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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.

T460

public

MIZRAHI TEFAHOT BANK LTD

No. with the Registrar of Companies: 520000522

Securities of the Corporation Listed for Trading on the Tel Aviv Stock Exchange

Abbreviated name: Mizrahi Tefahot

7 Jabotinsky Street, Ramat Gan 52520, Israel

Telephone: 972-3-7559207, 972-3-7559720; Fax: 972-3-7559913

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To

Israel Securities Authority

www.isa.gov.il

To

Tel Aviv Stock Exchange Ltd

www.tase.co.il

Immediate Report of a Meeting

Regulation 36B(a) and (d) and Regulation 36C 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 offer, Form T133 or T138 must be filled first, respectively, and thereafter a report should be filed on this form as well.

The corporation announces: *The convening of a meeting*

The reference number of the last meeting notice is _____. It was called for _____.
Reason of postponement or cancellation: _____

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

1. Type of security: *Share*

Name of the entitling security: *Mizrahi Tefahot (MZTF)*

Explanation: If a meeting is required for more than one security number, a separate T460 must be filed for any additional security. Reports listing additional security numbers would require the filing of an amending form.

The number of the security on the Tel-Aviv Stock Exchange entitling the holder thereof to participate at the meeting: *695437*

The Effective Date for entitlement to attend and vote at the meeting: *February 5, 2016.*

2. On *January 25, 2016*
it was resolved to *convene a meeting special meeting* _____
to be held on *Tuesday, March 8, 2015*, at *15:00*
at the following address: *7 Jabotinsky Street, Ramat Gan, 13th Floor*

3. On the agenda:
Explanation: the numbering of the agenda topics shall be according to the order of their appearance in the meeting convening report, if it is attached as a file.

Issues/resolutions which will be raised at the meeting:

1
The issue/resolution and its details:
<i>Amendment of the bank's articles of association</i>
<i>A change of the articles of association regarding an exemption of indemnification or insurance, as stated in Article 262(b) of the Companies Law.</i>
<i>Notice: A value in this table sets the text of the shareholder's declaration in the internet voting system. For the conversion table, click here.</i>
Reference of the last report on the subject of approving a private proposal (T138): _____
<i>Not a transaction between the company and a controlling shareholder therein as stated in Articles 275 and 320(f) of the Companies Law.</i>
Reference of 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: _____
<i>Explanation: In a transaction with a controlling shareholder that does not fit any field in the law articles table, the fields "Declaration: No appropriate classification field exists" and "Yes" transaction with controlling shareholder should be selected. 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</i>

and explained.

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

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".

It was decided to request additional information from the holders: _____

Details of the additional information requested 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 request 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 amendment or one that only benefits the company compared with the text of a resolution detailed in a last report.
- Off 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

Explanation: Following the Effective Date, a resolution cannot be amended except 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 Effective 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 *is not ordinary.*

The proposed resolution is subject to the approval of the general meeting of the Bank, in accordance with the provisions of Article 262(b) of the Companies Law.

The majority required at the general meeting and at the deferred general meeting in the resolution to approve the amendment of the bank's articles of association 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 quorum of the majority votes at the general meeting will include a majority of the total votes of shareholders who have no personal interest in the approval of the resolution, who are participating in the vote; of 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 Section (1) above does not exceed two percent (2%) of the total voting rights in the bank.

2

The issue/resolution and its details:

Approval of the tenure and employment terms of the Chairman of the bank's Board of Directors, per the additional employment agreement.

A transaction with a director as to the terms of his tenure and employment according to Article 273(b) of the Companies Law.

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

Reference of 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 of 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 fit any field in the law articles table, the fields "Declaration: No appropriate classification field exists" and "Yes" transaction with controlling shareholder should be selected. 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: _____

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".

It was decided to request additional information from the holders: _____

Details of the additional information requested 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 request 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 amendment or one that only benefits the company compared with the text of a resolution detailed in a last report.
- Off 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

Explanation: Following the Effective Date, a resolution cannot be amended except 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 Effective 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 is not ordinary.

The proposed resolution is subject to the approval of the general meeting of the bank, in accordance with the provisions of Article 273(b) of the Companies Law, provided that which is stated in Article 267a(b)(1) or (2) is fulfilled by the general meeting's approval.

The majority required at the general meeting and at the deferred general meeting in the resolution to approve the tenure and employment terms of the Chairman of the bank's Board of Directors 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 quorum of the majority votes at the meeting will include a majority of the total votes of shareholders who are not controlling shareholders at the bank, nor have a personal interest in the approval of the resolution, who are participating in the vote; of 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 Section (1) above does not exceed two percent (2%) of the total voting rights in the bank.

Attached is the report on the convening of the meeting. *a_isa.pdf*

4. Attached:
Yes a voting paper
No position notice

b_isa.pdf

No declaration of the candidate to serve as corporate director

No declaration of an independent director

No declaration of an External Director

_____ declaration of a representative's appoint to representation

_____ amended deed of trust

_____ an application to approve a Creditors Arrangement under Article 350

_____ other declarations_____

Explanation: If a voting paper and/or a position notice are attached, they must be prepared in accordance with the provisions of the Companies Regulations (Voting in Writing and Position Notices), 5766-2005.

Address of the voting website: Voting system

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

5. The legal quorum for holding the meeting:

The legal quorum 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 quorum, the deferred meeting will be held on *March 15, 2016 at 15:00*, at the following address: *7 Jabotinsky Street, Ramat Gan, Israel, 13th floor*

No meeting shall be held in the absence of a legal quorum.

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, 7 Jabotinsky Street (13th Floor), Ramat Gan, Tel: 03-7559720, during standard business hours, until the time set for the meeting.

The above report was signed by 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):

2016-01-012859

Previous names of reporting entity: United Mizrahi Bank Ltd

Form updated on: December 31, 2015

Name of the person reporting electronically: Feller Maya, Position held: Bank Secretary, Name of employing company:

7 Jabotinsky Street, Ramat Gan, 52520, Israel, Tel: 972-3-7559500, Fax: 972-3-7559655, Email: mangment@umtb.co.il

Re: Immediate Report on the Convening of a Special General Meeting, Pursuant to the Securities Regulations (Periodic and Immediate Reports) 5730-1970 (hereinafter: "periodic and immediate report regulations"), the Companies Regulations (Notice and Announcement of General Meeting and Class Meeting in Public Company) 5760-2000 (hereinafter: "companies regulations") and the Companies Law, 5759-1999 (hereinafter: "Companies Law")

Pursuant to the Periodic and Immediate Report regulations, the companies regulations and the companies law, Mizrahi Tefahot Bank Ltd (hereinafter: "**Bank**") hereby announces the convening of a special general meeting on Tuesday, March 8, 2016, at 15:00, at the Bank's offices, 7 Jabotinsky Street, Ramat Gan, 13th floor.

The issues on the agenda of the special general meeting and the summary of the proposed resolutions are as follows:

1. Amendment of the Bank's articles of association

1.1. Description of the nature of the issue: Amendment of the Bank's articles of association.

1.2. The proposed resolution: To amend the Bank's articles of association, according to the amended and marked text attached to this immediate report as **Appendix A**, and to approve the proposed amendments (the proposed amendments to the current text of the articles of association are underlined in Appendix A).

1.3. The main facts required to understand the issue:

1.3.1. The aforesaid amendments to the Bank's articles of association include an amendment of Regulation 141, on the subject of exemption; according to the proposed amendment, the current text of the exemption set in Regulation 141 of the Bank's articles of association shall not apply on account of damages that will be caused to the Bank due to a Bank officer's breach of the duty of care, as stated in Regulation 141 of the articles of association, after December 23, 2015, in receiving a decision or approving a transaction in which a controlling shareholder of the Bank or any officer at the Bank (including another Bank officer, who is not the officer to whom the exemption was granted) has a personal interest.

It is hereby clarified that the proposed amendment to Regulation 141 shall not apply on account of Bank officer's breach of the duty of care, as stated in Regulation 141 of the articles of association at its current wording, which occurred prior to December 23, 2015.

It is further clarified that the aforesaid amendment to Regulation 141 of the Bank's Articles of Association is proposed pursuant to the resolution of the Bank's general meeting on December 23, 2015, according to which, *inter alia*, Section 1 of the Bank's Deed of Exemption and an Undertaking to Indemnify, the subject of which is exemption, was amended, as specified in Section 1.4 (and Section 1.4.6.b in particular) of the amended immediate report published by the Bank on December 7, 2015 (Ref. No. 2015-01-175365).

1.3.2. In addition, it is proposed to amend scribal errors in Regulations 142.5 and 144.5 of the Bank's Articles of Association, so that "pursuant to Section 52D(a)(1)(a) of the Securities Law" will be replaced by "pursuant to Section 52ND(a)(1)(a) of the Securities Law".

2. Approval of the tenure and employment terms of the Chairman of the bank's Board of Directors, per the additional employment agreement

- 2.1. Description of the nature of the issue: Approval of the tenure and employment terms of the Chairman of the bank's Board of Directors, Mr. Moshe Vidman (hereinafter: "**Chairman**" or "**Chairman of the Board of Directors**").
- 2.2. The proposed resolution: To approve Mr. Vidman's tenure and employment terms as the Chairman of the Board of Directors at the Bank, including the approval of the bank's engagement with the Chairman of the Board of Directors through an additional employment agreement, in effect as of December 1, 2015, the main details of which appear in Section 2.3.2 of this immediate report.
- 2.3. The main facts required to understand the issue:

2.3.1. Background

- a. Mr. Moshe Vidman serves as a director at the bank since August 2010. On November 25, 2012, the bank's board of directors approved Mr. Vidman's appointment as Chairman of the Board of Directors at the Bank, commencing on December 1, 2012 and terminating on November 30, 2015.

In the matter of Mr. Vidman's education and his professional experience, see the information according to Regulation 26 of the periodic and immediate report regulations, as included in the periodic report for 2014 that was published by the bank on March 10, 2015 (Ref. No. 2015-01-047593); this mention constitutes inclusion by way of reference to all information listed in this matter in the aforesaid report.

Additionally, Mr. Vidman serves voluntarily as a member of the Jerusalem Foundation's Executive Committee (as of 1988); a member of the Hebrew University of Jerusalem's Board of Trustees (as of 2000); chairman of the Hebrew University's Assets, Ltd. (as of 1995 and until January 31, 2016); and a member of the Hebrew University Magnes Press Board of Directors (as of 2015).

- b. On June 17, 2013, having received the Remuneration Committee's and the Board of Directors' approval thereof, the bank's general meeting approved Mr. Vidman's tenure and employment terms as the Chairman of the Board of Directors, pursuant to an employment agreement for a limited period of three (3) years, commencing on December 1, 2012 and terminating on November 30, 2015 (hereinafter: "**former employment agreement**" and "**former employment terms**", as the matter may be), all as detailed in the (amending) immediate report published by the bank on June 6, 2013 (Ref. No. 2013-01-059052) (hereinafter: "**immediate report dated June 6, 2013**"); this mention constitutes inclusion by way of reference to all information listed in this matter in Section 2 and Appendix B of the immediate report dated June 6, 2013.

It is noted that the Chairman of the Board of Directors' former employment terms were submitted for approval prior to the first approval of the bank officers' remuneration policy.

- c. On June 10, 2014, the bank's general meeting approved the updated remuneration policy for bank officers, which was attached as Appendix A to the report regarding the convening of the general meeting, published by the Bank on May 4, 2014 (Ref. No. 2014-01-056838) (hereinafter: "**remuneration policy**"); this mention constitutes inclusion by way of reference to the information regarding the remuneration policy, as detailed in Appendix A of the aforesaid immediate report.
- d. On May 18, 2015, the bank's board of directors resolved to appoint Mr. Vidman for an additional tenure as Chairman of the Board of Directors, commencing on December 1, 2015 and terminating on December 31, 2017. Pursuant to the aforesaid, on January 18, 2016 the board of directors decided that Mr. Vidman's tenure as Chairman of the Board of Directors, as stated above, would be automatically renewed (as of January 1, 2018), annually for an additional year, all subject to the approval of the Supervisor of Banks. It is clarified that according to the additional employment agreement, each party may terminate the employment relationship at any time during the additional employment period, for any reason and without needing to explain its position to the other party, while providing a three-month advance notice to the other party as specified in Section 2.3.2h. below.
- e. (1) On August 13, 2015, Proper Conduct of Banking Directive No. 301A on the subject of remuneration policies at banking corporations was amended. Under this amendment it was established, *inter alia*, that the members of a banking corporation's board of directors, including the chairperson, would only receive a fixed remuneration. It was further established that the Chairman of the Board of Directors' remuneration amount would be determined according to the remuneration manner of the board of directors' members and while taking into consideration, *inter alia*, the banking corporation's size, the complexity of its activities and the scope of the Chairman of the Board of Directors' position. Despite the aforesaid, it was established that the banking corporation may pay social benefits to the Chairman of the Board of Directors, as well as related expenses, per the custom for officers' employment terms at the banking corporation. Furthermore, it was established in Directive 301A's amendment that the remuneration for all directors at the banking corporation, excluding the Chairman of the Board of Directors, would be determined similarly and according to the determination manner of an external director's remuneration, per the companies regulations (Rules on Honorarium and Expenses of Outside Directors) 5760-2000.
- (2) In this matter, it should be noted that having received the approval of the remuneration committee and according to the remuneration policy for bank officers, the board of directors decided to re-approve the salaries of bank directors on September 15, 2014, including external directors (but excluding the Chairman of the Board of Directors) and including directors who are controlling shareholders at the bank, per the companies regulations (Rules on Honorarium and Expenses of Outside Directors) 5760-2000, all as detailed in the immediate report published by the Bank on September 15, 2014 (Ref. No.

2014-01-157959); this mention constitutes inclusion by way of reference to the information included regarding this matter in the aforesaid immediate report.

2.3.2. Main details regarding the Chairman of the Board of Directors' terms of tenure and employment, according to the additional employment agreement

Pursuant to the aforesaid, on January 25, 2016, having received the approval of the remuneration committee from January 20, 2016, the bank's board of directors decided to approve Mr. Vidman's terms of tenure and employment as Chairman of the Board of Directors at the Bank, including the bank's engagement with the Chairman of the Board of Directors through the additional employment agreement with the Chairman of the Board of Directors in effect from December 1, 2016 (hereinafter: "**additional employment agreement**"), the main details of which are detailed in this Section 2.3.2 below:

a. General

I. The chairman's work at the bank is full-time (100%), including overtime, insofar as work will necessitate it.

It was agreed that considering the chairman's status, the Hours of Work and Rest Law 5711-1951 does not apply to him, and he is not entitled to be paid overtime by power of this law.

II. As long as employer-employee relations exist between the bank and the Chairman of the Board of Directors, the chairman shall not be entitled to work at any other job or be occupied with any other paid occupation; nor will he be able to fulfill any other position at some corporate entity, whether with or without payment, unless the board of directors has approved it in advance.

b. Monthly wage

I. Due to his work, the Chairman is entitled to a gross monthly wage in the amount of ILS 220,000 (Two hundred and twenty thousand shekels) (hereinafter: "**Wage**").

The above-established wage takes all of the Chairman's roles and obligations at the Bank and/or at the Bank's subsidiaries into account (including participation in the meetings of the bank's board of directors and its committees, and any participation in board of directors meetings or committees at companies related to the Bank).

II. The wage is fully linked to changes in the Consumer Price Index (hereinafter: "**CPI**"), based on the CPI published on November 15, 2015 and towards the CPI which shall be known at the relevant wage payment date; the wage will be updated four times per year - in February, May, August and November. Despite the aforesaid, should the CPI decline, the wage will not be reduced; however, the CPI's decline rate will be offset from the next CPI rise (and the one afterwards, if necessary, until the full CPI decline is offset).

III. It is agreed that this updating method shall come in place of the cost of living allowance and/or any other economy-wide wage increase, and shall include these.

The wage, updated per this Subsection B, shall be hereinafter called "**Salary**".

c. Fringe benefits

The Chairman of the Board of Directors is entitled to fringe benefits as follows:

a. Car: The Bank shall provide an equipped company car to the Chairman, for the purposes of fulfilling his position and according to the bank's procedures, 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 Chairman due to the provided car.

b. The bank shall participate in all of the Chairman's expenses, as is customary with members of the bank's management, as detailed below:

Telephone: The bank shall provide a mobile telephone for the Chairman's use, and shall bear all costs related to its maintenance, including taxes due thereto. In addition, the bank will participate in the telephone expenses at the Chairman's home, up to the sum of ILS 6,500 per annum, and will bear the tax in respect of such participation.

Other Expenses: The Chairman is entitled to a reimbursement of expenses related to the fulfillment of his position, including on-duty accommodation expenses. Likewise, the bank shall bear expenses due to newspapers and professional training and finance periodic medical examinations for the Chairman.

d. Annual Vacation, Holiday Pay and Sick Leave

a. The Chairman will be entitled to an annual vacation of 22 work days; up to 44 vacation days will be available for accrument (and redeeming in the event that there shall remain a balance upon the termination of the work relationship).

b. The Chairman will be entitled to an annual payment of holiday 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 employees. Likewise, the Chairman will be entitled to an annual vacation voucher, at the customary sum accepted for Bank employees.

c. The Chairman will be entitled to 30 calendar days of sick leave per annum, excluding the days he has used *de-facto* that year. The Chairman 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.

e. Provisions for Provident Fund, Pension, Severance Pay and Advanced Study Fund

a. The Bank shall make available to the Chairman a budget of 13.33% for provisions to provident fund, pension and severance pay at the Bank's expense (5% for provident fund and 8.33% for severance pay), which will be transferred to a provident fund of the Chairman's choice. The Bank will also deduct 5% off the

Chairman's Salary and transfer these to the provident fund into which the severance pay and provident fund monies at the bank's expense will be allocated. All of the above provisions will be based upon the Salary, as it shall be from time to time.

- b. In addition, the Bank will provision, for the benefit of the Chairman, 7.5% of the Salary into an advanced study fund chosen by the Chairmen. Likewise, the bank will deduct 2.5% off the Salary each month and pass this sum into the aforesaid fund as well.

f. Banking services

The Chairman 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.

g. Exemption, insurance and indemnification

The Chairman shall be entitled to the officers' exemption, indemnification and insurance to which the other directors of the Bank shall be entitled, 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 August 3, 2015 (Ref. No. 2015-01-088308).

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), see Section 1.4 of the amending immediate report published by the bank on December 7, 2015 (Ref. No. 2015-01-175365).

h. Termination of employment

According to the additional employment agreement, the employment period shall commence on December 1, 2015 and terminate on December 31, 2017. It shall be automatically renewed each year for an additional year, all subject to that which is stated in the additional employment agreement (the employment period commencing on December 1, 2015, as it shall be renewed as stated above, shall be hereinafter called "**additional employment period**").

Notwithstanding the aforesaid, each party shall be entitled to notify regarding a termination of employment relations at any time during the additional employment period, for any reason and without having to explain its position to the other party, while providing a three-month advance notice to the other party.

