASE member, that are also included in the shareholders' register at the registration company) (hereinafter: "**Unregistered Shareholder**") only if an ownership confirmation is attached thereto, or if such a confirmation has been transferred to the Bank through the electronic voting system.  
8.2 The voting paper shall be valid with respect to a shareholder according to Article 177(2) of the Companies Law (i.e. those registered as a shareholder in the Shareholder Registry (hereinafter: "**Registered Shareholder**")) only if a photocopy of one's identity card, passport or incorporation certificate is attached thereto.
9. The voting paper and the documents which must be attached thereto (hereinafter: "**Attached Documents**"), as provided in the voting paper, should be delivered to the Bank's Offices as follows:
  - 9.1 Unregistered Voter: up to 4 hours prior to the convening of the meeting;
  - 9.2 Registered Voter: up to 6 hours prior to the convening of the meeting.In this regard, the "time of delivery" shall be the time at which the Voting Paper and the Attached Documents arrive at the Bank's Offices.

10. An Unregistered Shareholder is also entitled to vote through an electronic voting paper, which will be transferred to the Bank through the electronic voting system (hereinafter: "Electronic Voting System") up to 6 hours prior to the meeting, at which time the Electronic Voting System will be closed.
11. The Bank's address for the delivery of voting papers and position papers: The Bank's Offices at 7 Jabotinsky Street, Ramat-Gan.
  - 11.1 The deadline for the delivery of position papers to the Bank: Up to 10 days before the meeting.
  - 11.2 The deadline for the delivery of the Board of Directors' response to the position papers: No later than 5 days prior to the date of the meeting.
12. The distribution address of the Israel Securities Authority's site and the website of the Tel-Aviv Stock Exchange Ltd, on which the voting papers and position papers are located:
  - 12.1 The distribution site of the Israel Securities Authority:  
<http://www.magna.isa.gov.il/>;
  - 12.2 The Internet site of the Tel-Aviv Stock Exchange Ltd: <http://maya.tase.co.il/>
13. 13.1 A shareholder whose shares are registered with a TASE member may receive the ownership confirmation at a branch of the TASE member or by mail, if he has requested it. A request in this matter shall be given in advance regarding a particular securities account.
  - 13.2 An Unregistered Shareholder may instruct that his ownership confirmation be transferred to the Bank through the Electronic Voting System.
14. An Unregistered Shareholder is entitled to receive by e-mail a link to the voting paper and position papers on the distribution site from the TASE member through which he holds his shares, free of charge, unless he has notified the TASE member that he does not wish to receive such a link, or that he wishes to receive voting papers by regular mail in return for payment; a notice regarding voting papers shall also apply to receiving position papers.
15. One or more shareholders holding shares at a rate which constitutes five percent or more of the total voting rights at the Bank; and likewise, anyone holding such a percentage of the total voting rights that are not held by the Bank's controlling shareholder, as defined in Article 268 of the Companies Law, may peruse the voting papers and voting records through the Electronic Voting System that have arrived at the Bank, as detailed in Regulation 10 of the Regulations.

The quantity of shares constituting 5% of the total voting rights at the Bank is:  
11,729,258.

The quantity of shares constituting 5% of the total voting rights at the Bank, which are not held by the controlling shareholder, is: 6,581,016.

16. Attention is directed to the instructions of Article 34(a1) of the Banking (Licensing) Law, 5741-1981, according to which:

*“A person shall not make an agreement with another in regard to their vote for the appointment of a director in a banking corporation or in a bank holding corporation, including in regard to their vote for termination of his office, except under a permit issued by the Governor, after consulting with the Licensing Committee; this provision shall not apply to ... or to a holder of means of control who agrees with another that the other will vote in his name and on his behalf without any discretion, as the said holder of means of control instructs him, provided that if the other holds, himself, means of control in the banking corporation or in the bank holding corporation, as the case may be, he shall not vote in the name and on behalf of more than one other holder”.*

From the aforesaid provisions it arises, *inter alia*, that with respect to the appointment of the directors, as specified in Section 3.1 above, a proxy for the meeting, who is also a shareholder at the Bank, may vote in the name and on behalf of only one more shareholder, as specified in said provisions.

With respect to the additional issues on the agenda of the General Meeting (as detailed in sections 3, 4 and 5 of the Immediate Report), there is no bar against the proxy for the vote representing more than one shareholder.

