

Description of key features of equity instruments included in the Bank's regulatory capital as of December 31, 2014

| | | Share capital | Mizrahi-Tefahot Bank - Subordinated capital notes (Series A) | Mizrahi-Tefahot Issue Company - Subordinated notes (Series 27) |
|----|--|--|---|---|
| | General | | | |
| 1 | Legal entity - issuer | Mizrahi-Tefahot Bank Ltd. | Mizrahi-Tefahot Bank Ltd. | Mizrahi Tefahot Issue Company Ltd. |
| 2 | Securities ID / Ticker symbol | 695437 | 6950083 | 2310035 |
| 3 | Legal frameworks applicable to the instrument | State of Israel | State of Israel | State of Israel |
| | Supervisory treatment | | | |
| 4 | Tier of which the instrument is part during the Basel III transitional period, which is gradually being eliminated | Not applicable | Tier II capital | Tier II capital |
| 5 | Tier of which the instrument is part during the Basel III transitional period, regardless of transitional provisions | Common Equity Tier I capital | Does not qualify | Does not qualify |
| 6 | Does the instrument qualify as regulatory capital component on solo basis, for the banking group or both | Banking group | Banking group | Banking group |
| 7 | Instrument type | Ordinary share capital | Obligatory notes | Obligatory notes issued by a subsidiary of the banking corporation to third-party investors |
| 8 | Amount recognized in regulatory capital as of December 31, 2014 | 2,121,000,000 | 1,547,200,000 | 82,682,000 |
| 9 | Par value of the instrument | 23,321,941 | 1,701,984,302 | 200,000,000 |
| 10 | Accounting classification | Shareholder equity | Liability - carried at depreciated cost | Liability - carried at depreciated cost |
| 11 | Original issue date | Variable | November 16, 2006 | November 30, 2001 |
| 12 | Perpetual or dated | Perpetual | Dated | Dated |
| 13 | Original maturity | Not applicable | January 1, 2106 | November 30, 2016 |
| 14 | Early redemption possible upon issuer demand with prior approval by the Supervisor? | Not applicable | Yes | No |
| 15 | Earliest date for exercising the option of early redemption upon issuer demand | Not applicable | January 1, 2022 | Not applicable |
| 16 | Existence and frequency of later early redemption dates | Not applicable | At the end of five-year terms after January 1, 2022 - i.e. on January 1 of 2027, 2032, 2037 etc. | Not applicable |
| | Interest coupons / dividends | | | |
| 17 | Fixed or variable interest coupon / dividend | See Note 13.C (Share capital and equity) on the financial statements as of December 31, 2014 | See enclosed link, section 2.4.1 (Definitions) "initial interest rate", "graduated interest rate" | Fixed |
| 18 | Coupon interest rate and linkage to specific index | Not applicable | 4.5%, linked to the Consumer Price Index | 5.5%, linked to the Consumer Price Index |
| 19 | Any dividend stopper to ordinary share holders? | Not applicable | Yes | No |
| 20 | Subject to full discretion, partial discretion | Not applicable | Partial discretion | No discretion |