During the advance notice period, the Chairman will be required to work regularly and full-time; however, the Bank will have the reserved right not to utilize said period, fully or partially (regardless of which party has notified of the termination of employment), and terminate the Chairman's employment; in such case, the Bank will redeem that part of the

advance notice in which it waived the Chairman's employment, at a sum equal to the salary for the redemption period (hereinafter: "**Principal**"), plus a sum equal to the Bank's payments specified in Subsection E above, calculated on the basis of the Principal.

i. Payments due to termination of employment

Upon the termination of the Chairman's work at the Bank, at any time and for any reason, including due to the Chairman's inability to continue to serve in his position for any reason, subject to that which is stated in Subsection J below, the Chairman will be entitled to all of the following aggregate benefits:

- a. The Bank will provide a letter to release all allotments due to provident funds, pension and severance pay, made per the additional employment agreement (as stated in Subsection E(a) above) and per the previous employment agreement.
- b. The Bank will provide a letter to release all allotments made by it to the advanced study fund, per the additional employment agreement (as stated in Subsection E(b) above) and per the previous employment agreement.
- c. The Bank will pay the Chairman a no competition adjustment bonus, which will be equal to the sum of three (3) monthly Salaries (hereinafter: "**Adjustment Bonus**"). It was clarified in the additional employment agreement that the Adjustment Bonus to be paid to the Chairman as stated above is the only Adjustment Bonus to which the Chairman shall be entitled at the end of the employment period according to the additional employment agreement; and that the Chairman shall not be entitled to an Adjustment Bonus due to his employment period under the previous employment agreement.
- d. The Bank shall pay a retirement bonus to the Chairman, to which the Chairman is entitled under the previous employment agreement due to the employment period that commenced on December 1, 2012 and terminated on November 30, 2015 (hereinafter: "**Retirement Bonus**"), as specified in Section 2.8.3 of the immediate report dated June 6, 2013 (i.e. a sum equal to 150% of the Chairman's last Salary, according to the previous employment agreement, multiplied by the number of his years of employment under the previous employment agreement (three (3) years). It is hereby clarified that the Chairman is not entitled to a Retirement Bonus according to the additional employment agreement; and that the payment of the Retirement Bonus to the Chairman at the termination of his employment shall be according to his right to receive a Retirement Bonus under the previous employment agreement, as stated above.
- e. If the Chairman is entitled to severance pay under the Severance Pay Law, 5723-1963 (hereinafter: "**Severance Pay Law**") and the sum accumulated in the provident funds as a result of the bank's severance pay (8.33%) on all yielded revenues, as of the employment termination date and according to the provident funds' report, is not sufficient for the severance pay sum, per its meaning in the Severance Pay Law, by gross payment (hereinafter: "**Severance Pay by Law**"),

then the Retirement Bonus sum stated in Subsection I(d) above (according to the previous employment agreement) shall come fully in lieu of the Severance Pay by Law; if the sum accumulated in the funds combined with the Retirement Bonus sum is not sufficient for the Severance Pay by Law, the bank will fill the gap until the Severance Pay by Law sum is reached.

In this matter, see also Note 4) to the table in Section 2.3.3 below.

- j. Notwithstanding the provisions of Sections H and I above, if the Chairman'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 Chairman shall not be entitled to an advance notice or to the redemption thereof, nor to an Adjustment Bonus, as provided above. Likewise, the bank will be able to draw back severance payments made thereby, either fully or partially, per the circumstances.
- k. Confidentiality and no competition
 - a. Since due to the Chairman's position and duties, he is entrusted with the Bank's trade secrets of any kind whatsoever, the Chairman has undertaken to maintain the trade and other secrets of the Bank and its subsidiaries in strict confidentiality, as detailed in the additional employment agreement. This undertaking shall be in force both during the period of the Chairman's employment and thereafter, indefinitely.
 - b. The Chairman 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. In this matter, "**Banking Corporation**" shall include any entity which engages in economic activity, competing with the Bank and/or a subsidiary thereof.
 - c. The Chairman's undertaking, as stated in Subsection K(b) above, shall apply:
 - a. Within the area of the State of Israel;
 - b. Abroad, insofar as the activities of the corporation or entity on behalf of or for which the Chairman shall work will compete, directly or indirectly, with the activities of the Bank and/or a subsidiary of the Bank in Israel or abroad.

l. General Instructions

All remunerations to the Chairman shall be paid directly to him, rather than through any corporation or some other entity.

Once the tenure and employment terms of the Chairman of the Board of Directors are approved by the general meeting, the Bank shall pay the Salary, social benefits and fringe

benefits to the Chairman, for the period commencing on December 1, 2015 and until the actual payment date.

2.3.3. Details Regarding the Tenure And Employment Terms Of The Chairman Of The Board Of Directors, According To The Sixth Schedule Of The Periodic And Immediate Report Regulations

Below are details in respect of the cost of the remuneration for the Chairman Of The Board Of Directors for the year 2016 (assuming that the Chairman will serve fully during this year), according to the Chairman's tenure and employment terms under the additional employment agreement, as approved by the Remuneration Committee and the Board Of Directors:

Officer Details								
Name		Position		Position Scope		Rate of Holding In The Corporation's Capital		
Moshe Vidman		Chairman of the Board of Directors		100%		---		
Annual remuneration (In ILS thousands) for 2016, according to the additional employment agreement 1) Mr. Moshe Vidman, Chairman of the Bank's Board of Directors (In terms of cost to the Bank)								
Salary ²⁾	Other wage components ³⁾	Other		Annual bonus ⁶⁾	Deferred bonus ⁷⁾	Share-based payment	Management fees/Consultation fees/Commission/Rent fees	Total wage cost for 2016
		Social benefits ⁴⁾	Value of benefits and interest ⁵⁾					
2643	155	557	138	---	---	---	---	3493

Table Notes

- 1) The remuneration sums are given in terms of annual cost to the Bank (not including a 17% wage tax).
- 2) The Salary is fully linked to CPI rises; the sum of the salary stated in the table does not include social or other benefits.
- 3) These components include the grossing up for car, mobile and home telephones and holiday pay.
- 4) (a) Provisions to provident funds, pension, severance pay, advanced study fund, national insurance (employer's share) and annual vacation days;
(b) According to the bank's financial reports for 2015, the provision to the Adjustment Bonus is expected to be reduced by six (6) monthly salaries including social benefits, to which the Chairman of the Board of Directors was entitled according to the previous employment agreement (approx. ILS 1322 K) and an in advance Adjustment Bonus provision record of three (3) monthly salaries, not including social benefits (approx. ILS 661 K) according to the additional employment agreement.

According to the bank's calculations, if the Remuneration of Officers of Financial Institutions (Special Approval and Limitations on Expenses on account of Extraordinary Remuneration), 5774-2014 legislation bill passes into law, then the bank estimates that the additional tax which will be incurred in view of the Adjust Bonus's spreading according to the additional employment agreement (based on calculations made according to the current text of the aforesaid legislation bill) is likely to be negligible compared to the bank's revenues in 2013 and 2014.

(c) If the Chairman is entitled to severance pay under the Severance Pay Law, and the sum accumulated in the provident funds as a result of the bank's severance pay (8.33%) including all yielded revenues, as of the employment termination date and according to the provident funds' report, is not sufficient for the severance pay sum, per its meaning in the Severance Pay Law by gross payment (hereinafter: "**Severance Pay by Law**"), then the Retirement Bonus sum stated in Subsection 2.3.2.I(d) above shall come fully in lieu of the Severance Pay by Law; if the sum accumulated in the funds combined with the Retirement Bonus sum is not sufficient for Severance Pay by Law, the bank will fill the gap until the Severance Pay by Law sum is reached. An provision will be included, insofar as it is necessary, in the bank's financial reports for 2016 and until the termination of the Chairman's employment, due to severance pay completion. In this matter, see also Section 2.3.2.I(e) above.

- 5) Car, mobile and home telephones, leisure, holiday gift, life insurance and the value of benefits due to loan interest given by the Bank, per the terms available to all Bank employees.
As of December 31, 2015, no balances exist on loans granted under regular conditions or due to which the Bank granted benefits, per the terms available to all Bank employees.
- 6) Subject to meeting qualification requirements, the Chairman will be paid a monetary bonus for 2015 in 2016, per his right according to the previous employment agreement; the Chairman's entitlement to a monetary bonus for 2015 shall be determined on the basis of quantitative indices and the "discretion" component's quality index, all as detailed in Appendix B of the immediate report dated June 6, 2013.
- 7) In addition to the aforesaid, the Chairman will be paid the additional deferred bonus in 2016, which is also per his right according to the previous employment agreement, for the years 2013-2015 (inclusive), per its meaning in Section 2 and 6 until 8 of Appendix B of the immediate report dated June 6, 2013; this in accordance with the instructions and terms detailed in the aforesaid sections, and subject to meeting the qualification requirements set in this matter.

2.3.4. The Ratio Between the Cost of the Remuneration to the Chairman Of The Board Of Directors According to the Additional Employment Agreement and the Cost of the Average and Median Wage of the Rest of the Bank's Employees

The ratio between the cost of the total remuneration of the Chairman of the Board of Directors according to the additional employment agreement¹⁾, and the cost of the total remuneration, average or median, of the rest of the bank's employees, including the employees of the bank's fully-controlled subsidiaries and including contingent employees (hereinafter in this section: "**Bank Employees**")²⁾ is as follows:

The ratio between the cost of the monthly remuneration of the Chairman and the monthly average remuneration of Bank Employees	The ratio between the cost of the monthly remuneration of the Chairman and the monthly median remuneration of Bank Employees
11.1	13.9

- 1) The amounts were calculated according to the monthly average of the annual data of the Chairman's total remuneration, in accordance with the additional employment agreement.
- 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 2015, including monetary bonuses in respect of 2014 and including a straight-line spread of the fair value of stock options, as calculated on the day the Board of Directors resolved to approve the allocation of stock options, according to the entitlement to exercise stock options as determined in respect of 2014, according to 2014's annual financial reports.

2.3.5. Chairman Remuneration Components Not According to the Remuneration Policy

- a. (1) According to the bank's remuneration policy, the remuneration of the Chairman of the Board of Directors shall include a fixed remuneration and a variable remuneration. The fixed remuneration includes a ILS 180,000 monthly Salary, including Consumer Price Index (hereinafter: "CPI") linkage differences, social and fringe benefits, as specified in Section 5 of the remuneration policy (attached as Appendix A to the immediate report dated May 4, 2014 and included in this report by way of reference, as stated above in Section 2.3.1c).

In addition, the fixed remuneration according to the remuneration policy includes an adjustment bonus in the sum of up to three (3) monthly Salaries including social benefits, as well as other retirement payments, as specified in Section 8.2 of the remuneration policy.

The variable remuneration of the Chairman of the Board of Directors, in accordance with the remuneration policy, shall include long-term capital remuneration and a monetary bonus, both performance-based, as specified in Section 6 of the remuneration policy. Likewise, the variable remuneration shall include an adjustment bonus, which will be equal to the sum of three (3) monthly Salaries including social benefits (in addition to the adjustment bonus classified as fixed remuneration, as specified above); in addition, the variable remuneration may include a retirement bonus which shall not exceed a sum equal to the product of 150% of the Chairman's last monthly Salary and the number of his years of employment at the Bank, as specified in sections 8.2.4, 8.3 and 8.4 of the remuneration policy.

- (2) According to Directive 301A, as amended on August 13, 2015, the tenure and employment terms of the Chairman of the Board of Directors under the additional employment agreement include only a fixed remuneration, as well as social and fringe benefits, per the custom in Bank officer employment terms. The Chairman of the Board of

Directors' Salary, according to the additional employment agreement, which is ILS 220,000 including CPI linkage differences, is higher than the Chairman of the Board of Directors' Salary according to the bank's remuneration policy, which is ILS 180,000 including CPI linkage differences. Consequently, the social benefit sums derived from the Salary under the additional employment agreement will be increased accordingly; however, the remuneration of the Chairman of the Board of Directors under the additional employment agreement does not include a variable remuneration, including the capital remuneration and monetary bonus included in the Bank's remuneration policy, as specified in Section 2.3.10c below.

- b. (1) As part of the previous employment agreement, it was agreed that the bank will purchase loss of work capacity insurance for the Chairman, and that the bank's severance pay payments will come in lieu of severance pay, according to Article 14 of the Severance Pay Law. However, as it became clear that loss of work capacity insurance could not be purchased for the Chairman in view of his age, it was agreed under the additional employment agreement that all of the bank's severance payments, including their revenues, will come in lieu of severance pay, if such are required 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 previous 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, as specified in Section 2.3.2I(e) above.

(2) In this matter, note that Section 8.2 of the bank's 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 provisions 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 Subsection B(1) above was determined under the additional employment agreement, in the matter of severance pay under the Severance Pay Law.

2.3.6. The Employment Terms Proposed to the Chairman of the Board of Directors Under the Additional Employment Agreement, Relative to the Chairman of the Board of Directors' Previous Employment Terms Under the Previous Employment Agreement

A. General

As noted above, the Chairman of the Board of Directors' previous employment terms under the previous employment agreement were specified in the immediate report dated June 6, 2013, which is included in this report by way of reference; in the matter of the Chairman of the Board of Directors' remuneration for 2013-2014 under the previous employment agreement, including details regarding the monetary bonuses for these years, see Section 3 of the immediate report published by the Bank on May 4, 2014 (Ref. No. 2014-01-056838)

and Section 1 of the immediate report published by the Bank on August 3, 2015 (Ref. No. 2015-01-088308), respectively, as well as the tables regarding "Details of the Remuneration of Senior Officers", which are included in the Bank's periodic report for 2014 (Ref. No. 2015-01-047593); these mentions constitute inclusion by way of reference to the information included in this matter in the aforesaid sections.

In this regard, it should be noted that as specified in Section 2.3.3 above, the Chairman of the Board of Directors' total annual remuneration for 2016 (wage and benefits) according to the additional employment agreement is approximately ILS 3493 thousands; the aforesaid sum is lower than the Chairman of the Board of Directors' total annual remuneration (wage, benefits and annual bonus) for 2013 and 2014 under the previous employment agreement, which was approximately ILS 4063 thousands (excluding the provision sum recorded in the Bank's 2013 financial reports, in respect of the adjustment bonus, at a total of approximately ILS 1332 thousands) and a total of approximately ILS 269 thousands in respect of the relative (annualized) share of the additional deferred bonus, according to the previous employment agreement, due to each of the years 2013 and 2014 (as specified in Appendix B of the immediate report dated June 6, 2013).

The additional deferred bonus sum, as specified above (in the sum of approximately ILS 269 thousands, annualized) was calculated based on the following assumptions and figures: (a) the qualification requirements for the grant of the additional deferred bonus were met; (b) the sum of the additional deferred bonus was calculated based on the average of the return on equity rates only for 2013 and 2014, which stood at 10.95% and granted entitlement to 4.425 salaries in respect of three years (i.e. an average of 1.475 Salaries per year).

It is hereby clarified that the sum of the additional deferred bonus to be actually paid to the Chairman of the Board of Directors will be calculated with the approval of the Bank's 2015 financial reports, based on the average of the return on equity rates in 2013, 2014 and 2015, as stated above; and it may differ from the sum specified above.

Regarding the reduction of the provision of the Adjustment Bonus to which the Chairman of the Board of Directors was entitled according to the previous employment agreement, and the recording of the provision of the Adjustment Bonus according to the additional employment agreement see Note 4 in Section 2.3.3 above.

The main changes between the previous employment agreement signed with the Chairman of the Board of Directors and the additional employment agreement shall be specified below.

- B. The additional employment agreement includes a Salary and social benefits which are higher than those set in the previous employment agreement, but does not include variable remuneration

The Chairman of the Board of Directors' Salary according to the additional employment agreement, which is ILS 220,000 plus CPI linkage differences, is higher than the Chairman of the Board of Directors' Salary according to the previous employment agreement, which

is ILS 180,000 plus CPI linkage differences (based on the CPI published on November 15, 2012). Subsequently, the sums of the social benefits derived from the sum of the Salary according to the additional employment agreement, will be increased accordingly; however, the remuneration of the Chairman of the Board of Directors under the additional employment agreement does not include variable remuneration, including a monetary bonus or a deferred monetary bonus which are included in the previous employment agreement, as specified in Appendix B of the immediate report dated June 6, 2013 and Sections 1 and 3 of the additional immediate reports mentioned in Subsection A above; in this matter, see also Section 2.3.10c below.

C. Sick Leave

According to the additional employment agreement, the Chairman will be entitled to 30 calendar days of sick leave per annum, per the bank's remuneration policy and as customary for the rest of the members of the bank's management; this compared with 25 sick leave days per annum under the previous employment agreement.

D. The period of employment and termination of employment

(1) The previous employment agreement provides, *inter alia*, that the agreement is for a fixed period of three years, commencing on December 1, 2012 and until November 30, 2015, terminating on November 30, 2015. It was provided that either party may notify of the termination of employment at any time before the end of the fixed period, for any reason, while providing a three-month advance notice to the other party as specified in Section 2.7 of the immediate report dated June 6, 2013.

Likewise, the previous employment agreement established that the Bank will provide a letter to release all provisions due to provident fund, pension and severance pay, and that these payments shall come in lieu of the full liability to severance pay (in accordance with the provisions of Article 14 of the Severance Pay Law), as specified in Section 2.8.1 of the immediate report dated June 6, 2013.

In addition, the previous employment agreement established that the Bank shall pay a sum equal to 150% of the Chairman's last Salary, multiplied by the number of his years of employment (hereinafter: "**Retirement Bonus**") as well as an Adjustment Bonus in the sum of six (6) monthly salaries plus a sum equal to the bank's social benefit provisions, as specified in Sections 2.8.3 and 2.8.4 of the immediate report dated June 6, 2013.

It was further established in the previous employment agreement that should the Chairman's employment terminate prior to the end of the fixed period (i.e. before November 30, 2015), due to the bank's notice or a complete loss of work capacity or has died, God forbid, and strictly in these cases, the bank shall pay the Chairman (or his survivors, as applicable), in addition to that stated in Subsection 2.3.6.d(1) above and Section 2.8.5 of the immediate report dated June 6, 2013, a sum equal to the product of half of the monthly Salary multiplied by the number of months remaining in the fixed period

Notwithstanding the aforesaid in this paragraph, should the Chairman's employment terminate prior to the end of the fixed period, under a bank notice granted within 30 days, at most, from the day on which the bank handed over "Control", per this term's meaning in the Banking Law (Licensing) 5741-1981, and strictly in this case, the sum to be paid to the Chairman shall be the product of the full sum of the Salary multiplied by the number of months remaining in the fixed period, as specified in Section 2.8.5 of the immediate report dated June 6, 2013 (hereinafter: "**Additional Payments**").

- (2) According to the additional employment agreement, the employment period shall commence on December 1, 2015 and terminate on December 31, 2017, and it shall be automatically renewed annually for an additional year, subject to the provisions established in the additional employment agreement.

Note that according to the additional employment agreement, the Chairman is not entitled to a retirement bonus for his employment period under the additional employment agreement, nor is he entitled to an adjustment bonus in a sum exceeding 3 monthly Salaries. Likewise, the Chairman is not entitled to the Additional Payments, as specified in Subsection (1) above.

As for severance pay under the Severance Pay Law, as it became clear that loss of work capacity insurance cannot be purchased for the Chairman in view of his age, it was agreed under the additional employment agreement that all of the bank's severance payments, and their revenues, will come in lieu of severance pay, if such are required by the Severance Pay Law; and if these are not sufficient to cover severance pay under the Severance Pay Law, the retirement bonus which is to be paid to the Chairman under the previous 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, as specified in Section 2.3.2I(e) above.

2.3.7. The Method of Determining the Tenure and Employment Terms Proposed to the Chairman of the Board of Directors, Their Approval Date and the Information Brought in this Matter Before the Remuneration Committee and the Board of Directors

On January 25, 2016, having received the approval of the Remuneration Committee from January 20, 2016, the Bank's Board of Directors approved the Chairman of the Board of Directors' tenure and employment terms under the additional employment agreement.

The resolution to approve the Chairman of the Board of Directors' tenure and employment terms, as stated above, was passed by a majority of votes at the Remuneration Committee and the Bank's Board of Directors.

Mr. Gideon Siterman (ext. dir.) opposed to raising the monthly Salary of the Chairman of the Board of Directors from a total of ILS 180 thousands, CPI-linked (according to the previous employment agreement) to a total of ILS 220 thousands, CPI-linked (according to the additional employment agreement), as in his opinion it is inappropriate both principally and publicly at this time. Likewise, in his opinion, there is no managerial justification for increasing the monthly Salary at this rate, in view of the challenges facing the bank.

The rest of the directors voted in favor of the resolution to approve the Chairman of the Board of Directors' tenure and employment terms under the additional employment agreement, as provided in Section 2.2 above.