17. Any shareholder at the Bank voting at the meeting on the resolutions in section 4.2 of the Immediate Report (i.e. section 3.2.1 above – the approval of the Updated Remuneration Policy) and in section 5.2 of the Immediate Report (i.e. section 3.3.1 above – the approval of the service and employment terms of the Bank’s CEO), which are on the agenda, who is an interested party at the Bank (as defined in Article 1 of the Securities Law 5728-1968), an officer at the Bank (as defined in Article 37(d) of the Securities Law 5728-1968), a financial institution (as define in the Control of Financial Services (Insurance) Law 5741-1981), or a fund manager (per its meaning in the Joint Investment Trust Law, 5721-1961), is required to notify the Bank, prior to voting at the meeting, with the details below regarding his or its voting manner at the meeting:
- 17.1 The voter's identity: last name and first name for an individual, corporation name and number for a corporation;
- 17.2 The amount of securities by power of which the vote was made;
- 17.3 Voting manner;

- 17.4 Whether the voter has a personal interest or some other characteristic, as determined in the table in the addendum to the Companies Regulations (Written Votes and Position Papers) 5766-2005;
- 17.5 Additional relations between the voter and the company, the controlling shareholder or a senior officer therein, and details of the nature of the relationship;
- 17.6 If the vote is by proxy, the above details shall also be made with regard to both the power of attorney grantor and agent.
18. Adding an Issue to the Agenda: After the publication of this voting paper, there may be changes to the agenda, including the addition of an issue thereto, and position papers may be published; it will be possible to review the current agenda and published position papers in the Bank's reports on the distribution site.
- One or more shareholder(s) who hold(s) shares representing at least 1% of the voting rights at the general meeting of the Bank may request the Board of Directors to include an issue on the agenda of the meeting up to 7 days after the meeting's summoning, provided that the issue is appropriate for a discussion at the general meeting.
- Should the Board of Directors find that the issue requested to be included on the agenda is appropriate for a discussion at the general meeting, the Bank shall prepare an updated agenda and an amended voting paper, insofar as this may be required, which will be published no later than 7 days after the final date to produce a request to include another issue on the agenda, as stated above. It is clarified that the publication of an updated agenda, as stated above, shall not change the Effective Date as set forth in the immediate report.
19. A shareholder shall indicate his voting manner regarding the issues on the agenda on the form which is the second part of this voting paper; and in the event that the shareholder is voting by power of attorney (i.e. through an agent), the above details shall be given both to the grantor of the power of attorney and the agent..

## **Voting Paper - Part Two**

Company Name: **Mizrahi Tefahot Bank Ltd.** (hereinafter: “**Company**” or “**Bank**”)

Company Address (for delivery of voting papers): Ms. Maya Feller, Company Secretary,  
Mizrahi Tefahot Bank Ltd., 7 Jabotinsky Street, 13<sup>th</sup> floor, Ramat-Gan 52520.

Company No.: 520000522

Meeting Date: December 18, 2019 at 14:00

Meeting Type: Annual

Effective Date: November 17, 2019

(Hereunto to be filled by the Company).

### **Shareholder Details**

Shareholder's name: \_\_\_\_\_

Identity no.: \_\_\_\_\_

If the shareholder does not have an Israeli identification card:

Passport no.: \_\_\_\_\_

Issuing country: \_\_\_\_\_

Valid until: \_\_\_\_\_

If the shareholder is a corporation:

Corporation no.: \_\_\_\_\_

Country of incorporation: \_\_\_\_\_

**Manner of voting**

Number of issue on the agenda, as detailed in the immediate report regarding the convening of the meeting	Manner of voting <sup>1</sup>			In the matter of approving a transaction pursuant to Articles 255 and 272 through 275 to the Companies Law that the majority required for its approval is not an ordinary majority, or a remuneration policy according to Article 267a - are you a controlling shareholder or have a personal interest in the resolution's approval <sup>2</sup> ?	
	For	Against	Abstain	Yes*	No
2.3.1				X	
2.3.2					
2.3.3					
<del>2.3.4</del>					
<del>2.3.4-2.3.5</del>					
<del>2.3.5-2.3.6</del>					
<del>2.3.6-2.3.7</del>					
4.2					
5.2					

Are you an interested party<sup>3</sup>, a senior officer<sup>4</sup>, an financial institution<sup>5</sup> or a fund manager<sup>6</sup>?

YES \_\_\_\_\_ NO \_\_\_\_\_

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\* Please detail.

<sup>1</sup> Failure to mark will be considered as abstaining from a vote on that issue;

<sup>2</sup> A shareholder who will not fill in this column or mark "Yes" without an explanation will not be counted in the counting;

<sup>3</sup> "Interested party" per this term's definition in Article 1 of the Securities Law 5728-1968;

<sup>4</sup> "Senior officer" per this term's definition in Article 37(d) of the Securities Law 5728-1968;

<sup>5</sup> "Financial institution" per this term's definition in the Control of Financial Services (Insurance) Law 5741-1981);

<sup>6</sup> "Fund manager" per this term's definition the Joint Investment Trust Law, 5721-1961.

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For shareholders who are holding shares through a TASE member according to Section 177(1) of the Companies Law – this voting paper shall be valid only if accompanied with an ownership conformation except for events in which the voting is through the electronic voting system.

For shareholders that are registered shareholders company's registry – this voting paper shall be valid if accompanied with a photocopy of an identity card/a passport/an incorporation certificate.

**Details**

Below are details in connection with my having a personal interest in the approval of the Updated Remuneration Policy for officers at the Bank (as detailed in section 4 of the Immediate Report and in section 3.2 of the voting paper):

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Below are details in connection with my having a personal interest in the approval of the service and employment terms of the Bank's Chief Executive Officer (as detailed in section 5 of the Immediate Report and in section 3.3 of the voting paper):

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