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| | or not subject to discretion | | | |
| 21 | Interest step-up or other incentive for redemption? | Not applicable | Yes | No |
| 22 | Instrument accrues / does not accrue interest / dividends? | Not applicable | Does not accrue | Does not accrue |
| 23 | Instrument is or is not convertible? | Not applicable | Is convertible | Is not convertible |
| 24 | If convertible, what are the trigger points? | Not applicable | See note (1) | Not applicable |
| 25 | If convertible, is it fully / partially convertible? | Not applicable | Always fully convertible | Not applicable |
| 26 | If convertible, what is the conversion ratio? | Not applicable | See note (2) | Not applicable |
| 27 | If convertible, is conversion optional or mandatory? | Not applicable | Mandatory | Not applicable |
| 28 | If convertible, of what Tier is the resulting instrument after conversion? | Not applicable | Common Equity Tier I capital | Not applicable |
| 29 | If convertible, indicate the issuer of the instrument converted into | Not applicable | Mizrahi-Tefahot Bank Ltd. | Not applicable |
| 30 | Is there a mandatory write-down on the instrument? | Not applicable | No | No |
| 31 | If there is a mandatory write-down, what are the trigger points? | Not applicable | Not applicable | Not applicable |
| 32 | If there is a mandatory write-down, is it full or partial? | Not applicable | Not applicable | Not applicable |
| 33 | If there is a mandatory write-down, is it permanent or temporary? | Not applicable | Not applicable | Not applicable |
| 34 | If there is a temporary write-down, describe the write-down elimination mechanism | Not applicable | Not applicable | Not applicable |
| 35 | Ranking in creditor order upon dissolution | Subordinated capital notes (Series A), Bank Mizrahi-Tefahot | Subordinated notes, Tefahot Issuance (Series 27,30,31) and subordinated deposit notes, Bank Mizrahi-Tefahot | Deposits and debentures |
| 36 | Are there components which only comply with the definition of regulatory capital due to transitional provisions? | No | Yes | Yes |
| 37 | If Yes, indicate the components | - | Non-qualification as Tier 2 capital: Directive 202, appendix D, sections 4c and 9 | Non-qualification as Tier 2 capital: Directive 202, appendix D, section 9 |
| 38 | Link to prospectus | - | http://maya.tase.co.il/bursa/report.asp?report_cd=265410 | - |

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| | | Mizrahi-Tefahot Issuance company - Subordinated notes (Series 30) | Mizrahi-Tefahot Issue company - Subordinated notes (Series 31) | Bank Mizrahi-Tefahot Subordinated deposit notes* |
|----|--|---|---|--|
| | General | | | |
| 1 | Legal entity - issuer | Mizrahi Tefahot Issue Company Ltd. | Mizrahi Tefahot Issue Company Ltd. | Mizrahi-Tefahot Bank Ltd. |
| 2 | Securities ID / Ticker symbol | 2310068 | 2310076 | Multiple |
| 3 | Legal frameworks applicable to the instrument | State of Israel | State of Israel | State of Israel |
| | Supervisory treatment | | | |
| 4 | Tier of which the instrument is part during the Basel III transitional period, which is gradually being eliminated | Tier II capital | Tier II capital | Tier II capital |
| 5 | Tier of which the instrument is part during the Basel III transitional period, regardless of transitional provisions | Does not qualify | Does not qualify | Does not qualify |
| 6 | Does the instrument qualify as regulatory capital component on solo basis, for the banking group or both | Banking group | Banking group | Banking group |
| 7 | Instrument type | Obligatory notes issued by a subsidiary of the banking corporation to third-party investors | Obligatory notes issued by a subsidiary of the banking corporation to third-party investors | Subordinated notes |
| 8 | Amount recognized in regulatory capital as of December 31, 2014 | 835,446,000 | 408,617,000 | 699,410,400 |
| 9 | Par value of the instrument | 1,451,144,100 | 480,000,000 | 1,582,767,716 |
| 10 | Accounting classification | Liability - carried at depreciated cost | Liability - carried at depreciated cost | Liability - carried at depreciated cost |
| 11 | Original issue date | May 28, 2007 | September 19, 2010 | Multiple |
| 12 | Perpetual or dated | Dated | Dated | Dated |
| 13 | Original maturity | May 28, 2017 | September 19, 2019 | Multiple |
| 14 | Early redemption possible upon issuer demand with prior approval by the Supervisor? | No | No | No |
| 15 | Earliest date for exercising the option of early redemption upon issuer demand | Not applicable | Not applicable | Not applicable |
| 16 | Existence and frequency of later early redemption dates | Not applicable | Not applicable | Not applicable |
| | Interest coupons / dividends | | | |
| 17 | Fixed or variable interest coupon / dividend | Fixed | Fixed | Fixed |
| 18 | Coupon interest rate and linkage to specific index | 3.9%, linked to the Consumer Price Index | 3%, linked to the Consumer Price Index | Multiple, CPI-linked |
| 19 | Any dividend stopper to ordinary share holders? | No | No | No |
| 20 | Subject to full discretion, partial discretion or not subject to discretion | No discretion | No discretion | No discretion |
| 21 | Interest step-up or other incentive for redemption? | No | No | No |
| 22 | Instrument accrues / does not accrue interest / dividends? | Does not accrue | Does not accrue | Does not accrue |
| 23 | Instrument is or is not convertible? | Is not convertible | Is not convertible | Is not convertible |
| 24 | If convertible, what are the trigger points? | Not applicable | Not applicable | Not applicable |
| 25 | If convertible, is it fully / partially convertible? | Not applicable | Not applicable | Not applicable |
| 26 | If convertible, what is the conversion ratio? | Not applicable | Not applicable | Not applicable |
| 27 | If convertible, is conversion optional or mandatory? | Not applicable | Not applicable | Not applicable |