Inter alia, the following documents and information were presented before the Remuneration Committee and the Board of Directors:

- A. The Bank's remuneration policy;
- B. Details regarding the education and professional experience of the Chairman of the Board of Directors;
- C. The tenure and employment terms proposed to the Chairman of the Board of Directors;
- D. The Chairman of the Board of Directors' tenure and employment terms under the previous employment agreement;
- E. Information regarding the employment terms of the Bank's CEO, Mr. Eldad Fresher;
- F. Information regarding the wage costs of employees of the bank and subsidiaries fully-controlled by the Bank (including contingent employees), as well as information on these employees' average and median wage, and the ratio between the cost of the remuneration proposed to the Chairman of the Board of Directors and the cost of the average and median wage of the rest of the employees, as stated above;
- G. Data comparing the remuneration proposed to the Chairman of the Board of Directors and the remuneration of the Board of Directors' Chairpersons at the four other major banks;
- H. The Remuneration of Officers of Financial Institutions (Special Approval and Limitations on Expenses on account of Extraordinary Remuneration), 5774-2014 legislation bill, including data regarding the implications of its implementation at the Bank, in the matter of the remuneration proposed to the Chairman;
- I. Proper Conduct of Banking Directive No. 301A on the matter of remuneration policies at banking corporations, as amended by the Supervisor of Banks, on August 13, 2015, as well as relevant articles from Proper Conduct of Banking Directive No. 301, concerning the "Board of Directors" and relevant articles from the Companies Law.

2.3.8. The Identity of Remuneration Committee and Board of Directors Members Who Attended the Meeting Where the Chairman of the Board of Directors' Tenure and Employment Terms Were Approved

- A. The Remuneration Committee meeting where the Chairman of the Board of Directors' tenure and employment terms were approved was attended by the following directors: Avi Zigelman (chairman) (ext. dir.), Gideon Siterman (ext. dir.), Osnat Ronen (ext. dir.), Joseph Shachak and Abraham Neyman (ext. dir.)
- B. The Board of Directors meeting where the Chairman of the Board of Directors' tenure and employment terms were approved was attended by the following directors: Zvi Ephrat, Ron Gazit, Liora Ofer, Avi Zigelman (ext. dir.), Mordechai Meir, Gideon Siterman (ext. dir.), Joseph Shachak, Jonathan Kaplan, Sabina Biran, Joav-Asher Nachshon, Abraham Neyman (ext. dir.), Osnat Ronen (ext. dir.) and Avraham Zeldman.

2.3.9. Directors With A Personal Interest in the Resolution

The Chairman of the Board of Directors has a personal interest in the approval of his terms of tenure and employment; accordingly, the Chairman did not attend the Board of Directors meeting where the terms of his tenure and employment were approved.

The rest of the directors at the bank have no personal interest in the approval of the Chairman of the Board of Directors' tenure and employment terms.

2.3.10. The Remuneration Committee and Board of Directors Rationale in Approving the Chairman of the Board of Directors' Tenure and Employment Terms

Below are the reasons of the Remuneration Committee and the Board of Directors in approving the Chairman of the Board of Directors' tenure and employment terms:

- A. The Chairman of the Board of Directors has many years of professional experience, including managerial experience accumulated over his years of service on the boards of banks and large companies; this, in addition to his long acquaintance with the bank (by virtue of being a director of the bank). The Remuneration Committee and the Board of Directors are of the opinion that all of these contribute significantly to the bank and the quality of the Board of Directors' work;
- B. The additional employment agreement was formulated considering, *inter alia*, the Chairman of the Board of Directors' skills and managerial experience, as well as the areas of responsibility entrusted to the Chairman and the professional knowledge he has accumulated during the period of his service at the Bank, including his great contributions to the management of the Bank's businesses, such as:
 - (1) The Chairman's great contribution to the implementation of corporate governance principles at the bank, and the effective functioning of the Board of Directors;
 - (2) The fulfillment of the Chairman position in a professional and businesslike manner;
 - (3) The Chairman's involvement in reviewing the risk management at the bank, in accordance with the Board of Directors' policy and having regard to the directives of the Bank of Israel;
 - (4) The Chairman's proficiency in the issues faced by the Board of Directors and his contribution to the Board of Directors' discussions.
- C. According to Directive 301A, as amended on August 13, 2015, under the additional employment agreement, the Chairman of the Board of Directors' tenure and employment terms include only a fixed remuneration, as well as social and fringe benefits, per the custom with the employment terms of Bank officers, and do not include a variable remuneration.

The Chairman of the Board of Directors' Salary according to the additional payment agreement, which is ILS 220,000 plus Consumer Price Index linkage differences (hereinafter: "CPI") is higher than the Chairman of the Board of Directors' Salary under the bank's remuneration policy, which is ILS 180,000 plus CPI linkage differences. Subsequently, the sums of the social benefits derived from the sum of the Salary according to the additional employment agreement, will be increased accordingly; however, the

remuneration of the Chairman of the Board of Directors under the additional employment agreement does not include variable remuneration, including the monetary bonus or the capital remuneration which are included in the bank's remuneration policy.

In this regard, it should be noted that the Chairman of the Board of Directors' total annual remuneration according to the additional employment agreement is lower than the Chairman of the Board of Directors' total annual remuneration according to the remuneration policy, which includes, *inter alia*, performance-based variable remuneration as stated above; this according to the assumptions and calculations in the matter of the remuneration policy's implementation brought before the Remuneration Committee and the Board of Directors, based, *inter alia*, on the Bank's performance in 2014 in the matter of the quantitative indices according to the remuneration policy, and assuming that the Chairman would have been entitled to the entirety of the variable remuneration due to the "discretion" component index, according to the remuneration policy (similarly to the grant of the full annual bonus sum for 2013 and 2014 due to the "discretion" component, according to the Chairman's previous tenure and employment terms).

It should also be noted that the Chairman of the Board of Directors' total annual remuneration according to the additional employment agreement is lower than the Chairman of the Board of Directors' total (possible) maximal annual remuneration according to the previous employment agreement, which was ILS 5848 thousands; this, assuming (theoretically) that the Chairman was entitled to receive the total (possible) maximal annual remuneration of a Chairman of the Board of Directors in the sum of nine (9) monthly Salaries (per annum) as well as the total (possible) maximal deferred bonus sum for his three (3) years of tenure (according to the previous employment agreement) in the sum of nine (9) more monthly Salaries, for the three aforesaid years (i.e. three (3) Salaries per annum).

In addition, the Chairman of the Board of Directors' total annual remuneration (wage and benefits) for 2016 according to the additional employment agreement in the sum of approximately ILS 3493 thousands, is lower than the Chairman of the Board of Directors' total average remuneration (wage, benefits and annual bonus) for 2013 and 2014 under the previous employment agreement, which was approximately ILS 4063 thousands plus a total of approximately ILS 269 thousands for each of the years 2013 and 2014, due to the additional deferred bonus, according to the provisions and terms as specified in Section 2.3.6A above.

It should be noted that the sum of the Chairman of the Board of Directors' monthly Salary according to the Bank officer remuneration policy and the previous employment agreement, which was a total of ILS 180 thousands and CPI-linked, was established under the assumption that the Chairman shall be entitled to a variable remuneration, as detailed in the remuneration policy and the previous employment agreement, as the matter may be. However, in light of the amendments made to Directive 301A, this assumption is not met. As such, it is the opinion of the Remuneration Committee and the Board of Directors that

the sum of the monthly salary according to the additional employment agreement is appropriate and reasonable under the circumstances.

Accordingly, the Remuneration Committee and the Board of Directors regard the approval of the Chairman's tenure and employment terms under the additional employment agreement, according to Directive 301A in its amended form, as a special case that should be handled not in accordance with the Bank's remuneration policy, as specified above.

- D. The Chairman of the Board of Directors' remuneration was also examined in relation to the remuneration manner of other directors at the bank, having considered, *inter alia*, the principal elements which are reflected in the legislation bill proposed in this matter; although the Chairman's remuneration in accordance with the additional employment agreement is higher than the remuneration of the other directors, considering *inter alia* the size of the bank, the complexity of its activities and the great deal of responsibility entrusted to the Chairman of the Board of Directors by virtue of his position, as well as the scope of the Chairman of the Board of Directors' position – 100% - and the manner in which he fulfills his position as stated in Section 2.3.10B above, the Remuneration Committee and the Board of Directors are of the opinion that the Chairman of the Board of Directors' remuneration in accordance with the additional employment agreement is reasonable and appropriate.
- E. The Chairman of the Board of Directors' tenure and employment terms under the additional employment agreement, including the sum of the Salary (as specified in Section 2.3.10C. above) which is not in accordance with the remuneration policy, are intended to promote the interests of the Bank, its goals and policies from a long-term perspective, as well as creating an appropriate incentive for the Chairman of the Board of Directors; this while taking into consideration, *inter alia*, the bank's risk management policy, the size of the bank and the complexity of its activities, and considering that the Chairman's remuneration only including a fixed remuneration along with social and fringe benefits, and does not include a variable remuneration (as specified in Section 2.3.10C. above); likewise, the tenure and employment terms under the additional employment agreement are aimed at differentiating between the Chairman of the Board of Directors and the Bank's management ,thereby strengthening his position as a leader within the Board of Directors in terms of formulating the Bank's strategy and approving its policy, along with his monitoring role.
- F. The Remuneration Committee and the Board of Directors examined the ratio between the cost of the Chairman of the Board of Directors' total remuneration and the cost of the total remuneration of the rest of the employees at the Bank and at subsidiaries fully-controlled by the Bank (including contingent employees), including the ratio to these employees' average and median wages, and the effect of the gaps between them on labor relations at the Bank. The Remuneration Committee and the Board of Directors are of the opinion that the aforesaid ratios are reasonable and reflect the relations specified under the remuneration policy and that they do not impair labor relations at the Bank. This, *inter*

alia, due to the difference between the roles and responsibilities of the Chairman of the Board of Directors and those of other employees.

G. Information regarding the Chairperson remuneration at the four other major banks was presented to the Remuneration Committee and the Board of Directors; it should be noted that the tenure and employment terms of the Chairpersons at these banks were determined prior to the amendment of Directive 301A on August 13, 2015, and therefore the Remuneration Committee and the Board of Directors are of the opinion that this information is no longer relevant in light of the changes required by Directive 301A in its amended form. Accordingly, and in view of all of the considerations examined thereby, it is the opinion of the Remuneration Committee and the Board of Directors that the tenure and employment terms proposed to the Chairman of the Board of Directors are reasonable and appropriate under the circumstances, and adequately reflect the scope of the Chairman's investment and his contribution to the management of the Bank and its business, as well as the Bank's interest in Mr. Vidman's continued service as Chairman of the Bank's Board of Directors.

3. The Identity of the Bank's Controlling Shareholders and the Rights Granting Them Control

For details on the identity of the Bank's controlling shareholders and the rights granting them control of the Bank, including their holding of voting rights and the capital issued and redeemed by the Bank, as well as the voting agreements to which they are party concerning voting rights at the Bank, see the explanations regarding Holders Nos. 1-4 in the immediate report regarding the "Holdings Status of Interested Parties and Senior Officers" published by the Bank on January 7, 2016 (Ref. No. 2016-01-005497) (hereinafter: "**Status Report**"). This mention constitutes inclusion by way of reference of all of the information specified in the aforementioned explanations in the Status Report.

4. The Majority Required for the Resolutions

4.1. The majority required at the general meeting and at the deferred general meeting to approve the resolution to amend the bank's Articles of Association, as stated in Section 1.2 above, is an ordinary majority of all 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 meeting will include a majority of the total votes of shareholders who have no personal interest in the approval of the resolution, who are participating in the vote; in the counting of the 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 in the Bank.

4.2. The majority required at the general meeting and at the deferred general meeting to approve the resolution to approve the Chairman's tenure and employment terms, as stated in Section 2.2 above, is an ordinary majority of all 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 meeting will include a majority of the total votes of shareholders who are neither controlling shareholders at the Bank nor have a personal interest

in the approval of the Chairman's tenure and employment terms, who are participating in the vote; in the counting of the 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 in the Bank.

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. Location and Time of the Meeting's Convening

- 5.1.** The general meeting will convene on Tuesday, March 8, 2016, at 15:00, at the Bank's offices, 7 Jabotinsky St., Ramat Gan, 13th floor (hereinafter: "**Bank's Offices**"). If the meeting is deferred, it will be held on March 15, 2016, at the same time and place.

The date for determining the entitlement of shareholders to vote at the general meeting, as stated in Section 182 of the Companies Law, will be February 5, 2016 (hereinafter: "**Effective Date**").

- 5.2.** The legal quorum for holding the general meeting will be constituted upon the presence, in person or by a 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.
- 5.3.** 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 the resolutions on the agenda of the special general meeting.
- 5.4.** A shareholder will be entitled to vote at the general meeting, in person or by a proxy. In addition, a shareholder will be entitled to vote at the general meeting to approve the resolutions on the agenda, through a voting paper, as detailed below (hereinafter: "**Written Vote**" or "**Voting Paper**").
- 5.5.** 5.5.1 In addition, 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**") 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**") no later than 6 hours prior to the meeting.

5.5.2 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 in the list of those entitled to vote through the Electronic Voting System (as was set at the Effective Date). If he has done so, then the TASE member shall not deliver information about him according to the Companies Regulations (Written Votes and Position Papers) 5766-2005, as long as no other instruction has arrived from the Unregistered Shareholder. Shareholders' instructions, as stated

above, shall be transferred to the TASE member no later than 12:00 at the noon of the Effective Date, and this regarding the securities account and not particular securities held in the account.

- 5.6.** Voting in writing will be performed on the second part of the voting paper, which is attached as **Appendix B** to this immediate report. The voting paper and the documents which are required to be attached thereto (the "**Attached Documents**"), as provided in the voting paper, should be delivered to the Bank's Offices by no later than 4 hours prior to the convening of the meeting. In this regard, the "time of delivery" will be the time on which voting paper and the Attached Documents will arrive at the Bank's Offices.
- 5.7.** The document appointing a proxy to vote (the "**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, will be prepared and signed by the appointer or by his proxy who will be authorized therefor in writing, and if the appointer is a corporation, will be signed in such manner which will bind the corporation. The Letter of Appointment will be deposited in the Bank's Offices by no later than 48 hours prior to the time scheduled for the beginning of the meeting.
- 5.8.** The address of the Israel Securities Authority's distribution site and the Internet site of the Tel Aviv Stock Exchange Ltd, on which the voting papers and position notices are posted:
- 5.8.1 The distribution site of the Israel Securities Authority: <http://www.magna.isa.gov.il/>;
- 5.8.2 The Internet site of the Tel Aviv Stock Exchange Ltd: <http://maya.tase.co.il/>
- 5.9.** A shareholder is entitled to approach the Bank directly to receive the voting paper and the position notice therefrom.
- 5.10.** An Unregistered Shareholder will be entitled to receive by e-mail, free of charge, a link to the voting paper and position notices on the distribution site from the TASE member through which he holds his shares, unless he has notified the TASE member that he does not wish to receive such link or that he wishes to receive voting papers by mail in consideration for payment; notice regarding voting papers shall also apply with regard to position notices.
- 5.11.** A shareholder whose shares are registered with a TASE member may receive the ownership confirmation at a branch of the TASE member or via 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.
- 5.12.** 5.12.1 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.
- 5.12.2 The Voting Paper shall be valid with respect to a Shareholder according to Section 177(2) of the Companies Law (i.e. those registered as a shareholder in the Shareholder Registry) only if a photocopy of an identity card, a passport or an incorporation letter is attached thereto.
- 5.13.** The Bank's address for the delivery of Voting Papers and Position Notices: The Bank's Offices at 7 Jabotinsky Street, Ramat Gan.
- 15.3.1 The deadline for delivery of position notices to the Bank: up to 10 days before the date of the meeting.

15.3.2 The deadline for delivery of the Board of Directors' response to the position notices: no later than 5 days before the date of the meeting.

6. Furthermore, attention is directed to the Securities Authority guideline published on November 30, 2011, titled "Guideline Regarding Disclosure Of The Voting Manner Of Interested Parties, Senior Officers And Institutional Investors At Meetings" (hereinafter: the "**Guideline**"), whereby:
- An "Interested Party" (as defined in the Securities Law 5728-1968), a "Senior Officer" (As defined in Article 37(d) of the Securities Law, 5728-1968) and an "Institutional Investor" (as defined in Article 1 of the Control Regulations of Financial Services and Provident Funds) (Participation of a Managing Company in a General Meeting) 5769-2009, as well as the Joint Investment Trust Law 5754- 1994) (together: the "Voter" or "Voters") voting at a meeting, in the resolution suggested in Section 1.2 and 2.2 of the agenda will notify the Bank prior to voting at the meeting of the details required according to Article 2(b) of the Guideline, and in the event that the voter has voted by proxy (i.e. through an empowered representative), the above details shall be provided in connection with the empowering party and the empowered party.**

7. **Adding an Issue to the Agenda**

After the publication of this report, there may be changes in 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 position papers published in the Bank's reports on the distribution site.

One or more shareholders who hold shares representing at least 1% of 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 notice of the meeting's convening, provided that the issue is appropriate for a discussion at the general meeting.

If the board finds that the issue requested to be included on the agenda is appropriate for a discussion at the general meeting, the Bank will 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 this report.

8. **Details regarding the Bank's representative in respect of the treatment of this report**

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

9. **Perusal of Documents**

The immediate 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.

Respectfully,
Maya Feller
Bank Secretary

**ARTICLES OF ASSOCIATION
OF
MIZRAHI TEFAHOT BANK LTD**

* The text of the Articles of Association was approved by the general meeting on March 23rd, 2000.

* At a general meeting convened on November 3rd, 2005, it was resolved to change the name of the Company from United Mizrahi Bank Limited to Mizrahi Tefahot Bank Ltd. The validity of the resolution was conditional upon the approval of the Registrar of Companies as provided in Section 31 of the Companies Law, 5759 – 1999. Such approval was received on November 7th, 2005.

* At a general meeting convened on May 14th, 2006, it was resolved as follows:

a. To increase the authorised capital of the Bank, by NIS 10,000,000 which shall be divided into 100,000,000 ordinary shares of NIS 0.1 n.v. each, so that after the said approval of the increase of the authorised capital, the authorised capital of the Bank shall be NIS 40,000,000 n.v. divided into 400,000,000 ordinary shares of NIS 0.1 n.v. each. This amendment appears in Section 11 of the Memorandum:

Likewise:

b. Pursuant to the enactment of the Companies Law (Amendment No. 3), 5765-2005, to amend the following articles in the Articles of Association of the Bank: Article 1.1 (definition of "shareholder") 14.1.2, 56, 59, 86, 100, 106, 107, 123, 124, 141, 143, 144, 145 and 177, all as provided in the Immediate Report published by the Bank on April 4th, 2006, Reference No. 2006-01-0353076.

* At a general meeting convened on November 9th, 2011, it was resolved to amend the following articles in the Articles of Association of the Bank regarding indemnity and insurance: 1, 142 to 145 and 146A, in consequence of the enactment of the Increasing of Effectiveness of Enforcement Proceedings at the Israel Securities Authority (Legislative Amendments) Law, 5771-2011, including the indirect amendment of the Companies Law, 5759-1999, as provided in paragraph 1.1 and Appendix "A" to the Immediate Report published by the Bank on October 3rd, 2011 (Reference No. 2011-01-290787).