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| 28 | If convertible, of what Tier is the resulting instrument after conversion? | Not applicable | Not applicable | Not applicable |
| 29 | If convertible, indicate the issuer of the instrument converted into | Not applicable | Not applicable | Not applicable |
| 30 | Is there a mandatory write-down on the instrument? | No | No | No |
| 31 | If there is a mandatory write-down, what are the trigger points? | Not applicable | Not applicable | Not applicable |
| 32 | If there is a mandatory write-down, is it full or partial? | Not applicable | Not applicable | Not applicable |
| 33 | If there is a mandatory write-down, is it permanent or temporary? | Not applicable | Not applicable | Not applicable |
| 34 | If there is a temporary write-down, describe the write-down elimination mechanism | Not applicable | Not applicable | Not applicable |
| 35 | Ranking in creditor order upon dissolution | Deposits and debentures | Deposits and debentures | Deposits and debentures |
| 36 | Are there components which only comply with the definition of regulatory capital due to transitional provisions? | Yes | Yes | Yes |
| 37 | If Yes, indicate the components | Non-qualification as Tier 2 capital: Directive 202, appendix D, section 9 | Non-qualification as Tier 2 capital: Directive 202, appendix D, section 9 | Non-qualification as Tier 2 capital: Directive 202, appendix D Section 9 |
| 38 | Link to prospectus | http://maya.tase.co.il/bursa/report.asp?report_cd=226414-00&CompCd=231&Type=Pdf | http://maya.tase.co.il/bursa/report.asp?report_cd=427836-00&CompCd=231&Type=Pdf | *556 deposits which are essentially subordinated notes |

- (1) The Bank would be required to convert the outstanding principal and interest balance of these capital notes into Bank ordinary shares upon certain occurrences as follows:
- The Bank's Tier I capital ratio to risk elements, as reported on the Bank's financial statements, has dropped below 6% and has not returned to the aforementioned value or higher within 90 days from the issue date of said financial statements;
 - According to the Bank's financial statements, the Bank' retained earnings balance has turned negative;
 - The Bank's Independent Auditor, in an opinion or review report attached to the Bank's financial statements or interim financial statements, has drawn attention to Notes to the financial statements with regard to significant doubt as to continued existence of the Bank as a going concern.
- (2) The conversion rate for conversion of capital notes into Bank ordinary shares will be determined by the Trustee after 14 consecutive trading days, the first of which is the first trading day following the date on which the Bank's notice was delivered. The conversion rate will be determined based on the lowest conversion rate as follows, with the value of capital notes for conversion purposes calculated including principal, linkage differentials and accrued interest as of the the date on which the Bank's notice was delivered:
- Shareholder equity per Bank share, less a 20% discount. Shareholder equity per share will be calculated based on the Bank's most recent financial statements issued prior to calculation of the conversion rate;
 - The average closing price per Bank ordinary share on the Tel Aviv Stock Exchange on 14 consecutive trading days, the first of which is the first trading day following the date on which the Bank's notice was delivered.
- Notwithstanding the foregoing, the calculated conversion rate shall not exceed a closing price of NIS 37.00 per share nor be less than a closing price of NIS 18.00 per share, with both these prices linked to the Consumer Price Index issued for September 2006 and adjusted to reflect price changes with respect to bonus share distribution, share split or reverse split, capital reduction and the benefit component with respect to each rights issuance made during the term of the capital notes.