* At a general meeting convened on September 20th, 2012, it was resolved as follows:

a. To amend the following articles in the Articles of Association of the Bank, regarding indemnity and insurance: 1, and 142 to 145, inter alia, in consequence of the enactment of the Stricter Enforcement on the Capital Market (Legislation) Law, 5771-2011 and the Restrictive Trade Practices (Amendment No. 13) Law, 5772-2012, which amended the Restrictive Trade Practices Law, 5748-1988, as provided in paragraph 1.5 and Appendix "B" to the Immediate Report published by the Bank on August 15th, 2012 (Reference No. 2012-01-211839);

b. In addition, to amend the following articles in the Articles of Association of the Bank: 1 (in addition to the amendments detailed in sub-paragraph a. above), 48, 88, 90, 91, 92A, 95, 98A to 99B.4, 108, 109, 116 and 122. The said amendments are based, inter alia, on the provisions of the Banking (Legislative Amendments) Law, 5772-2012, Proper Conduct of Banking Business Directives, with regard to a board of directors, issued by the Supervisor of Banks, and amendments to the Companies Law, 5759-1999, as provided in paragraph 1.7 and Appendix "B" to the Immediate Report published by the Bank on August 15th, 2012 (Reference No. 2012-01-211839). 2

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MIZRAHI TEFAHOT BANK LTD

ARTICLES OF ASSOCIATION

Introduction

1. 1.1 In these Articles, unless the context otherwise requires:

"person" or **"persons"** - includes a corporation;

"in writing" or **"written"** - handwriting, print, typewriting, photocopy, telex, facsimile or any other legible form;

"shareholder" - anyone who is a shareholder, as hereinafter defined in article 14, on the determining date as stipulated in section 182 of the Companies Law, if there is a determining date for such matter;

"registered shareholder" - a shareholder entered in the Company's shareholders' register;

"unregistered shareholder" - a shareholder within the meaning thereof in section 177(1) of the Law;

"the Company" - Mizrahi Tefahot Bank Ltd.;

"independent director" – an external director pursuant to the Companies Law or a director in respect of whom the following conditions are fulfilled, who was appointed or classified as such pursuant to the provisions of Chapter One of Part Six of the Companies Law:

(1) he fulfills the qualification conditions for appointment as an external director pursuant to section 240(b) to (f) of the Companies Law, and the audit committee has confirmed this;

(2) he has not served as a director in the Company for more than nine continuous years, and with respect thereto, termination of his office for a period not exceeding two years shall not be considered as terminating the continuity of his office;

"external director pursuant to the Companies Law" – an external director, as defined in the Companies Law;

"external director pursuant to the Supervisor's Directives" – an external director, within the meaning thereof in the Proper Conduct of Banking Business Directives, Regarding a Board of Directors, issued by the Supervisor pursuant to the provisions of section 5(c1) of the Banking Ordinance;

"external director" – an external director pursuant to the Companies Law or an external director pursuant to the Supervisor's Directives;

"Banking (Licensing) Law" – the Banking (Licensing) Law, 5741-1981;

"Restrictive Trade Practices Law" – the Restrictive Trade Practices Law, 5748-1988;

"the Law" or **"Companies Law"** - the Companies Law, 5759-1999, as shall be from time to time, and any regulations promulgated by virtue thereof;

"Securities Law" – the Securities Law, 5728-1968;

"Advice Law" – the Regulation of Engagement in Investment Advice, Investment Marketing and Investment Portfolio Management Law, 5755-1995;

"Control of Insurance Law" – the Control of Financial Services (Insurance) Law, 5741-1981;

"Control of Provident Funds Law" – the Control of Financial Services (Provident Funds) Law, 5765-2005;

"Joint Investment Law" – the Joint Investment Trust Law, 5754-1994;

"the secretary" - whoever is appointed as the Company's secretary;

"the Supervisor" – the Supervisor of Banks;

"the register" or **"the shareholders' register"** - the Company's register of shareholders which must be kept in accordance with the Law;

"the office" or **"the registered office"** - the Company's office, whose address shall be recorded at the Registrar, as shall be from time to time;

"the Ordinance" or **"the Companies Ordinance"** - the Companies Ordinance (New Version), 5743-1983, as shall be from time to time, and any regulations promulgated by virtue thereof;

"officer" – as defined in the Companies Law;

"legally incapacitated" - within the meaning thereof in the Legal Capacity and Guardianship Law, 5722-1962, a minor who has not reached 18 years of age and an undischarged bankrupt;

"the Banking Ordinance" – the Banking Ordinance, 1941;

"special majority" - a majority of 75% of all the votes of the shareholders present at a general meeting or class meeting, as the case may be, who are entitled to vote and vote thereat, without taking into account the votes of abstainees;

"ordinary majority" - an ordinary majority of all the votes of the shareholders present at a general meeting or class meeting, as the case may be, who are entitled to vote and vote thereat, without taking into account the votes of abstainees;

"control" or "controlling shareholder" – [per the meaning of the term "Control" in the Securities Law](#);

"year" or "month" - shall be reckoned according to the Gregorian calendar;

"corporation" - a company, partnership, co-operative society, amuta and any other corporate or unincorporated body of persons;

"banking corporation without a controlling interest" – within the meaning thereof in section 11B(c) of the Banking Ordinance;

"these articles" or "the articles" - these articles of association, as altered from time to time.

1.2 Any expression in these articles that has not been defined above shall bear the meaning attributed thereto in the Companies Law, unless the context otherwise admits; words appearing in the singular shall incorporate the plural, and vice versa, and words appearing in the masculine gender shall incorporate the feminine gender.

1.3 The headings in these articles are designated for convenience purposes only and shall not be used in the interpretation hereof.

1.4 Wherever it is determined in these articles that the provisions hereof shall be subject to the provisions of the Ordinance or the Companies Law or any other law, the intention is the provisions of the Ordinance or the Companies Law or any other law which may not be subjected to conditions, unless the context otherwise admits.

1.5 The provisions which may be qualified in the Companies Law shall apply to the Company, insofar as not otherwise provided herein and insofar as there is no contradiction between them and the provisions hereof.

The Company's Name

2. The Company's name is as follows:

2.1 in Hebrew - *Bank Mizrahi Tefahot Be' Am*;

2.2 in English - Mizrahi Tefahot Bank Ltd.

Limitation of Liability

3. The shareholders' liability is limited, as provided in the Company's memorandum of association.

The Company's Objects

4. The Company's objects are as provided in the Company's memorandum of association.

Donations

5. The board of directors may donate reasonable amounts for worthy objects, even if the donation is not within the framework of the Company's business considerations.

Business

6. The Company may at any time engage in any branch or type of business which it is expressly or impliedly permitted to engage in pursuant to article 4 above. The Company may also cease to engage in such business, whether or not it has commenced engaging in such branch or type of business.

The Registered Office

7. The Company's registered office shall be in Tel Aviv, at the address determined by the board of directors, as altered from time to time.

The Articles

8. The Company may alter these articles in a resolution passed at the general meeting by an ordinary majority.

9. A resolution passed at the general meeting by the majority required to alter the articles, as mentioned in article 8 above, which alters any of the provisions hereof, shall be deemed a resolution to alter these articles, even if this is not expressly stated in the resolution.

10. Subject to the provisions of the Companies Law, alterations hereto shall be valid from the date of passing the resolution thereon in the Company or from a later date specified in the resolution.

Authorised Share Capital

11. The Company's authorised share capital is NIS 40,000,000 divided into 400,000,000 ordinary shares of NIS 0.1 n.v. each. The Company may alter the authorised share capital in accordance with the provisions of the Companies Law and these articles.

The Shares

12. Each ordinary share in the Company's capital shall rank equally, for all intents and purposes, with any other ordinary share, including in respect of the right to dividend, bonus shares and participation in a distribution of the Company's surplus assets on winding up, pro rata to the nominal value of each share, without having regard to any premium paid thereon, and all subject to the provisions hereof.

13. Each of the ordinary shares shall vest the holder thereof with the right to participate in the Company's general meeting and to one vote thereat.

14. 14.1 14.1.1 A shareholder in the Company is one who is registered as a shareholder in the shareholders' register, one in whose favor a share is registered with a stock exchange member, where such share is included amongst the shares recorded in the Company's shareholders' register in the name of a nominees' company, and one holding a share deed issued by the Company, as stipulated in article 36 below.

14.1.2 (a) A shareholder who is a trustee shall report the same to the Company, and the Company shall record him in the shareholders' register, whilst noting his trusteeship, and he

shall be deemed to be a shareholder for the purposes of the Companies Law. Without derogating from the aforesaid, the Company shall recognize a trustee, as stated above, as a shareholder, for all intents and purposes, and shall not recognize any other person, including the beneficiary, as holding any right in the share.

(b) The provisions of article 14.1.2(a) shall not apply to a shareholder as defined in section 177(1) of the Companies Law, unless a reporting obligation applies to him pursuant to any other provision at law.

14.2 Without derogating from the aforesaid and subject to the provisions hereof, save for the Company's shareholders, as mentioned in article 14.1 above, no person shall be recognised by the Company as holding any right to a share and the Company shall not be bound by and shall not recognise any equitable benefit, fiduciary relationship, contingent, future or partial, interest in any share or in any benefit in a fraction of a share or any other interest in respect of a share, save for the right of a shareholder as stipulated in article 14.1 above in a share in its entirety, unless a competent court otherwise directs.

Share Certificates

15. The certificates attesting to a proprietary right in shares shall bear the Company's stamp and the signatures of two directors, or of one director together with the Company's general manager or secretary.

The board of directors may resolve that the signatures shall be effected mechanically, as determined by the board of directors.

16. Save where the issue terms of shares otherwise provide:

16.1 Every registered shareholder is entitled to receive from the Company, upon his request, without payment, within two months of the allotment or registration of the transfer, one certificate attesting to his title to the shares registered in his name. The Company shall not refuse the demand of a registered shareholder to receive a number of certificates instead of one certificate, unless the demand is unreasonable, in the board of directors' opinion. A shareholder who has sold or transferred some of his shares shall be entitled to receive, without payment, a certificate in respect of his remaining shares;

16.2 a registration company is entitled to receive from the Company, at its request, without payment, within two months of the allotment or registration of the transfer, as shall be relevant, a certificate attesting to the number of shares and the class of shares recorded in its name in the shareholders' register.

17. Subject to the provisions of the Companies Law, each certificate shall detail the quantity of shares in respect of which it has been issued, their nominal value and their serial numbers.

18. A certificate relating to a share registered in the name of two or more persons shall be delivered to the person whose name appears first in the shareholders' register in relation to such share, unless all the registered holders of the share instruct the Company in writing to deliver it to another registered holder.

19. If a share certificate is defaced, spoiled, lost or impaired, the board of directors may issue a new certificate in its stead, provided that the share certificate is furnished to the Company and destroyed by it, or it is proven to the board of directors' satisfaction that the certificate has been lost or destroyed and the Company receives guarantees to the board of directors' satisfaction for any possible damage.

Payments for Shares

20. All the shares in the Company's issued capital shall be fully paid up shares.

Forfeiture of Shares

21. Without derogating from the provisions of article 20 above, the board of directors may forfeit a share allotted by the Company and sell it, if the consideration undertaken by the shareholder, or any part thereof, is not paid to the Company, and the provisions of the Companies Law shall apply in such regard.

Transfer and Transmission of Shares

22. Any share transfer recorded in the shareholders' register in the name of a registered shareholder, including a transfer by or to the registration company, shall be effected in writing, as provided in article 23 below, provided that the transfer instrument is signed by hand alone, by the transferor and the transferee, or on their behalf, and sent to the registered office or any other place determined by the board of directors for such object. Subject to the provisions of the Companies Law, a share transfer shall not be recorded in the shareholders' register until a transfer instrument has been sent to the Company as provided above; the transferor shall continue to be deemed the holder of the transferred shares until the transferee's name is recorded in the shareholders' register as the holder of the transferred shares.

23. A share transfer instrument shall be drawn up in writing, in the following form or in a form as similar thereto as possible, or in another form approved by the board of directors:
"I _____ of _____, ID No. _____ (hereinafter referred to as the "transferor") transfer to Mr _____, ID No. _____ of _____ (hereinafter referred to as the "transferee"), in consideration of NIS _____ which he has paid me, the shares of class _____ of NIS _____ n.v. each which are marked with the numbers _____ to _____ (inclusive) of _____ Ltd, and they shall be held by the transferee pursuant to the same terms upon which I held them at the time of signing this instrument, and I, the transferee, agree to accept the aforementioned shares on these terms.

As witness our hands this ___ day of _____.

Transferor's Signature Transferee's Signature

Witness to Transferor's Signature Witness to Transferee's Signature"

24. The Company may close the shareholders' register for a period of time determined by the board of directors, provided that it does not exceed, in total, 30 days in any year. Share transfers shall not be recorded in the register whilst it is closed.

25. Subject to the provisions of these articles or the issue terms of shares of any class, the shares may be transferred without the need for the board of directors' approval.

26. Every transfer instrument shall be submitted to the office or any other place determined by the board of directors for registration, together with the share certificates in respect of the shares to be transferred and any other proof required by the board of directors regarding the transferor's proprietary right or his right to transfer the shares. Transfer instruments that are registered shall be kept by the Company but any transfer instrument which the board of directors refuses to register shall be returned to the person who submitted it, upon his request.

27. If the board of directors refuses to approve a share transfer, it shall notify the transferor thereof no later than one month from the transfer instrument's receipt.

28. A transfer instrument shall only relate to one class of shares, unless the board of directors otherwise determines.

29. The Company shall be entitled to collect payment for the transfer's registration, in the amount determined by the board of directors, from time to time, which shall be reasonable having regard to the circumstances of the case.

30. Subject to the provisions of the Companies Law and these articles, if it is proven to the Company to the board of directors' satisfaction and in ways determined by it that the legal conditions for the transmission of the right to shares recorded in the register have been fulfilled, the Company shall recognize the transmittee, and him alone, as holding the right to the said shares.

31. 31.1 Subject to the provisions of these articles, the Company shall alter the registration of title to shares in the shareholders' register if the Company is given a court order to amend the register or if it is proven to the Company, to the board of directors' satisfaction and in the manner determined by it, that the legal conditions for transmission of the right to the shares have been fulfilled, and the Company shall not recognize any right of a person in shares before his right has been proven as aforesaid.

31.2 Without derogating from the aforesaid, the board of directors may refuse to effect registration or delay it, as it might have done had the registered holder of the share transferred the share himself prior to the right's transmission.

32. Subject to the provisions of the Companies Law and these articles, a person becoming entitled to a share as provided in article 30 above shall be entitled to dividends and other rights in respect of the share as though he were the registered holder of the share, even if he has not yet been recorded as such; however, prior to being recorded in the shareholders' register in respect of the share, he shall not be entitled by virtue of the share to benefit from any right of a shareholder with regard to the Company's meetings.

33. Notwithstanding the aforesaid, the board of directors may, at any time, make demand of the person entitled to a share as mentioned in article 30 above, to himself be registered in the register or to transfer the share to another. If the said demand is not complied with within 60 days of being sent, the board of directors may withhold dividends or other rights in respect of the share, until the demand is complied with. If a demand is made as aforesaid, such shall be deemed the board of directors' approval to register the person entitled to the share as the holder thereof in the Company's shareholders' register; however, the directors shall retain their right to refuse to approve the share's transfer to another in accordance with the provisions of article 31.2 above.

34. The Company may destroy share transfer instruments after six years have elapsed from the registration; the Company may also destroy share certificates which have been cancelled, after three years have elapsed from the cancellation thereof, and there shall be a *prima facie* presumption that all the transfer instruments and certificates destroyed as aforesaid were fully valid and that the transfers, cancellations and registrations, as the case may be, were duly effected.

35. The board of directors may recognize a waiver of a share allotment by the allottee in favor of another, on such terms as it determines.

Bearer Shares

36. A share deed issued by the Company grants the bearer the right to the shares included therein; these shares may be transferred by delivering the deed to the transferee and the provisions of these articles regarding share transfers shall not apply to the shares included in the share deed. The board of directors may determine, by way of vouchers or otherwise, the manner of paying dividends or granting other rights in respect of the shares included in the deed.

37. A shareholder holding a share deed may return the deed to the Company for the cancellation thereof and the conversion thereof into a registered share. Upon the cancellation, the shareholder's name shall be recorded in the shareholders' register, stating the number of shares registered in his name, as required by the Companies Law.

38. A shareholder holding a share deed may deposit the share deed at the office or any other place determined for such purpose by the board of directors and after 48 hours have elapsed from the deposit, and so long as the share deed remains deposited as aforesaid, the depositor shall have the right to sign a requisition to convene a general meeting of the Company, to participate in any general meeting of the Company, to vote thereat and to exercise the other rights given to a shareholder at any general meeting, as though his name were recorded in the shareholders' register as the holder of the shares included in the deposited share deed. Only one person shall be recognized as the depositor of a particular share deed. The Company shall return the share deed to the depositor within 48 hours of receiving a written demand from the depositor for the share deed's return.

If the Company is given bank confirmation of the deposit at the bank of a share deed in favor of the shareholder, stating the name, identity and address of the depositor and the bank's undertaking to notify the Company of the deposit's cancellation at least 48 hours prior to returning the share deed to the depositor, the share deed shall be deemed, for the purpose of this article, as though deposited at the Company's office from the date of the confirmation's receipt by the Company until the date on which the Company's receives notice from the bank of the deposit's cancellation, or until the date on which the board of directors learns that the deposit has been cancelled, whichever is the earlier.

39. Unless expressly otherwise provided in these articles, a person holding a share deed may not sign a requisition to convene a general meeting of the Company or participate in a general meeting or vote thereat and may not exercise other rights of a shareholder at general meetings of the Company; however, the holder of the share deed shall be a shareholder in the Company and shall have, in all other respects, all the rights as though his name were recorded in the shareholders' register as the holder of the shares included in the share deed.

40. The board of directors may, if it deems fit, determine and alter, from time to time, the terms for issuing a new share deed or a new voucher instead of a share deed or voucher issued in the past by the Company; however, the board of directors shall not issue a share deed or voucher as aforesaid unless the previous voucher or share deed together with all the vouchers issued in respect thereof and not yet paid are given to the Company for cancellation, or it is proven to the board of directors' satisfaction that they have been destroyed or if the board of directors agrees thereto at its absolute discretion, and the Company is given a guarantee or indemnity, to the board of directors' full satisfaction, to cover any damage that might be caused as a result thereof.

Alterations to Capital

41. The Company may, in a resolution passed at the general meeting by an ordinary majority, increase the Company's authorized share capital, in such classes of shares, as it determines.

42. Subject to the provisions of the Companies Law, the Company may, in a resolution passed at the general meeting by an ordinary majority:

42.1 consolidate all or any of its shares and divide them into shares of a nominal value greater than the nominal value of its existing shares;

42.2 sub-divide all or any of its shares into shares of a nominal value smaller than the nominal value of its existing shares;

42.3 reduce the Company's capital.

For the purpose of implementing any resolution as aforesaid, the board of directors may settle any impediment arising in such regard at its discretion.

43. Without derogating from the generality of the board of directors' authority, as mentioned above, if shareholders are left with fractions of a share as a result of a consolidation or sub-division as aforesaid, the board of directors may, at its discretion, act as follows:

43.1 allot each shareholder who has been left with a fraction of a share, as a result of the consolidation or sub-division, shares of the class of shares which would have existed in the Company's capital prior to the consolidation or sub-division, in such number, whereby the consolidation of which, with the fraction would create one whole share, and an allotment as aforesaid shall be deemed to take effect just before the consolidation or sub-division, as the case may be;

43.2 determine the manner of paying the amounts payable for the shares allotted as provided in article 43.1 above, including the manner of paying the amounts on account of bonus shares;

43.3 determine that the holders of fractions of shares shall not be entitled to receive a whole share in respect of a fraction of a share;

43.4 determine that shareholders shall not be entitled to receive a whole share in respect of a fraction of a whole share of a certain nominal value or less and shall be entitled to receive a whole share in respect of a fraction of a whole share whose nominal value is greater than the said nominal value;

43.5 determine that fractions of shares that do not entitle the holders thereof to a consolidated share shall be sold by the Company and the sale proceeds shall be paid to the persons entitled thereto, on the terms and in the manner specified in the resolution.

44. The Company may, in a resolution passed at the general meeting by an ordinary majority, cancel authorized share capital not yet allotted, provided that the Company has not undertaken, including conditionally, to allot the shares.

Alteration of Rights

45. Any time the share capital is divided into various classes, the Company may, in a resolution passed at the general meeting by an ordinary majority, convert, widen, add to, reduce or otherwise alter the rights attached to a particular class of shares, provided that the written agreement of all the holders of the shares of such class is received or that the resolution is approved in a general meeting of the holders of the shares of such class by a special majority or, where the issue terms of a particular class of the Company's shares otherwise provide, as provided in the issue terms of such class.

46. The provisions herein regarding general meetings shall apply *mutatis mutandis* to any class meeting, provided that a quorum at a class meeting of at least two shareholders holding at least one half of the issued shares of such class; shall be present, in person or by proxy, at the time the meeting proceeds to business. However, if no quorum is constituted as aforesaid, the class meeting shall be adjourned to another time and at the adjourned meeting a quorum of any number of participants shall be deemed to be present, regardless of the number of shares held by them.

47. The rights vested in the shareholders or the holders of a class of shares issued with ordinary, preferred or other special rights shall not be deemed to have been converted, reduced, impaired or otherwise altered by the creation or issue of additional shares of any class, whether ranking equally with them or of a preferred or different rank, and shall not be

deemed to have been converted, reduced, impaired or otherwise altered by the alteration of the rights attached to shares of any other class, unless expressly otherwise provided in the issue terms of such shares.

The Issue of Shares and Other Securities

48. The board of directors may issue or allot shares and other securities convertible or exercisable into shares, up to the limit of the Company's authorized share capital; in such regard, convertible securities which are convertible or exercisable into shares shall be deemed to have been converted or exercised on the issue date. Without derogating from the generality of the aforesaid, the board of directors may issue the shares and other securities, as aforesaid, grant options for the purchase thereof or vest them in another manner, to such persons as determined by it, and at the times and prices and on the terms determined by it, and it may make any other provision in connection therewith, including provisions regarding the manner of distributing the shares and securities issued by the Company amongst the purchasers thereof, including in the case of over-subscription, at the board of directors' discretion.

49. Without derogating from the generality of the aforesaid, and subject to the provisions of the Companies Law and these articles, the board of directors may determine that the consideration for the shares shall be paid in cash or by way of assets *in specie*, including by way of securities or in any other manner, in its discretion, or that the shares shall be allotted as bonus shares or that the shares shall be allotted for a consideration equal to or higher than their nominal value, in units or in series, on the terms and at the times determined by the board of directors, at its discretion.

50. The board of directors may resolve to pay commission or subscription fees to any person at the time of subscribing or agreeing to subscribe or procuring subscriptions or assuring subscriptions for shares or debentures or other securities of the Company. The board of directors may resolve that brokerage fees shall be paid on an issue of securities of the Company, in cash, in shares of the Company or in other securities issued by the Company, or in any other way, or partly in one way and partly in another, and all subject to the provisions of any law.

Redeemable Securities

51. Subject to the provisions of the Companies Law, the Company may issue redeemable securities on the terms and in the manner determined by the board of directors, in its discretion.

Additional Shareholders' Register

52. The Company may keep an additional shareholders' register outside Israel upon the conditions stipulated in such regard in the Companies Law.

General Meetings

53. The Company's resolutions on the following matters shall be passed at the general meeting:

53.1 alterations to the Company's articles or memorandum of association;

53.2 the exercise of the board of directors' powers by the general meeting, if the board of directors is unable to exercise its powers and the exercise of any of its powers is essential for the Company's proper management, as provided in section 52(a) of the Companies Law;

53.3 the appointment of the Company's auditor and the termination of his employment;

53.4 the appointment and dismissal of the Company's directors;

53.5 approval of acts and transactions requiring the general meeting's approval pursuant to the provisions of sections 255 and 268 to 275 of the Companies Law;

53.6 an increase and reduction in the authorized share capital in accordance with the provisions of sections 286 and 287 of the Companies Law and alterations to capital as stipulated in article 42 above;

53.7 a merger as stipulated in section 320(a) of the Companies Law;

53.8 any resolution which, pursuant to these articles, must be passed by the general meeting.

54. The Company shall hold an annual general meeting each year by no later than the end of 15 months from the last annual meeting, at the time and place determined by the board of directors.

55. The agenda at the annual general meeting shall include the following matters:

55.1 a discussion on the Company's financial statements and the board of directors' report on the state of the Company's affairs, which is submitted to the general meeting;

55.2 the appointment of directors and the determination of their employment terms;

55.3 the appointment of an auditor;

55.4 the board of directors' report on the auditor's remuneration for the audit and for other services, if any;

55.5 in addition to the aforesaid, any other matter specified on the agenda may be included on the annual meeting's agenda, as provided in article 58 below.

A general meeting as aforesaid shall be called an "annual meeting" and any other general meeting shall be called a "special meeting".

56. The Company's board of directors shall convene a special meeting, pursuant to its resolution, and on the requisition of any of the following:

56.1 two directors;

56.2 one or more shareholders holding at least 5% of the issued capital and 1% of the voting rights in the Company, or one or more shareholders holding at least 5% of the voting rights in the Company.

If the board of directors is requisitioned to convene a special meeting, as hereinabove stipulated, it shall do so within 21 days of the requisition being submitted, at the time determined in the notice of the special meeting, as provided in article 59 below, provided that the meeting shall not be held later than 35 days from the notice's publication, unless it is provided otherwise with respect to a meeting to which Part III, Chapter 2, Article F of the Companies Law applies, and all subject to the provisions of the Companies Law.

57. If the board of directors does not convene a special meeting that has been requisitioned as provided in article 56 above, the person requisitioning the meeting, and in the case of shareholders - also some of them, holding more than one half of their voting rights, may convene the meeting himself, provided that it shall not be held after three months have elapsed from the date the requisition was submitted as aforesaid, and it shall be convened, insofar as possible, in the same manner in which meetings are convened by the board of directors.

58. 58.1 The agenda at a general meeting shall be determined by the board of directors and it shall also include the matters for which a special meeting is requisitioned pursuant to article 56 above and a matter requested as provided in article 58.2 below.

58.2 One or more shareholders holding at least 1% of the voting rights at the general meeting may request that the board of directors include a matter on the agenda of a general meeting to be convened in the future, provided that the matter is suitable for discussion at a general meeting.

58.3 A request as mentioned in article 58.2 above shall be submitted to the Company in writing before notice is given of the general meeting, and shall include the form of wording of the resolution proposed by the shareholder.

59. 59.1 Notice of a general meeting shall be published in at least two daily Hebrew-language newspapers with a wide circulation; the notice shall be published at least 14 days prior to the meeting. Notwithstanding the above provision, a notice of a general meeting at which matters stipulated in section 87 of the Law appear on the agenda, shall be published at least 35 days prior to convening of such general meeting.

59.2 Save for notice of a general meeting as mentioned in article 59.1 above, the Company shall not give notice of a general meeting to registered shareholders, unregistered shareholders or shareholders holding a share deed.

60. 60.1 Notice of a general meeting shall include the place, date and time at which the meeting will convene and shall include the agenda, a summary of the proposed resolutions and any other details required pursuant to the law.

60.2 In its resolution to convene a meeting, the board of directors may determine the manner of detailing the matters on the meeting's agenda which shall be sent to the shareholders entitled to participate in the meeting, all as shall be determined at the discretion of the board of directors and subject to the provisions of the Companies Law.

60.3 Without derogating from the board of directors' powers as stipulated in this article 60 above and without derogating from the generality of the provisions of these articles regarding the delegation of powers by the board of directors, the board of directors may delegate its powers as stipulated in this article 60 above to a board of directors' committee or to an officer of the Company, for the purpose of a particular general meeting or for a particular period.

61. A defect in good faith in convening the general meeting or in the conduct thereof, including a defect deriving from non-compliance with a provision or condition laid down in

the Law or these articles, including with regard to the manner of convening or conducting the general meeting, shall not invalidate any resolution passed at the general meeting and shall not impair discussions held thereat, subject to the provisions of any law.

62. The board of directors may alter the place and date of a general meeting, provided that such does not contradict the provisions of these articles regarding the minimum periods of time which must elapse between the date of the notice and the date of the general meeting, and provided that the notice of the alteration, as aforesaid, is given in the same manner in which notice of the general meeting whose place or date is being altered was given.

63. No discussion may be commenced at the general meeting unless a quorum is present at the time of the meeting proceeds to business. A quorum shall be constituted by the presence, in person or by proxy, of two shareholders holding at least 25% of the voting rights, within half an hour of the time fixed for the meeting's commencement, unless these articles otherwise provide.

64. If a quorum is not present at the general meeting within half an hour of the time fixed for the meeting's commencement, the meeting shall be adjourned for one week, to the same day, time and place, without it being necessary to notify the shareholders thereof, or to another date if one is stated in the notice of the meeting (hereinafter referred to as the **"first adjourned meeting"**).

65. At the first adjourned meeting, a quorum shall be constituted by the presence at the time the meeting proceeds to business, in person or by proxy, of two shareholders holding at least 15% of the voting rights, within half an hour of the time fixed for the adjourned meeting's commencement. If a quorum is not present, as aforesaid, at the first adjourned meeting within half an hour of the time fixed for the commencement thereof, the meeting shall be adjourned for one week, to the same day, time and place, without it being necessary to notify the shareholders thereof or to another date, if one is stated in the notice of the original meeting or in the notice of the first adjourned meeting, if given (hereinafter referred to as the **"second adjourned meeting"**). At the second adjourned meeting a quorum shall be constituted by the presence at the time the meeting proceeds to business, in person or by proxy, of any two shareholders, whatever their percentage holdings of the voting rights.

66. Notwithstanding the provisions of article 65 above, if the general meeting is convened pursuant to a requisition by shareholders as stipulated in article 56.2 above, the second adjourned meeting shall only be held if attended by shareholders in the number required for the purpose of convening the meeting as provided in article 56.2 above.

67. The chairman of the board of directors or any other person appointed for such purpose by the board of directors shall chair any general meeting of the Company. If there is no such chairman, or if he is not present at any meeting within 15 minutes of the time fixed for the meeting's commencement or he refuses to chair the meeting, the directors present may, by a majority, elect a chairman from amongst them, and if they do not do so - the shareholders present, in person or by proxy, shall elect one of the directors present to chair the meeting. If

no director is present or if all the directors refuse to chair the meeting, they shall elect one of the shareholders or his proxy to chair the meeting.

68. The Company shall keep minutes of the proceedings at the general meeting, which shall include the following details:

68.1 the names of the shareholders participating in the general meeting and the number of shares held by them;

68.2 the matters discussed at the general meeting and the resolutions passed thereat.

69. Minutes signed by the meeting's chairman shall constitute *prima facie* proof of that stated therein.

Voting and Passing Resolutions at General Meetings

70. A shareholder wishing to vote at a general meeting shall prove his title to a share to the Company as required by the Companies Law. Without derogating from the aforesaid, the board of directors may prescribe regulations and procedures with regard to proof of title to the Company's shares.

71. A shareholder may vote at a general meeting or at a class meeting in person or by proxy, in accordance with the provisions of these articles and subject to the provisions of the Companies Law. A proxy need not be a shareholder in the Company.

72. A proxy may participate in discussions at the general meeting and be elected as the meeting's chairman in the same way as the appointing shareholder would have been entitled thereto, unless otherwise stated in the appointment instrument.

73. Subject to the provisions of any law, in the case of joint shareholders, each of them may vote at any meeting, in person or by proxy, in relation to such share, as though he were the sole person entitled thereto. If more than one joint shareholder attends a meeting, in person or by proxy, the vote shall be made by the joint shareholder whose name appears first in the shareholders' register in relation to the share, or in a certificate of the stock exchange member regarding his title to the share (hereinafter referred to as "**certificate of title**") or in another document determined by the board of directors for such purpose, as the case may be.

74. A shareholder lacking legal capacity may vote through his guardians or another person appointed by the court, and any guardian or other person as aforesaid may vote through a proxy.

75. The instrument appointing a proxy (hereinafter referred to as the "**appointment instrument**") and the power of attorney by virtue whereof the appointment instrument is signed (if any), or a suitable copy thereof, at the board of directors' satisfaction, shall be deposited at the registered office or at any other place or places, in Israel or abroad - as determined by the board of directors from time to time, in general or in relation to a particular case - at least 48 hours prior to the commencement of the meeting at which the proxy intends voting in reliance upon such appointment instrument. Notwithstanding the aforesaid, the meeting's chairman may, at his discretion, accept an appointment instrument and a power of attorney, as aforesaid, also after the said time if, at his discretion, he deems it fit. If the

appointment instrument and power of attorney are not received as provided above, they shall not be valid at such meeting.

The appointment instrument shall be drawn up in writing and signed by the appointor or by the person duly authorised therefor in writing, and by a witness to his signature, if so required by the board of directors. If the appointor is a corporation, the appointment instrument shall be drawn up in writing and signed in the manner binding the corporation. The board of directors may demand that the Company be given written confirmation, to the board of directors' satisfaction, of the signatories' authority to bind the corporation.

76. 76.1 The appointment instrument shall be drawn up in the following form of wording or in a form of wording as similar thereto as possible:

"I _____, of _____, as a shareholder of _____ Ltd, hereby appoint _____ of _____ or in his absence _____ of _____ as my proxy, to vote in my name and stead in respect of _____* shares of _____** class which are held by me, at the (annual/special) general meeting of the Company to be held on _____ and at any adjourned meeting thereof.

As witness my hand on _____

Signature"

* State the number of shares.

** State the class of shares.

76.2 The appointment instrument shall state the class and number of the shares in respect of which it is being given. If the appointment instrument does not state the number of shares in respect of which it is being given or if it states a number of shares higher than the number of shares registered in the shareholder's name or specified in the certificate of title, as the case may be, the appointment instrument shall be deemed to have been given in respect of all the shareholder's shares.

76.3 If the appointment instrument is given in respect of a number of shares lower than the number of shares registered in the shareholder's name or specified in the certificate of title, as the case may be, the shareholder shall be deemed to have abstained from voting in respect of the balance of his shares and the appointment instrument shall be valid in respect of the number of shares specified therein.

77. Without derogating from the provisions of these articles regarding the appointment of a proxy, a shareholder holding more than one share shall be entitled to appoint more than one proxy, subject to the following provisions:

77.1 each appointment instrument shall state the class and number of shares in respect of which it is being given;

77.2 if the overall number of shares of any class specified in the appointment instruments given by one shareholder exceeds the number of shares of such class registered in his name or specified in the certificate of title, as the case may be, all the appointment instruments given by such shareholder shall be void.

78. A shareholder or proxy may vote by virtue of some of the shares held by him or in respect of which he is acting as proxy and he may vote one way by virtue of some of the shares and a different way by virtue of others.

79. A vote given by virtue of an appointment instrument shall be valid even if there is a defect in the appointment instrument and even if prior to the vote the appointor dies or becomes legally incapacitated or the appointment instrument is cancelled or the share in respect of which it was given is transferred, unless written notice is received at the office prior to the meeting regarding the defect, death, incapacitation, cancellation or transfer, as the case may be.

80. The appointment instrument shall also be valid in respect of any adjourned meeting of the meeting to which the appointment instrument relates, unless otherwise stated in the appointment instrument.

81. A shareholder may not participate in or vote at any general meeting, himself or by proxy, save by virtue of the shares the consideration for which has been fully paid to the Company.

82. Each of the ordinary shares vests the holder thereof with the right to participate in the Company's general meeting and to one vote.

83. A resolution put to the vote at a general meeting shall be decided on a poll; the vote on a poll shall be effected in the manner determined therefor by the meeting's chairman.

In the event of disputes whether to accept or disqualify any vote, the meeting's chairman shall decide the matter, and his decision in good faith shall be final and binding.

84. The chairman's declaration that a resolution at the general meeting has been passed or defeated, unanimously or by any majority, shall be *prima facie* proof of that stated therein, and it shall not be necessary to prove the number of votes (or their proportional part) for or against the proposed resolution.

85. Subject to the provisions of the Companies Law or these articles regarding another majority, the general meeting's resolutions shall be passed by an ordinary majority.

86. The general meeting's chairman may, with the consent of the meeting at which a quorum is present, adjourn the meeting or adjourn the discussion or the passing of a resolution on a particular matter on the agenda to another time and at a place determined by the meeting; and the general meeting's chairman shall be compelled so to do at the meeting's demand. No matter shall be discussed at an adjourned meeting save for a matter that was on the agenda and in respect of which a resolution was not passed at the meeting at which the adjournment was decided upon.

The Board of Directors

87. The number of directors shall not be less than seven nor more than fifteen, including the external directors.

88. A director need not be a shareholder of the Company.

89. The directors shall be appointed at the annual meeting, and they shall hold office, save for the external directors, until the conclusion of the annual meeting following their appointment. Notwithstanding the aforesaid, if no directors are appointed at the annual meeting, the directors appointed at the previous annual meeting shall continue to hold office. Directors whose terms of office have terminated may be re-elected.

90. Save for someone who held office as a director until the annual meeting, a director shall not be appointed at the annual meeting unless the board of directors has recommended his appointment, or if he, or a shareholder of the Company seeking to propose him, has submitted to the office, by no later than the expiration of 14 days from publication of the preliminary notice of the meeting, within the meaning thereof in article 92A.1 below, a written document announcing his candidacy for the office or of the intention of such shareholder to propose him.

91. [Cancelled.]

92. The Company may, at a special meeting, appoint an additional director or additional directors to the Company, whether to fill the office of a director which has been vacated for any reason or as an additional director or additional directors, provided that the number of director shall not exceed the maximum number specified in article 87 above. Directors appointed as aforesaid, save for the external directors, shall cease to hold office at the end of the annual meeting following their appointment.

92A. The following provisions shall apply to the appointment of directors, their term of office and the termination of their office:

92A.1 a general meeting shall not be convened where its agenda includes the appointment of directors or termination of their office, unless the Company has published preliminary notice thereof in the way in which it publishes notice of the general meeting, at least 21 days prior to publication of the notice of the general meeting, and the preliminary notice is also sent at the same time to the Supervisor;

92A.2 the board of directors may not appoint directors to the Company, and may not suggest candidate directors to a committee for the appointment of directors in banking corporations established in accordance with section 36A of the Banking (Licensing) Law;

92A.3 notwithstanding the provisions of article 92A.2 above, the board of directors may appoint directors to the Company, if a place became vacant on the board of directors after the previous annual meeting, or with the Supervisor's approval, provided that the term of office of a director appointed as aforesaid shall terminate no later than at the next annual meeting;

92A.4 voting at the general meeting regarding the appointment of directors and termination of their office shall take place separately for each candidate director or for each director, as the case may be;

92A.5 the general meeting's resolutions on the appointment of a director or termination of his office shall be passed by an ordinary majority; when counting the votes of those participating in the vote, the votes of those abstaining shall not be taken into account;

92A.6 if the number of candidate directors gaining a majority of the votes of those participating in the vote at the general meeting exceeds the number of vacant positions on the board of directors, the candidate directors who gained the highest number of votes at the general meeting shall be elected.

93. The general meeting or the board of directors may determine that the office of a director appointed by them, as the case may be, shall commence on a date subsequent to his appointment.

94. Notwithstanding all the aforesaid, the general meeting may at any time, in a resolution passed by an ordinary majority, at a special meeting, remove any director from his office, other than an external director, before the end of his term of office, provided that the director is given a reasonable opportunity to state his case before the general meeting.

95. Without prejudice to the provisions of any law, the office of a director, other than an external director, shall lapse prior to the termination of the period for which he was appointed upon the occurrence of any of the following:

95.1 he dies or is declared legally incapacitated by a competent court;

95.2 he is declared bankrupt;

95.3 he is convicted in a final judgment of an offence as provided in section 232 of the Companies Law;

95.4 a competent court orders the termination of his office, as provided in section 233 of the Companies Law;

95.5 he resigns on notice, as provided in article 97 below;

95.6 he is removed from his office by the general meeting, as provided in article 94 above;

95.7 the board of directors resolves to terminate his office, in accordance with section 231 of the Companies Law;

95.8 the Administrative Enforcement Committee decides to impose enforcement measures on him prohibiting him from serving as a director, in accordance with section 232A of the Companies Law'

95.9 a condition required pursuant to the Companies Law, for his office as a director, ceases to be fulfilled, or a cause for the termination of his office as a director is fulfilled with respect to him.

96. If the office of a director is vacated, the board of directors may continue to act in any matter so long as the number of directors does not fall below the minimum number of directors stipulated in article 87 above. If the number of directors falls below this number, the

board of directors may not act save in order to convene a general meeting for the object of appointing additional directors, but not for any other object.

97. A director may resign upon notice to the board of directors, the chairman of the board of directors or the Company, as required in the Companies Law, and the resignation shall enter into force on the date the notice is given, unless the notice specifies a later date. The director shall give the reasons for his resignation.

98. Subject to the provisions of the Companies Law, the following provisions shall apply to the directors:

98.1 the Company may pay directors remuneration for the performance of their position as directors;

98.2 the Company may reimburse directors for their reasonable expenses for travelling, board and lodging and the other expenses connected with their participation in the board of directors' meetings and the performance of their position as directors;

98.3 the Company may pay additional remuneration to a director who has been asked to provide the Company with special services or make special efforts for the Company, including to travel abroad or accommodation there.

98A. Notwithstanding any other provision of these articles, if the Company becomes a banking corporation without a controlling interest, it shall be governed by the provisions of sections 11D and 11E of the Banking Ordinance.

External Directors

99. The Company shall have at least two external directors pursuant to the Companies Law, as well as external directors pursuant to the Supervisor's Directives, in accordance with Proper Conduct of Banking Business Directives, with Regard to a Board of Directors, issued by the Supervisor.

99A. An external director pursuant to the Companies Law shall be subject to the provisions of the Companies Law in such regard.

99B. 99B.1 An external director pursuant to the Supervisor's Directives shall be governed by the provisions of sections 239(d), 241, 244, 245(a), 245(a3), 246, 247 and 249 of the Companies Law.

99B.2 The following provisions shall apply to external directors pursuant to the Supervisor's Directives, holding office in the Company on September 20th, 2012:

(a) the office of an external director pursuant to the Supervisor's Directives shall terminate three years after the day on which he was first appointed as an external director pursuant to the Supervisor's Directives, and if more than three years have elapsed since he was first appointed, as aforesaid, his office shall terminate three years after the day on which the first three years of his office terminated.

(b) the Company may appoint a director, in accordance with sub-article 99B.2(a) above, for additional terms of office of three years each, provided that the overall term of office in the Company of each director as aforesaid shall not exceed nine continuous years.

99B.3 Notwithstanding the provisions of section 245(b) of the Companies Law –

(a) the Supervisor may terminate the office of an external director pursuant to the Supervisor's Directives, in accordance with section 11A(e) of the Banking Ordinance;

(b) the Supervisor may approve termination of the office of an external director pursuant to the Supervisor's Directives, other than in accordance with the provisions of section 245(b) of the Companies Law; in such case, the Company may, in a resolution passed by an ordinary majority, at a special meeting, terminate the said director's office, provided that the director is given a reasonable opportunity to present his case to the general meeting.

The Board of Directors' Powers and Duties

100. The board of directors shall have the authorities and powers given to it pursuant to these articles, the Companies Law and any other law. Without derogating from the provisions hereof, the board of directors shall delineate the Company's policy and shall supervise the performance of the general manager's duties and actions, and in such context:

100.1 shall determine the Company's operating plans, principles for the financing thereof and the order of priorities between them;

100.2 shall examine the Company's financial position, and determine the Company's credit framework;

100.3 shall determine the organizational structure and the remuneration policy;

100.4 may resolve to issue series of debentures;

100.5 is responsible for the financial statements' preparation and approval, as provided in section 171 of the Companies Law;

100.6 shall report to the annual meeting on the state of the Company's affairs and on the business results, as provided in section 173 of the Companies Law;

100.7 shall appoint and dismiss the general manager;

100.8 shall pass resolutions with respect to the acts and transactions requiring its approval pursuant to these articles or sections 255 and 268 to 275 of the Companies Law;

100.9 may allot shares and securities convertible into shares up to the limit of the Company's authorized share capital;

100.10 may pass resolutions with respect to the distribution of a dividend or the distribution of bonus shares;

100.11 may pass resolutions with respect to an acquisition, within the meaning of such expression in section 1 of the Companies Law, from all or some of the Company's shareholders, or from any of them, at the board of directors' discretion and on such terms as it determines;

100.12 shall give its opinion with respect to a special tender offer, as provided in section 329 of the Companies Law.

100.13 shall determine the minimum number of directors on the board of directors, who must be accounting and financial experts as such expression is defined in section 240 of the Companies Law.

The board of directors' powers pursuant to this article may not be delegated to the general manager other than those stipulated in section 288(b)(2) of the Companies Law.

101. Any power of the Company which is not vested in another organ pursuant to the Law or these articles may be exercised by the board of directors.

102. 102.1 The board of directors may resolve, by a special resolution or by the procedures governing to the board of directors, that powers granted to the general manager shall be transferred to it, including any such power the board of directors is obliged to the exercise pursuant to the Bank of Israel's directives, and all with respect to a particular matter, or for a particular period of time.

102.2 Without derogating from the aforesaid, the board of directors may instruct the general manager as to the manner in which he is to act with respect to a particular matter. If the general manager does not heed the instruction, the board of directors may exercise the power required to implement the instruction in his stead.

102.3 If the general manager is unable to exercise his powers, the board of directors may exercise them in his stead.

103. Subject to the provisions of the Companies Law, the board of directors may delegate any of its powers to the general manager, an officer in the Company or another person. The board of directors' power may be delegated for a particular matter or for a particular period of time, at the board of directors' discretion.

Receiving Credit and Granting Guarantees and Collateral

104. Without derogating from any power given to the board of directors pursuant hereto, the board of directors may, from time to time, at its discretion, resolve with respect to:

104.1 the receipt of credit by the Company in any amount and securing the repayment thereof, in such manner as it deems fit;

104.2 the grant of collateral to secure credit as stipulated in article 104.1 above, of whatsoever type;

104.3 the issue of a series of debentures, including capital notes or bonds, and including debentures, capital notes or bonds convertible or exercisable into shares, and determine the terms thereof, and to charge all or any of its present or future property by way of a floating or fixed charge. Debentures, capital notes, bonds or other securities, as aforesaid, may be issued at a discount, with a premium or in any other manner, with deferred rights, special rights, privileges or other rights, all as determined by the board of directors at its discretion.

105. The provisions of article 104 above do not negate the power of the general manager or a person authorized by him therefor to pass a resolution with respect to the receipt of credit by the Company, within the limits of the credit framework determined by the board of directors.

The Board of Directors' Committees

106. 106.1 Subject to the provisions of the Companies Law, the board of directors may, as it deems fit, establish committees, appoint members thereto from amongst the board of directors' members (hereinafter referred to as "**board of directors' committee**") and delegate

all or any of its powers to the board of directors' committee. For the avoidance of doubt, a person who is not a member of the board of directors shall not be a member of a board of directors' committee to which the board of directors has delegated its powers.

Notwithstanding the aforesaid, the board of directors may not delegate its powers in respect of the following matters to a board of directors' committee:

106.1.1 the determination of the Company's general policy;

106.1.2 a distribution, unless involving a purchase of the Company's shares in accordance with a framework delineated by the board of directors in advance;

106.1.3 the determination of the board of directors' position on a matter requiring the general meeting's approval or the giving of an opinion regarding the advisability of a special tender offer, as provided in section 329 of the Companies Law;

106.1.4 the appointment of directors;

106.1.5 an issue or allotment of shares or securities convertible or realizable as shares, or of a series of debentures, other than as stipulated in section 288(b) of the Companies Law.

106.1.6 approval of the financial statements;

106.1.7 the board of directors' approval of transactions and acts requiring the board of directors' approval pursuant to the provisions of sections 255 and 268 to 275 of the Companies Law.

106.2 The board of directors may also establish committees with respect to the subjects referred to in sub-articles 106.1.1 to 106.1.7 above, that shall only be able to make recommendations.

107. A resolution passed or an act done by a board of directors' committee, in accordance with the powers that have been delegated to it by the board of directors, shall be deemed to be a resolution passed or act done by the board of directors, unless expressly otherwise provided by the board of directors with regard to a particular matter or in respect of a particular committee. The board of directors may from time to time widen, reduce or cancel the delegation of powers to a board of directors' committee; however, the reduction or cancellation of powers as aforesaid is not such as to prejudice the validity of a resolution of the committee on which the Company acted vis-a-vis another person, who was unaware of the cancellation thereof.

108. 108.1 The provisions herein regarding the board of directors' acts shall also apply *mutatis mutandis* to the board of directors' committees, so long as they are not replaced by regulations made by the board of directors in such regard, and all subject to the provisions of the Companies Law.

108.2 The board of directors' committee shall routinely report to the board of directors on its resolutions or recommendations.

Resolutions or recommendations of a board of directors' committee requiring the board of directors' approval shall be brought to the directors' knowledge a reasonable time prior to the board of directors' discussion.

109. 109.1 The board of directors shall appoint an audit committee from amongst its members. The number of members on the audit committee shall not be less than three. All the external directors pursuant to the Companies Law shall be members thereof and the majority of its members shall be independent directors.

The following shall not be members of the audit committee: the chairman of the board of directors, and any director employed by the Company or its controlling shareholder or a corporation under the control of the controlling shareholder as aforesaid, a director who, on a regular basis, provides the Company, its controlling shareholder or a corporation under the control of the controlling shareholder as aforesaid with services, a director whose main source of income is from the controlling shareholder, and the Company's controlling shareholder or his relative.

109.2 The audit committee's duties shall be as prescribed in the Companies Law, including any other duty imposed on it by the board of directors.

Acts of the Board of Directors

110. Subject to the provisions of these articles, the board of directors may convene in order to perform its duties and adjourn its meetings and regulate its acts and discussions as it deems fit.

111. The board of directors shall appoint one of its members to serve as the chairman of the board of directors, and it may remove him from his office and appoint another in his stead. The board of directors may appoint an acting chairman from amongst its members, who shall fulfill the duties of the chairman in his absence.

112. The chairman of the board of directors shall chair and conduct the board of directors' meetings. If the chairman of the board of directors is absent from a board of directors' meeting, in accordance with a prior notice given by him, or does not appear at the board of directors' meeting within 15 minutes of the time determined therefor (hereinafter referred to as "**absence**"), the meeting shall be chaired by the acting chairman, if elected. In the absence of both the chairman of the board of directors and the acting chairman, the members of the board of directors present shall elect one of their number to chair the meeting.

113. The board of directors shall convene its meetings in accordance with the Company's requirements.

114. The chairman of the board of directors may convene the board of directors at any time, and determine the place and time for the board of directors' meeting.

115. Without derogating from the aforesaid, the chairman of the board of directors shall be obliged to convene the board of directors on the occurrence of any of the following:

115.1 the receipt of a requisition to convene the board of directors by one or more directors, for the purpose of discussing a matter specified in his requisition;

115.2 the receipt of a notice or report of the general manager obliging action by the board of directors;

115.3 the receipt of a notice from the auditor of material flaws in the audit of the Company's accounts.

Upon the receipt of a notice or report as mentioned above, the chairman of the board of directors shall convene the board of directors, without delay, and by no later than the termination of 14 days from the date of the demand, notice or report, as the case may be.

116. 116.1 Notice of the board of directors' meeting shall be given to all the board of directors' members a reasonable time prior to the date of the meeting.

116.2 Notwithstanding the aforesaid, in urgent cases the board of directors may, with the consent of a majority of the directors, convene a meeting without notice.

117. The agenda for the board of directors' meetings shall be determined by the chairman of the board of directors, and it shall include:

117.1 matters determined by the board of directors' chairman;

117.2 matters determined as provided in article 115 above;

117.3 any matter which a director or the general manager requests the chairman of the board of director to include on the agenda, a reasonable time prior to the board of directors' meeting; (hereinafter referred to as the "**agenda**").

118. The notice of the board of directors' meeting shall state the date and place of the meeting and reasonable details of the matters to be discussed thereat, pursuant to the agenda.

119. Notice of the board of directors' meeting shall be sent to the address of the director that was furnished to the Company in advance, unless the director has requested that the notice be furnished to him at another place.

120. The quorum for commencing a board of directors' meeting shall be a majority of the members of the board of directors holding office on the date of the meeting.

121. 121.1 At a vote conducted by the board of directors each director shall have one vote. Resolutions of the board of directors shall be passed by a majority of votes of the directors present at the meeting and voting thereat, without taking into account the votes of abstainees. The chairman of the board of directors shall not have an additional or casting vote.

121.2 If the votes are tied, the proposed resolution which was voted upon by the board of directors' members shall be deemed to have been defeated.

122. Subject to the provisions of the law, the board of directors may hold meetings through any types of communication media provided that all the directors participating may hear each other at the same time. The board of directors may regulate the manner and ways of conducting a meeting through any types of media communication.

123. Without derogating from the provisions of article 122:

123.1 The board of directors may also pass resolutions without actually convening, provided that all the directors entitled to participate in the discussion and vote on a matter brought for a resolution agree not to convene for a discussion with respect to that matter. The provisions of article 121 above shall apply to this resolution, *mutatis mutandis*, as the case may be.

123.2 If a resolution is passed in accordance with sub-article 123.1 above, minutes of the resolutions shall be prepared, including the resolution not to convene, and shall be signed by the chairman of the board of directors.

123.3 The provisions of article 124 shall apply, *mutatis mutandis*, to a resolution passed in accordance with sub-article 123.1.

123.4 The chairman of the board of directors shall be responsible for the implementation of this article 123.

Minutes

124. The board of directors shall procure that minutes are kept of all the proceedings at the board of directors' meetings; the minutes shall be recorded in books prepared for such purpose and shall include, *inter alia*, the following details:

124.1 the names of the directors participating and the others present at any board of directors' meeting;

124.2 the matters discussed at the board of directors' meetings and the resolutions passed.

The minutes shall be approved and by the director who chairs such meeting, other than a minute prepared pursuant to article 123 above, and shall be approved and signed by the chairman of the board of directors. Minutes approved and signed as aforesaid shall constitute *prima facie* proof of that stated therein.

125. The provisions of article 124 above shall also apply to meetings of any board of directors' committee.

The General Manager

126. The board of directors may, from time to time, appoint a general manager for the Company (hereinafter referred to as the "**general manager**") and it may dismiss or replace him at any time it deems fit, subject to the provisions of any contract between him and the Company.

127. The general manager need not be a director or shareholder of the Company.

128. The general manager is responsible for the routine management of the Company's affairs, within the framework of the policy determined by the board of directors and subject to its guidelines.

129. The general manager shall have all the powers of management and implementation not vested in the Law or these articles or by virtue thereof in another organ of the Company, save for powers as aforesaid which are transferred from him to the board of directors, in accordance with the provisions of article 102.1 above, if transferred; the general manager shall be subject to supervision of the board of directors.

130. Subject to the provisions of the Companies Law and these articles, the board of directors may, from time to time, give and grant the general manager powers which the board of directors has pursuant hereto, as it deems fit, and it may grant such powers for such period, for such objects, on such terms and with such restrictions as the board of directors deems fit, and the board of directors may grant the powers or any of them without waiving its powers in

the matter or instead or in lieu thereof, and it may from time to time cancel, negate and alter these powers or any of them.

131. The general manager may, with the board of directors' approval, delegate its powers to another or others who are subordinate to him; approval as aforesaid may be given generally or for a particular matter, in a particular resolution or within the framework of the board of directors' procedures.

132. Without derogating from the provisions of the Companies Law and any other law, the general manager shall submit reports to the board of directors on such matters, at such times and of such scope as the board of directors determine, in a particular resolution or within the framework of the board of directors' procedures.

133. The general manager's remuneration may be paid in the form of salary or commission or participation in profits or by the grant of securities or a right to purchase them, or in any other way.

Validity of Acts and Approval of Transactions

134. All the acts done by the board of directors or by a board of directors' committee or by any person acting as a director or as a member of a board of directors' committee or by the general manager, as the case may be - shall be valid even if it later transpires that there was some defect in the appointment of the board of directors, the board of directors' committee, the director, the committee member or the general manager, as the case may be, or that any of the said officers was not qualified to serve in his position.

135. 135.1 Subject to the provisions of the Companies Law, the holding of shares in the Company and the fact that an officer of the Company is an interested party or officer in any other corporation, including a corporation in which the Company is an interested party or which is a shareholder of the Company, shall not disqualify the officer from being an officer of the Company. In addition, an officer shall not be disqualified from being an officer of the Company in consequence of the fact that he, or any corporation as mentioned above, enters into a contract with the Company on any matter and in any way.

135.2 Subject to the provisions of the Companies Law, the fact that a person is an officer of the Company shall not disqualify him or his relative or another corporation in which he is an interested party, from entering into a contract with the Company in which the officer has any personal interest.

135.3 Subject to the provisions of the Companies Law, an officer may participate in and vote at discussions on the approval of transactions or acts in which he has a personal interest.

136. Subject to the provisions of the Companies Law, a transaction of the Company with an officer therein or a transaction of the Company with another person in which an officer of the Company has a personal interest, which are not exceptional transactions, shall be approved in the following manner:

136.1 Subject to the provisions of the Companies Law, general notice given to the board of directors by an officer regarding his office or position in certain entities or regarding his

providing services to entities as aforesaid shall constitute disclosure by the officer to the Company of his personal interest deriving from the aforesaid, for the purpose of any contracting as aforesaid in a transaction that is not exceptional.

136.2 Contracting as aforesaid in a transaction that is not exceptional shall be approved by the board of directors or by the audit committee or by another entity authorized with respect thereto by the board of directors, by a particular resolution, within the framework of the board of directors' procedures, by general authorization, with authorization of a particular class of transactions or authorization of a particular transaction.

136.3 Transactions which are not exceptional, as stipulated above may be approved by granting general approval for a particular class of transactions or by approving a particular transaction.

Signatory Rights

137. Subject to the provisions of the Companies Law and these articles, the board of directors may authorize any person to act and sign on the Company's behalf, alone or together with another person, in general or for particular matters.

138. Subject to the provisions of the Companies Law and these articles, the general manager may authorize any of the Company's employees as the authorized signatories, who are authorized to bind the Company by their signature.

139. The Company shall have a stamp bearing the Company's name. The signature on a document shall not bind the Company unless it bears the signature of those authorized to sign on the Company's behalf together with the Company's stamp or its printed name.

Appointment of Attorneys

140. Subject to the provisions of the Companies Law, the board of directors may at any time empower any person to be the Company's attorney for such objects, with such powers and discretion, for such period and on such terms as the board of directors deems fit. The board of directors may grant such person, *inter alia*, the power to delegate to another, fully or partially, the powers, authorities and discretion given to him.

Exemption, Indemnity and Insurance

141. Subject to the provisions of the Companies Law, the Company may exempt an officer therein from all or any of his liability for damage in consequence of a breach of the duty of care towards it. Notwithstanding the above, the Company may not exempt a director in advance for his liability for a breach of the duty of care in distribution.

[The above exemption shall not apply to damage caused to the Company due to a violation of the duty of care by an Officer at the Company, as stated above, which occurred after December 23, 2015, in making a decision or approving a transaction in which a controlling shareholder of the Company or some Officer at the Company \(including another Officer at the Company who is not the Officer to whom exemption under this Regulation 141 above was granted\) has a personal interest.](#)

142. Subject to the provisions of the Companies Law, or any other law, the Company may enter into a contract to insure the liability of an officer therein, including an officer within the meaning thereof in sub-articles 142.5 to 142.9 below, as the case may be, for an obligation imposed upon him in consequence of an act done in his capacity as an officer as aforesaid, in any of the following cases:

142.1 a breach of the duty of care towards the Company or towards another person;

142.2 a breach of the fiduciary duty towards the Company, provided that the officer acted in good faith and had reasonable basis to believe that the act would not harm the Company;

142.3 a monetary obligation imposed on him in favor of another person;

142.4 a monetary obligation imposed on an officer, by reason of payment to a party injured by a breach, in accordance with section 52BBB(a)(1)(a) of the Securities Law or by reason of payment to a party injured by a breach pursuant to the said section, in accordance with the provisions of the Advice Law;

142.5 a monetary obligation imposed on an officer, as defined in the Joint Investment Law, by reason of payment to a party injured by a breach, pursuant to section 52ND (a)(1)(a) of the Securities Law, in accordance with the provisions of the Joint Investment Law;

142.6 a monetary obligation imposed on an officer, as defined in the Control of Insurance Law, by reason of payment to a party injured by a breach, in accordance with section 92U of the Control of Insurance Law;

142.7 a monetary obligation imposed on an officer, as defined in the Control of Provident Funds Law, by reason of payment to a party injured by a breach pursuant to section 92U of the Control of Insurance Law, in accordance with the provisions of the Control of Provident Funds Law;

142.8 a monetary obligation imposed on an officer, by reason of payment to a party injured by a breach or payment of a similar type, pursuant to another law, which is not mentioned in sub-articles 142.4 to 142.7 above (hereinafter referred to as **“the other law”**), provided that the entry into an insurance contract as aforesaid is not prohibited by law; in such regard, **“officer”** – as defined in the other law;

142.9 expenses incurred by an officer, including an officer as defined in sub-articles 142.5 to 142.8 above, as well as an officer within the meaning thereof in the Restrictive Trade Practices Law, in connection with an administrative proceeding, as defined in sub-articles 142.9.1 to 142.9.6 below, which was conducted against him, including a proceeding in accordance with sub-article 142.9.7 below, provided that the entry into an insurance contract as aforesaid is not prohibited by law, and *inter alia* reasonable litigation expenses, including advocates' professional fees, in connection with the said proceedings.

In these articles, **“an administrative proceeding”** –

142.9.1 a proceeding pursuant to Chapter H-3 (Imposition of Financial Sanctions by ISA), Chapter H-4 (Imposition of Administrative Enforcement Measures by the Administrative Enforcement Committee) or Chapter I-1 (Conditional Arrangement to Prevent the Institution

of Proceedings or for the Termination of Proceedings) of the Securities Law, as amended from time to time; and

142.9.2 a proceeding pursuant to Chapter G-1 (Imposition of Financial Sanctions by ISA), Chapter G-2 (Imposition of Administrative Enforcement Measures by the Administrative Enforcement Committee) or Chapter H-1 (Conditional Arrangement to Prevent the Institution of Proceedings or for the Termination of Proceedings) of the Advice Law, as amended from time to time; and

142.9.3 a proceeding pursuant to Chapter J (Imposition of Financial Sanctions by ISA), Chapter J-1 (Imposition of Administrative Enforcement Measures by the Administrative Enforcement Committee) or Chapter K-1 (Conditional Arrangement to Prevent the Institution of Proceedings or for the Termination of Proceedings) of the Joint Investment Law, as amended from time to time; and

142.9.4 a proceeding in connection with the imposition of financial sanctions, pursuant to Chapter I-1 (Financial Sanctions) of the Control of Insurance Law, as amended from time to time; and

142.9.5 a proceeding in connection with the imposition of financial sanctions, pursuant to Chapter E (Financial Sanctions) of the Control of Provident Funds Law, as amended from time to time; and

142.9.6 a proceeding pursuant to Chapter G-1 (Financial Sanctions) of the Restrictive Trade Practices Law, as amended from time to time; and

142.9.7 a proceeding pursuant to any other law, which is not mentioned in sub-articles 142.9.1 to 142.9.6 above, provided that the entry into an insurance contract as aforesaid is not prohibited by law.

142.10 any other incident for which it is or shall be permitted to insure the liability of an officer.

143. Subject to the provisions of the Companies Law or any other law -

143.1 the Company may give an advance indemnity undertaking (hereinafter referred to as **"indemnity undertaking"**) to indemnify an officer therein in any of the following cases :

143.1.1 for an obligation or expense as stipulated in article 144.1 below, imposed on him in consequence of an act done in his capacity as an officer therein, provided that the undertaking is limited to events which in the board of directors' opinion are foreseen in view of the actual activities of the Company, at the time the indemnity undertaking is given, as well as the amount or the criteria which the board of directors has determined as reasonable in the circumstances of the case and that the indemnity undertaking indicates the circumstances which in the opinion of the board of directors are foreseen in view of the actual activities of the Company at the time the indemnity is given as well as the amount and the criteria that the board of directors determined as reasonable in the circumstances of the case.

143.1.2 for an obligation or expense as specified in sub-articles 144.2 to 144.10 below;

143.2 without derogating from the provisions of article 143.1 above, the Company may indemnify an officer therein retroactively, for an obligation or expense as specified in article 144 below, imposed on him in consequence of an act done in his capacity as an officer in the Company;

143.3 an indemnity undertaking or retroactive indemnity, in accordance with article 143 above, by reason of an obligation or expense in accordance with sub-articles 144.5 to 144.9 below, may also be given to an officer, within the meaning thereof in the said sub-articles, as the case may be.

144. The indemnity undertaking or retroactive indemnity, as mentioned in article 143 above, may be given for an obligation or expense as stipulated in sub-articles 144.1 to 144.10 below, imposed on the officer, including an officer within the meaning thereof in sub-articles 144.5 to 144.9 below, as the case may be, in consequence of an act done in his capacity as an officer in the Company, as follows:

144.1 a monetary obligation imposed on him in favor of another person pursuant to a judgment, including a judgment given in settlement or a court approved arbitrator's award;

144.2 reasonable litigation expenses, including advocates' professional fees, incurred by the officer in consequence of an investigation or proceeding conducted against him by an authority competent to conduct such investigation or proceeding, and which concluded without a criminal indictment being filed against him and without a monetary obligation being imposed on him as a substitute for a criminal proceeding and which does not require proof of criminal intent, or in relation to a financial sanction; in this sub-article – conclusion of a proceeding without a criminal indictment being filed in a matter in which a criminal investigation has been commenced – shall mean the closing of a file in accordance with section 62 of the Criminal Procedure Law (Consolidated Version) 5742-1982 (in this sub-article – **“Criminal Procedure Law”**), or the staying of proceedings by the Attorney–General in accordance with section 231 of the Criminal Procedure Law.

“Monetary obligation as a substitute for a criminal proceeding” – a monetary obligation that has been imposed by law as a substitute for a criminal proceeding, including an administrative fine pursuant to the Administrative Offences Law, 5746-1985, a fine for an offence that has been determined as a fine for an offence determined as a finable offence pursuant to the provisions of the Criminal Procedure Law, a financial sanction or penalty;

144.3 reasonable litigation expenses, including advocates' professional fees, incurred by the officer or which he is ordered to pay by a court in a proceeding filed against him by the Company or on its behalf or by another person, or in a criminal indictment of which he is acquitted, or in a criminal indictment in which he is convicted of an offence not requiring proof of criminal intent;

144.4 a monetary obligation imposed on an officer, by reason of payment to a party injured by a breach, as provided in section 52BBB(a)(1)(a) of the Securities Law or by reason of

payment to a party injured by a breach pursuant to the said section, in accordance with the provisions of the Advice Law;

144.5 a monetary obligation imposed on an officer, as defined in the Joint Investment Law, by reason of payment to a party injured by a breach, pursuant to section 52ND (a)(1)(a) of the Securities Law, in accordance with the provisions of the Joint Investment Law;

144.6 a monetary obligation imposed on an officer, as defined in the Control of Insurance Law, or by reason of payment to a party injured by a breach, in accordance with section 92U of the Control of Insurance Law;

144.7 a monetary obligation imposed on an officer, as defined in the Control of Provident Funds Law, by reason of payment to an injured party, pursuant to section 92U of the Control of Insurance Law, in accordance with the provisions of the Control of Provident Funds Law;

144.8 a monetary obligation imposed on an officer, by reason of payment to a party injured by a breach or payment of a similar type, pursuant to another law, which is not mentioned in sub-articles 144.4 to 144.7 above (hereinafter referred to as **“the other law”**), provided that the indemnity as aforesaid is not prohibited by law; in such regard – **“officer”** – as defined in the other law;

144.9 expenses incurred by an officer, including an officer as defined in sub-articles 144.5 to 144.8 above, as well as an officer within the meaning thereof in the Restrictive Trade Practices Law, in connection with an administrative proceeding, as defined in sub-articles 142.9.1 to 142.9.6 above, conducted against him, including proceedings in accordance with sub-article 142.9.7 above, provided that the indemnity as aforesaid is not prohibited by law, and *inter alia* reasonable litigation expenses, including advocates' professional fees, in connection with the said proceedings;

144.10 any other obligation or expense for which it is or shall be permitted to indemnify an officer.

145. Subject to the provisions of the Companies Law or any other law -

145.1 The Company may undertake to indemnify a person who holds or has held office on the Company's behalf or at its request, as a director in another company that the Company controls or towards an employee of the Company, including an officer therein who is not a director thereof, who holds or held office on the Company's behalf or at its request as a director in another company in which the Company holds shares, directly or indirectly (hereinafter referred to as **“a director in the other company”**) for an obligation or expense as stipulated in article 144 above, imposed on him for an act done in his capacity as a director in the other company, and all, *mutatis mutandis*, in accordance with the provisions of sub-article 143.1 above.

145.2 Without derogating from the provisions of article 145.1 above, the Company may indemnify a director in the other company retroactively, for an obligation or expense as stipulated in article 144 above, imposed on him in consequence of an act done in his capacity as a director in the other company.

145.3 In addition to the aforesaid, the Company may give an indemnity undertaking or retroactive undertaking to an officer in a company controlled by the Company, as set forth in article 144 above, in accordance with the provisions of article 143 above, as well as to an officer within the meaning thereof in sub-articles 144.5 to 144.9 above, in a company controlled by the Company, as set forth in the said sub-articles, as the case may be.

146. The provisions of these articles are not such as to howsoever restrict the Company with regard to its entering into an insurance contract or granting an exemption or indemnity:

146.1 in connection with a person who is not an officer in the Company or a director in the other company, including, but without derogating from the generality of the aforesaid, employees, contractors or consultants;

146.2 in connection with an officer in the Company or director in the other company, insofar as the insurance, exemption or indemnity are not prohibited pursuant to any law.

146A.1 Subject to the provisions of article 142A.2 below –

146A.1.1 The maximum indemnity amount paid by the Company (in addition to amounts received pursuant to insurance policies, whether paid to the Company or a held company, as defined below, or paid to an officer or employee), in the aggregate, to all the officers or employees of the Company or of held companies, pursuant to all the indemnity undertakings in accordance with the letters of indemnity given to them by it, shall not exceed 25% (twenty five percent) of the Company's shareholders' equity, pursuant to the financial statements last published by it before the date of actual payment of the indemnity amount (hereinafter referred to as "**maximum indemnity amount**").

146A.1.2 Notwithstanding the provisions of article 146A.1.1 above, if the overall indemnity amount is higher than the maximum indemnity amount, the maximum amount paid by the Company, in the aggregate, to all those entitled to indemnity, in accordance with article 146A.1.1 above, shall not exceed the overall indemnity amount. However, the difference shall only be used for the purpose of indemnity in respect of acts done prior to November 9th, 2011, when the Company's general meeting approved the amendment of these articles.

In such regard, "**overall indemnity amount**" means – 25% (twenty five percent) of the Company's shareholders' equity, pursuant to its Financial Statements, for 2000 adjusted, from time to time, pro rata to the rate of the increase in the Consumer Price Index (hereinafter referred to as "**the Index**"), compared with the Index for December 2000, which was published in January 2011;

"**difference**" means – the difference between the overall indemnity amount and the maximum indemnity amount;

"**held company**" means – another company in which the Company holds shares, directly or indirectly, in any percentage.

146A.2 The provisions of article 146A.1. above shall apply to any indemnity undertaking given by the Company after the entry into force of the Companies Law (namely, February 1st, 2000), save for the indemnity undertaking approved by the Company's general meeting on

April 18th, 2000, and save for indemnity undertakings given by Tefahot Israel Mortgage Bank Ltd or companies under its control or by Adanim Mortgage Bank Ltd, which were merged into the Company and in the framework thereof the Company assumed the said undertakings.

Dividends, Funds and Capitalization of Funds and Profits

147. The board of directors may, prior to passing a resolution approving the distribution of a dividend, as provided in article 150 below, set aside any amounts from the profits, as it deems fit, to a general fund or reserve fund for any requirements or objects, as determined by the board of directors at its discretion.

148. Until use is made of the said funds, the board of directors may invest the amounts set aside as aforesaid and the funds' monies in any investment whatsoever, as it deems fit, and attend to, alter or otherwise use these investments, and it may divide the reserve fund into special funds and use any fund or part thereof for the purpose of the Company's business, without keeping it separately from the Company's other assets, at the board of directors' discretion and on such terms as it determines.

149. Subject to the provisions of any law, the board of directors may, from time to time, revalue the Company's assets and property, or any part thereof, and if the new value exceeds the value specified in the Company's last balance sheet preceding the revaluation - the board of directors may credit the difference, or any part thereof, to a revaluation fund.

150. Subject to the provisions of the Companies Law, the board of directors may pass a resolution to distribute a dividend. The resolution of the board of directors regarding the distribution of a dividend may determine that the dividend, or any part thereof, shall be paid in cash or by way of a distribution of assets *in specie*, including by way of securities or in any other manner, at the board of directors' discretion.

151. 151.1 (a) Subject to the provisions of the Companies Law, the board of directors may pass a resolution to allot bonus shares and to convert part of the Company's profits, within the meaning thereof in section 302(b) of the Companies Law, into share capital, from premium on shares or from any other source included in its share capital, as stated in its last financial statements, in an amount determined by the board of directors, which shall not be less than the nominal value of the bonus shares.

(b) Bonus shares allotted pursuant to this article shall be deemed fully paid up.

151.2 The resolution of the board of directors regarding an allotment of bonus shares may determine that the Company shall transfer to a special fund designated for a distribution of bonus shares in the future, such amount the conversion of which into share capital shall be adequate for the allotment to anyone who at such time is, for any reason, the holder of a right to purchase shares in the Company (including a right which may only be exercised at a later date) of bonus shares which would have been due to him had he exercised the right to purchase the shares prior to the date determining the right to receive the bonus shares (hereinafter referred to as the "**determining date**"). If after the determining date the holder of

the said right exercises his right to purchase the shares or part thereof, the Company shall allot him bonus shares of such nominal value as would have been due to him had he exercised the right to purchase the shares which he actually purchased prior to the determining date, by converting into share capital an appropriate part from the said special fund.

The bonus shares shall entitle the holders thereof to participate in a distribution of the dividends in cash or bonus shares commencing from the date determined by the board of directors. With regard to determination of the amount to be transferred to the said special fund, any amount transferred to such fund in respect of a previous distribution of bonus shares shall be treated as though already capitalized and as though shares entitling the holders of the right to purchase shares to bonus shares had already been allotted therefrom.

152. Subject to the rights attached to the classes of shares issued by the Company and the provisions of these articles, dividend or bonus shares shall be distributed to the shareholders pro rata to the nominal value of each share, without having regard to any premium paid thereon.

153. For the purpose of implementing a resolution regarding the distribution of a dividend or an allotment of bonus shares, the board of directors may:

153.1 settle any difficulty arising in connection therewith as it deems fit and take all the steps it deems fit to overcome such difficulty;

153.2 resolve that fractions or fractions in an amount lower than a particular amount determined by the board of directors shall not be taken into account for the purpose of adjusting the right of the shareholders or to sell fractions of shares and pay the consideration (net) to those entitled thereto;

153.3 authorize signing of any contract or other document required for the purpose of granting validity to the allotment or distribution on the shareholders' behalf, and in particular to authorize the signing of and to submit for registration, a written document as stipulated in section 291 of the Companies Law;

153.4 make any arrangement which in the board of directors' opinion is required in order to enable the allotment.

154. Dividends or other benefits in respect of shares shall not bear interest.

155. Without derogating from the provisions of these articles, the board of directors may withhold any dividend or bonus shares or other benefits in respect of a share all or part of the consideration for which has not been paid to the Company, and collect any amount as aforesaid or proceeds received from a sale of any bonus shares or other right on account of the debts or obligations in respect of the said share.

156. The board of directors may, but is not obliged, as it deems beneficial and correct, to appoint trustees or nominees for the holders of share deeds who for such period, as determined by the board of directors, have not approached the Company in order to receive dividends, shares or other securities or other benefits, and for those registered shareholders who have not performed their duty to notify the Company of a change in their address and

who have not approached the Company in order to receive dividends, shares, other securities or other benefits during such period. Such nominees or trustees shall be appointed in order to realize, collect or receive dividends, shares, other securities or other benefits and to subscribe for shares which have not yet been issued which are proposed to the shareholders, but may not transfer the original shares in respect of which they were appointed or vote by virtue thereof. In the conditions of any trust or nominee appointment, the Company shall stipulate that on the first demand of the shareholder in respect of whom the trustees or nominees are holding office, the trustees or nominees shall be liable to return to such shareholder the relevant share or all the rights held by them for him, as the case may be. Any act and arrangement done or reached by such nominees or trustees and any agreement between the board of directors and such nominees or trustees shall be valid and bind all the relevant parties.

157. The board of directors may, from time to time, determine the manner of paying dividends or allotting the bonus shares or transferring them to those entitled thereto, and may determine regulations, procedures and arrangements in such regard, in respect of the registered shareholders, the unregistered shareholders and shareholders holding a share deed. Without derogating from the generality of the aforesaid, the board of directors may determine as follows:

157.1 (a) Subject to the provisions of sub-article (b) below, dividends or monies distributed to registered shareholders shall be paid to the registered shareholder by sending a cheque in the mail to his address as recorded in the shareholders' register. The dispatch of a cheque as aforesaid shall be effected at the risk of the registered shareholder.

Without derogating from the aforesaid, the board of directors may determine that a dividend of less than a certain amount determined by the board of directors shall not be sent by cheque as mentioned above, and the provisions of sub-article (b) below shall apply in respect thereof.

(b) The board of directors may determine that the payment of dividends or monies distributed to registered shareholders shall be effected at the office or any other place determined by the board of directors.

157.2 Dividends distributed to unregistered shareholders shall be transferred to the said shareholders through the registration company or in any other manner determined by the board of directors.

158. Where the board of directors determines the payment of a dividend, the allotment of shares or securities or the grant of a right to subscribe for securities which have not yet been issued and are proposed to shareholders, against the delivery of an appropriate voucher which is attached to any share deed, such payment, allotment or grant of a right of subscription against an appropriate voucher shall constitute, to the holder of the voucher, exemption of a debt to the Company in relation to such act towards any person claiming a right to such payment, allotment or grant of the right of subscription, as the case may be.

159. If two or more persons are recorded in the register as the joint holders of a share, each of them may give a valid receipt for any dividend, share or other security or other monies or benefits due in respect of the share, and the cheque or payment order may be made out to the order of one of them and the cheque may be sent by registered mail to his address as recorded in the register.

The Company's Documents

160. 160.1 The shareholders shall have a right to inspect the Company's documents specified in section 184 of the Companies Law, upon the fulfillment of the conditions prescribed therefor.

160.2 Without derogating from the provisions of article 160.1 above, the board of directors may, at its discretion, resolve to grant a right to inspect the Company's documents, or any of them, including to the shareholders, or any of them, as it deems fit.

160.3 The shareholders shall not have a right to inspect the Company's documents or any of them unless they are granted a right as aforesaid pursuant to legislation or these articles or if they are so permitted by the board of directors, as provided in article 160.2 above.

161. Subject to the provisions of the law, every book or register which the Company is liable to keep pursuant to the law or these articles shall be kept by technical, mechanical or other means, as the board of directors resolves.

The Auditor

162. The auditor shall be appointed at every annual meeting, and shall hold office until the end of the following annual meeting.

163. 163.1 Upon an auditor being appointed for the Company as provided in article 162 above, the board of directors shall determine his remuneration for the audit, at its discretion.

163.2 The auditor's remuneration for additional services to the Company which are not part of the audit shall be determined by the board of directors, at its discretion.

164. The auditor may be present at any general meeting of the Company and express his opinion on any matter related to his position as the Company's auditor.

165. Subject to the provisions of the Companies Law, any act done by the Company's auditor shall be valid towards any person dealing with the Company in good faith, despite any defect in the auditor's appointment or qualification.

Notices

166. The grant of notices or the delivery of documents to the shareholders and the registration company pursuant to the provisions of the Law or these articles shall be effected in one of the ways hereinafter stipulated in this chapter.

167. Notice of a general meeting shall be published as provided in article 59 above.

168. 168.1 Without derogating from the aforesaid, the Company may give a notice or document to a shareholder through personal delivery or by facsimile or by mail dispatch or by e-mail; dispatch by mail shall be effected in accordance with the shareholder's address as recorded in the register or if there is no such address, in accordance with the address given by

him to the Company for the purpose of sending notices to him. Notice sent by facsimile shall be sent to the shareholder in accordance with the facsimile number given by him to the Company. Notice sent by e-mail shall be sent to the shareholder in accordance with the e-mail address he has given the Company.

168.2 (a) A notice or document personally delivered to a shareholder shall be deemed to have been delivered on the date of delivery to him.

(b) A notice or document sent by mail shall be deemed to have been duly delivered if delivered for dispatch at the post office bearing the correct address and properly stamped. Delivery shall be deemed to have taken place at the time the letter would have been delivered in the ordinary course by mail and no later than two days from the date on which the letter containing the notice as aforesaid was delivered to the post office.

(c) Notice sent by facsimile or e-mail shall be deemed to have been delivered 24 hours after the transmission.

169. Without derogating from the aforesaid, the Company may send notice to the registered shareholders, unregistered shareholders and shareholders holding a share deed by publishing the notice once in two Hebrew-language daily newspapers published in Israel, either in addition to or instead of delivery of the notice in person, by mail or by facsimile. The date of the newspaper's publication shall be deemed the date on which the notice was received by the shareholders.

170. The Company may give notice of the delivery of a document at the office or at any other place determined by the board of directors, or in any other manner, including through the Internet.

171. In the case of joint holders of a share, the Company may send a notice or document by sending it to the joint shareholder whose name is mentioned first in the shareholders' register in respect of such share.

172. The delivery of a notice or document to a family member living with the person for whom it is intended shall be deemed delivery to such person.

173. Any document or notice sent to a shareholder of the Company in accordance with the provisions of these articles shall be deemed to have been duly sent despite the death, bankruptcy or winding up of such shareholder or the legal transmission of the right in the shares (whether or not the Company was aware thereof), so long as nobody else is recorded in his stead as the holder of the shares, and dispatch or delivery as aforesaid shall be deemed for all intents and purposes as adequate in respect of any person interested in such shares or entitled thereto by virtue of the legal transmission of the right, together with such shareholder or by or through him.

174. Subject to the provisions of any law, a shareholder, director or any other person entitled to receive notice pursuant hereto or pursuant to the Law may waive the receipt thereof, in advance or retroactively, for a particular case or in general, and once he has done so, the

notice shall be deemed to have been duly given, and any proceedings or act in respect of which the notice should have been given shall be deemed valid and abiding.

175. Written confirmation signed by a director or by the Company's secretary regarding the dispatch of a document or the grant of notice in one of the manners stipulated herein shall be deemed conclusive proof in respect of any detail included therein.

176. Whenever is it necessary to give prior notice of a number of days or notice which is valid for a particular period, the day of delivery shall be taken into account in reckoning the number of days or the period, unless otherwise provided. If notice is given in more than one of the ways specified above, it shall be deemed to have been received on the earliest date on which it is deemed to have been delivered, as provided above.

Merger

177. The requisite majority for a resolution of a general meeting with respect to a merger as stipulated in Part VIII; Chapter 1 of the Companies Law if, and to the extent that, such merger requires the approval of the general meeting or a meeting of the type that pursuant to law, shall be an ordinary majority.

Re-Organization

178. Subject to the provisions of any law, whenever the Company wishes to sell its enterprise, or any part thereof (hereinafter referred to as the "**enterprise**") to another company (hereinafter referred to as the "**other company**"), the board of directors or the liquidators - where the Company is in liquidation - may, with the approval of the Company's general meeting, in a resolution passed by a special majority, accept in consideration for the enterprise shares which have been fully or partially paid up or other securities of the other company, whether the other company exists at such time or is incorporated for the purpose of purchasing the enterprise as aforesaid, and the board of directors or the liquidators - in the case of liquidation - may, subject to the provisions of any law, distribute amongst the shareholders (or deposit for them with trustees) shares, securities or any other property of the Company without realizing them.

Capitalization

179. Subject to the provisions of any law, if the enterprise or any part thereof is transferred to another company as provided in article 178 above, the Company may, with the approval of the Company's general meeting, by a special majority, distribute or allocate the shares, securities, cash, benefits or other property of the Company in a manner different to that in which they should have been distributed or allocated in accordance with the precise legal rights of the Company's shareholders. However, where shares of the Company, or any of them, are bearer shares or shares listed for trade on a stock exchange, the distribution or allocation shall be effected in accordance with the legal rights of the shareholders, as precisely as possible.

180. In order to implement the provisions of articles 178 and 179 above, the general meeting may, by a resolution passed by a special majority, instruct that the shares, other securities,

benefits and other property of the Company be valued in the manner and at the price resolved by the Company.

Winding Up

181. Without derogating from the liquidator's authority pursuant to section 334 of the Ordinance and subject to the rights attached to the classes of shares issued by the Company, if the Company is wound up, voluntarily or otherwise, its assets remaining after the discharge of all its obligations shall be distributed amongst the shareholders pro rata to the nominal value of their shares without having regard to any premium paid thereon.

182. With regard to article 181 above, anyone who has submitted an application for shares and the shares have not yet been allotted to him shall be deemed to have been allotted, prior to the winding up, the shares included in this application and the amount paid on account of the nominal value of such shares shall be deemed to have been paid in respect thereof.

183. Subject to the provisions of any law, the liquidator may, pursuant to a resolution of the general meeting passed by a special majority, distribute the surplus assets or any part thereof amongst the shareholders *in specie*, and the liquidator may, pursuant to a resolution of the general meeting passed by a special majority, deposit any part of the surplus assets with trustees who shall hold them on trust in favor of the shareholders, as the liquidator deems fit. For the purpose of distributing the surplus assets *in specie*, the liquidator may determine the proper value of the assets available for distribution and decide how the distribution will be effected amongst the shareholders having regard to the rights attached to the various classes of shares in the Company which are held by them.

Mizrahi Tefahot Bank Ltd.

**VOTING PAPER PURSUANT TO THE COMPANIES REGULATIONS (WRITTEN
VOTING AND POSITION NOTICES), 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: a special general meeting of all of the Bank's shareholders (hereinafter: "**general meeting**"). The general meeting shall be held on Tuesday, March 8, 2016, at 15:00, at the Bank's offices at 7 Jabotinsky Street, 13th floor, Ramat Gan. Should the meeting be postponed, it shall take place on March 15, 2016, at the same time and place.
3. Details of the issues on the agenda which can be voted on through a voting paper, as detailed in the immediate report published by the Bank on January 25, 2016 (hereinafter: "**immediate report**"):
 - 3.1 **Amendment of the Bank's Articles of Association – the issue detailed in Section 1 of the immediate report**
 - 3.1.1 Description of the Nature of the Issue: Amendment of the Bank's Articles of Association.
 - 3.1.2 Text of the Proposed Resolution: To amend the Bank's Articles of Association, according to the amended and marked text attached to this immediate report as **Appendix A**, and to approve the proposed amendments (the proposed amendments to the current text of the Articles of Association are underlined in Appendix A of the immediate report).
 - 3.1.3 The Main Facts Required to Understand the Issue:
 - A. The aforesaid amendments to the Bank's Articles of Association include an amendment of Regulation 141 on the subject of exemption; according to the proposed amendment, the exemption established in Regulation 141, in its current wording, shall not apply due to damage caused to the Bank due to a violation of the duty of care by an officer of the Bank, as stated in Regulation 141 of the Articles of Association, which occurred after December 23, 2015, in making a decision or approving a transaction in which a controlling shareholder at the Bank or some officer at the Bank (including another Officer at the Bank

who is not the Officer to whom the exemption was granted) has a personal interest.

It is clarified that the proposed amendment to Regulation 141 shall not apply due to a violation of the duty of care by an officer of the Bank, as stated in Regulation 141 of the Articles of Association, in its current wording, which occurred prior to December 23, 2015.

It is further clarified that the aforesaid amendment to Regulation 141 of the Articles of Association is proposed pursuant to a resolution of the Bank's general meeting on December 23, 2015, according to which, *inter alia*, Section 1 of the Bank's Deed of Exemption and an Undertaking to Indemnify, the matter of which is exemption, was amended, as detailed in Section 1.4 (and particularly Section 1.4.6b.) to the amended immediate report published by the Bank on December 7, 2015 (Ref. No. 2015-01-175365).

- B. In addition, it is proposed to amend scribal errors in Regulations 142.5 and 144.5 of the Bank's Articles of Association, so that "pursuant to Section 52D(a)(1)(a) of the Securities Law" will be replaced by "pursuant to Section 52ND(a)(1)(a) of the Securities Law".

3.2 **Approval of the Tenure and Employment Terms of the Chairman of the Bank's Board of Directors, Per the Additional Employment Agreement**

3.2.1 **Description of the Nature of the Issue:** Approval of the tenure and employment terms of the Chairman of the Bank's Board of Directors, Mr. Moshe Vidman (hereinafter: "**Chairman**" or "**Chairman of the Board of Directors**").

3.2.2 **Text of the Proposed Resolution:** To approve Mr. Vidman's tenure and employment terms as the Chairman of the Board of Directors at the Bank, including the approval of the Bank's engagement with the Chairman of the Board of Directors through an additional employment agreement, in effect as of December 1, 2015, the main details of which appear in Section 2.3.2 of the immediate report (hereinafter, together: "**resolution to approve the Chairman's tenure and employment terms**").

3.2.3 **The Main Facts Required to Understand the Issue:**

- A. Mr. Moshe Vidman has served as a director at the Bank since August 2010. On November 25, 2012, the Bank's board of directors approved Mr. Vidman's appointment as Chairman of the

- Board of Directors at the Bank, commencing on December 1, 2012 and terminating on November 30, 2015.
- B. On June 17, 2013, the Bank's general meeting approved Mr. Vidman's tenure and employment terms as the Chairman of the Board of Directors, pursuant to an employment agreement for a limited period of three (3) years, commencing on December 1, 2012 and terminating on November 30, 2015 (hereinafter: "**previous employment agreement**" and "**previous employment terms**", as the matter may be), all as detailed in the (amending) immediate report published by the Bank on June 6, 2013.
- C. It is noted that the Chairman of the Board of Directors' previous employment terms were submitted for approval prior to the first approval of the Bank officers' remuneration policy.
- D. On June 10, 2014, the Bank's general meeting approved the updated remuneration policy for Bank officers, which was attached as Appendix A to the report convening the general meeting, published by the Bank on May 4, 2014 (hereinafter: "**remuneration policy**");
- E. On May 18, 2015, the Bank's Board of Directors resolved to appoint Mr. Vidman for an additional tenure as Chairman of the Board of Directors, commencing on December 1, 2015 and terminating on December 31, 2017. Pursuant to the aforesaid, on January 18, 2016 the board of directors decided that Mr. Vidman's tenure as Chairman of the Board of Directors, as stated above, would be automatically renewed annually for an additional year (as of January 1, 2018), all subject to the approval of the Supervisor of Banks.
- F. On August 13, 2015, Proper Conduct of Banking Directive No. 301A on the subject of remuneration policies at banking corporations was amended. Under this amendment it was established, *inter alia*, that the members of a banking corporation's board of directors, including the chairperson, would only receive a fixed remuneration. For details regarding further amendments made to the aforesaid Directive 301A, in the matter of the Chairman of the Board of Directors' remuneration, see Section 2.3.1E(1) of the immediate report.
- G. Pursuant to the aforesaid, on January 25, 2016, having received the approval of the remuneration committee from January 20, 2016, the Bank's board of directors decided to approve Mr.

Vidman's terms of tenure and employment as Chairman of the Board of Directors at the Bank, including the Bank's engagement with the Chairman of the Board of Directors through the additional employment agreement with the Chairman of the Board of Directors, which came into effect on December 1, 2015 (hereinafter: "**additional employment agreement**"), the main details of which are specified in Section 2.3.2 of the immediate report.

- H. For details regarding the Chairman of the Board of Directors' tenure and employment terms according to the Sixth Schedule of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, see Section 2.3.3 of the immediate report.
- I. For details regarding the ratio between the cost of the remuneration to the Chairman of the Board of Directors according to the additional employment agreement and the cost of the average and median wage of the rest of the Bank's employees, see Section 2.3.4 of the immediate report.
- J. For details regarding the Chairman's remuneration components which are not in accordance with the Bank's remuneration policy, see Section 2.3.5 of the immediate report.
- K. For details regarding the employment terms proposed to the Chairman of the Board of Directors under the additional employment agreement, relative to the Chairman of the Board of Directors' previous employment terms under the previous employment agreement, see Section 2.3.6 of the immediate report.
- L. For details regarding the method of determining the tenure and employment terms proposed to the chairman of the board of directors, their approval date and the information brought in this matter before the Remuneration Committee and the Board of Directors, see Section 2.3.7 of the immediate report.
- M. For details regarding the Remuneration Committee and Board of Directors' rationale in approving the Chairman of the Board of Directors' tenure and employment terms, see Section 2.3.10 of the immediate report.

4. **The Majority Required For the Approval of Resolutions at the General Meeting, In Each of 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 resolution to amend the Bank's Articles of Association, as stated in

Section 3.1 above, is an ordinary majority of all 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 meeting will include a majority of the total votes of shareholders who have no personal interest in the approval of the resolution, who are participating in the vote; in the counting of the 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 in the Bank.

4.2 The majority required at the general meeting and at the deferred general meeting to approve the resolution to approve the Chairman's tenure and employment terms, as stated in Section 3.2 above, is an ordinary majority of all 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 meeting will include a majority of the total votes of shareholders who are neither controlling shareholders at the Bank nor have a personal interest in the approval of the Chairman's tenure and employment terms, who are participating in the vote; in the counting of the 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 in the Bank.

A shareholder participating in the vote with respect to the resolutions specified in Sections 3.1 and 3.2 above in this voting paper shall notify the Bank prior to voting; and if voting through a voting paper – shall mark in Part B of the voting paper in the designated place, whether he is considered a controlling shareholder at the Bank or a representative thereof, or has a personal interest in the approval of the issues on the agenda, as the matter may be; and describe the relevant connection, insofar as it exists. Should a shareholder fail to notify or mark as aforesaid, or if he has marked and not described as stated above, his vote shall not be counted.

In this voting paper, "**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 resolutions may be inspected at the Bank's Offices, 7 Jabotinsky St., 13th floor, Ramat Gan, Tel: 03-7559720, during standard business hours, until the time scheduled for the meeting.

6. 6.1. 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 Voter") only if an ownership confirmation is attached thereto, or if such a confirmation has been transferred to the Bank through the electronic voting system.

6.2. The Voting Paper shall be valid with respect to a Shareholder according to Section 177(2) of the Companies Law (i.e. those registered as a shareholder in the Shareholder Registry) only if a photocopy of an identity card, a passport or an incorporation letter is attached thereto.

7. The voting paper and the documents which are required to be attached thereto (the "Attached Documents"), as provided in the voting paper, should be delivered to the Bank's Offices by no later than 4 hours prior to the convening of the meeting. In this regard, the "time of delivery" will be the time on which voting paper and the Attached Documents will arrive at the Bank's Offices.

8. 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") no later than 6 hours prior to the meeting.

9. **The Bank's address for the delivery of voting papers and position notices:** the Bank's Offices on 7 Jabotinsky Street, Ramat Gan.

9.1 **The deadline for delivery of position notices to the Bank:** up to 10 days prior to the date of the meeting.

9.2 **The deadline for delivery of the Board of Directors' response to the position notices:** no later than 5 days prior to the date of the meeting.

10. The address of the Israel Securities Authority's distribution site and the Internet site of the Tel Aviv Stock Exchange Ltd, on which the voting papers and position notices are posted:

10.1 The distribution site of the Israel Securities Authority: <http://www.magna.isa.gov.il/>;

10.2 The Internet site of the Tel Aviv Stock Exchange Ltd: <http://maya.tase.co.il/>

11. 11.1 A shareholder whose shares are registered with a TASE member may receive the ownership confirmation at a branch of the TASE member or via mail, if he has requested it. A request in this matter shall be given in advance regarding a particular securities account.
- 11.2 An Unregistered Shareholder may instruct that his ownership confirmation be transferred to the Bank through the Electronic Voting System.
12. An unregistered shareholder will be entitled to receive by e-mail, free of charge, a link to the text of the voting paper and position notices on the distribution site from the TASE member through which he holds his shares, unless he has notified the TASE member that he does not wish to receive such link or that he wishes to receive voting papers by mail in consideration for payment; notice regarding voting papers shall also apply with regard to position notices.
13. One or more shareholders holding shares which constitute five percent or more of all the voting rights in the Bank, and anyone holding such percentage of all of the voting rights that are not held by the Bank's controlling shareholder, as defined in Article 268 of the Companies Law, may inspect the voting papers and voting records through the Electronic Voting System that have arrived at the Bank, as stipulated in Section 10 of the Regulations.

The quantity of shares constituting 5% of all voting rights in the Bank is: 11,594,422 ordinary shares of ILS 0.1 par value each.

The quantity of shares constituting 5% of all voting rights in the Bank, which are not held by the Controlling Shareholder, is: 6,446,181 ordinary shares of ILS 0.1 par value each

14. Changes to the Agenda, Adding an Issue to the Agenda and Position Papers: After the publication of this report, there may be changes in 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 position papers published in the Bank's reports on the distribution site. One or more shareholders who hold shares representing at least 1% of 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 notice of the meeting's convening, provided that the issue is appropriate for a discussion at the general meeting.
- If the Board of Directors finds that the issue requested to be included on the agenda is appropriate for a discussion at the general meeting, the Bank will 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 aforesaid. It is clarified that the publication of the updated agenda, as aforesaid, does not change the Effective Date as determined in the immediate report.

15. A shareholder shall note his manner of voting in regard to the issue on the agenda on the form that constitutes the second part of this voting paper, and in case where the shareholder is voting according to power of attorney (i.e. by proxy), said details shall be given for both the appointer of the power of attorney and his appointee.

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, 13th floor, Ramat Gan 52520.

Company No.: 520000522

Time of Meeting: March 8, 2016

Type of Meeting: Special general

Effective date: February 5, 2016

(Hereunto to be filled by the Company).

Details of the Shareholder

Shareholder Name - _____

Identity No. - _____

If the shareholder does not have an Israeli ID -

Passport No. - _____

Issuing Country - _____

Valid Until - _____

If the Shareholder is a Corporation -

Corporation No. - _____

Country of Incorporation - _____

Details

In the matter of the resolution to approve the amendment of the Bank's Articles of Association: Issue 1 on the agenda in the immediate report (see Section 3.1 of this voting paper):

Below are details in connection with my "having a personal interest in the approval of the resolution", in the matter of the resolution to approve the amendment of the Bank's Articles of Association:

In the matter of the resolution to approve the Chairman of the Board of Directors' employment and tenure terms: Issue 2 on the agenda in the immediate report (see Section 3.2 of this voting paper):

Below are details in connection with my "having a personal interest in the approval of the resolution", in the matter of the resolution to approve the Chairman of the Board of Directors' employment and tenure terms:
