

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

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

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

**MIZRAHI TEFAHOT BANK LTD**

Registrar Number: 520000522

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To: Israel Securities Authority	To: Tel Aviv Stock Exchange Ltd	T460 (public)	Transmitted via MAGNA: August 27 2020
www.isa.gov.il	www.tase.co.il		Reference: 2020-01-085165

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**Immediate Report of a Meeting**

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

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

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

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

The corporation announces: *The convening of a meeting*

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

The reference number of the last meeting notice is \_\_\_\_\_. It was called for \_\_\_\_\_.

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

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

1. Type of security: *Share*

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

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

The record date for entitlement to attend the meeting and vote thereat: *September 14 2020*

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

2. On *August 27 2020*

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

to be held on *October 15, 2020* at *15:00*

at the following address *7 Jabotinsky Street (13<sup>th</sup> floor), Ramat Gam*

3. On the agenda:

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

Issues/resolution which will be raised at the meeting:

**1**

The issue/resolution and its details:

*Description of the nature of the issue:*

*The amendment of Regulations 142 and 144 of the bank's Articles of Association.*

*The proposed resolution:*

*To approve the amendments to Regulations 142 (sub-regulations 142.9, 142.9.7 and 142.9.8) and 144 (sub-regulation 144.9) of the Bank's Articles of Association, per the amended and marked text of these regulations, as detailed in the bank's Articles of Association, in its amended and marked wording, which is attached herein as Appendix A to the immediate*

*report on the convening of the general meeting (said amendments to the current version of the Articles of Association are marked with an underline and a strikethrough in Appendix A).*

*Additional information:*

*In regard to the majority required to approve the resolution to amend the bank's Articles of Association, as aforesaid, and although the controlling shareholders at the Bank do not currently serve as Bank officers, the Bank has determined, for the sake of prudence (and ex gratia) that the majority required to approve said resolution is the majority required by Article 262(b) of the Companies Law.*

*For further details, see Section 1.1 of the immediate report regarding the convening of the general meeting.*

*Amendment of Articles of Association regarding exemption indemnity or insurance as stated in Article 262(b) of the Companies Law.*

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

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

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

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

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

—

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

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

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

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

**In the event of a bonds meeting**

The existence of another issue has been decided:

Details of the other issue:

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

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

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

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

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

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

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

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

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

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

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

*The majority required at the general meeting and at the deferred general meeting to approve the resolution 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 is fulfilled:*

- (1) The counting of the majority votes at the general meeting will include a majority of the votes of shareholders who have no personal interest in the approval of the resolution, who are participating in the vote; abstaining votes will not be taken into account in the counting of the total votes of said shareholders;*
- (2) The total opposing votes among the shareholders referred to above in SS (1) does not exceed two percent (2%) of the total voting rights at the Bank.*

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

**2**

The issue/resolution and its details:

*Description of the nature of the issue:*

*Approval of the amended text of the Bank's letter of exemption and indemnity undertaking (hereinafter: "Amended Undertaking Letter")*

*The proposed resolution:*

*Subject to the approval of the amendments to the Bank's Articles of Association, as detailed above in Issue no. 1 on the agenda of the general meeting – to approve the bank's letter of exemption and indemnity undertaking to directors and other officers, including the Chief Executive Officer of the Bank and controlling shareholders at the Bank and their relatives, as well as employees who serve from time to time, including those who have served in the past or may be appointed in the future, all in accordance with the Amended Undertaking Letter attached as Appendix C to the immediate report on the convening of the general meeting. The proposed amendment to the current wording of the bank's Undertaking Letter are marked with an underline and a strikethrough in Appendix C.*

*Declaration: No appropriate classification field exists*

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

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

Yes a transaction between the company and a controlling shareholder therein as stated in Articles 275 and 320(f) of the Companies Law

Reference to the last report on the subject (T133): [2020-01-085147](#)

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

—

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

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

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

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

**In the event of a bonds meeting**

The existence of another issue has been decided:

Details of the other issue:

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

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

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

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

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

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

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

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

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

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

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

*The majority required at the general meeting and at the deferred general meeting to approve the resolution 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 is fulfilled:*

- (1) The counting of the majority votes at the general meeting will include a majority of the votes of shareholders who are not controlling shareholders at the Bank, nor have any personal interest in the approval of the resolution, who are participating in the vote; abstaining votes will not be taken into account in the counting of the total votes of said shareholders;*
- (2) The total opposing votes among the shareholders referred to above in SS (1) does not exceed two percent (2%) of the total voting rights at the Bank.*

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

**3**

The issue/resolution and its details:

*Description of the nature of the issue:*

*The approval of the service and employment terms of Mr. Moshe Lari, the Bank's designated CEO, with respect to his tenure as the Bank's CEO, which will begin on September 16, 2020 (hereinafter: the "CEO").*



*The proposed resolution:*

*To approve the service and employment terms of Mr. Moshe Lari, with respect to his tenure as the Chief Executive Officer of the Bank, for a period beginning on September 16, 2020, including the Bank's engagement in an employment agreement with the CEO, as well as the remuneration plan to be granted to him (which includes a monetary bonus and a long-term capital remuneration), all as detailed in Appendix D to the immediate report on the convening of the general meeting; this, without derogating from the rights granted to Mr. Moshe Lari in the past by the Bank.*

*Declaration: No appropriate classification field exists*

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

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

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

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

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

*The resolution is brought to approval, for the sake of prudence, under Article 272(c1)(2) of the Companies Law; in this regard, see the explanation detailed at the margin of this report.*

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

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

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

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

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

**In the event of a bonds meeting**

The existence of another issue has been decided:

Details of the other issue:

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

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

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

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

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

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

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

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

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

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

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

*The majority required at the general meeting and at the deferred general meeting to approve the resolution 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 is fulfilled:*

- (1) The counting of the majority votes at the general meeting will include a majority of the votes of shareholders who are not controlling shareholders at the Bank, nor have any personal interest in the approval of the resolution, who are participating in the vote; abstaining votes will not be taken into account in the counting of the total votes of said shareholders;*
- (2) The total opposing votes among the shareholders referred to above in SS (1) does not exceed two percent (2%) of the total voting rights at the Bank.*

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

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

#### 4. Attachments

4.1 Attachment of a file which includes a voting paper/position papers: *Ktav\_isa.pdf*

*Yes* a voting paper

*No* position paper

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

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

\_\_\_ declaration of the candidate to serve as corporate director

\_\_\_ declaration of an independent director

\_\_\_ declaration of an outside director

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

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

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

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

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

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

5. The legal counting for holding the meeting:

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

6.  In the absence of a legal counting, the deferred meeting will be held on *October 22, 2020* at 15:00, at the following address: *7 Jabotinsky Street, Ramat Gan, 13<sup>th</sup> floor*

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

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

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

Meeting identifier:

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

**Details of the signatories authorized to sign on behalf of the corporation:**

	<b>Signatory's Name</b>	<b>Position</b>
<b>1</b>	<i>Racheli Friedman</i>	<i>Other Chief Legal Advisor</i>
<b>2</b>	<i>Ofer Horwitz</i>	<i>Other Bank Secretary &amp; Head of the Bank's Headquarters</i>

Explanation: According to Regulation 5 of the Securities (Periodic and Immediate Reports) Regulations, 5730-1970, a report filed under these regulations shall be signed by those authorized to sign on behalf of the corporation. The position of the senior staff on the matter (in Hebrew) can be found on the ISA's website: [Click here](#)

*Explanation of the Companies Law article for the approval of resolution no. 3 on the agenda of the general meeting (regarding the approval of the service and employment terms of Mr. Moshe Lari, the bank's designated CEO):*

*For the sake of prudence, the resolution is brought to approval under Article 272(c1)(2) of the Companies Law; in this matter, it is noted that the CEO's terms of service and employment beginning on September 16, 2020, were determined in accordance with the remuneration policy for bank officers, approved by the general meeting on December 18, 2019; this, without prejudice to the right granted to Mr. Moshe Lari under his previous employment terms (prior to his tenure as the CEO of the bank), according to which Mr. Lari is entitled to an adjustment bonus and a retirement bonus, some of which conditions could be considered as not in accordance with said remuneration policy, as detailed in Section 1.3.6 of the immediate report on the convening of the general meeting, attached herein.*

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

[2020-01-085147](#)

Abbreviated Name: Mizrahi Tefahot

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

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

Previous name of the reporting entity: United Mizrahi Bank Ltd

Name of the person reporting electronically:	Position:	Name of Employing Company:
Horwitz Ofer	Bank Secretary	Mizrahi Tefahot Bank Ltd
Address: 7 Jabotinsky Street, Ramat Gan, 52520	Tel: 03-7559207	Fax: 03-7559913
		E-mail: management@umtb.co.il

**Re: Immediate report on the convening of a special general meeting**

In accordance with the Companies Law, 5759-1999 (hereinafter: “**Companies Law**”); the Companies Regulations (Notice and Announcement of General Meeting and Class Meeting in Public Company and Addition of an Issue to the Agenda) 5760-2000; the Companies Regulations (Written Votes and Position Papers) 5766-2005; the Securities Regulations (Transaction between a Company and a Controlling Shareholder Therein) 5761-2001 (hereinafter: “**Controlling Shareholders’ Regulations**”); the Securities Regulations (Periodic and Immediate Reports) 5730-1970 (hereinafter: “**Periodic and Immediate Report Regulations**”); and in accordance with the Remuneration for Officers in Financial Corporations (Special Approval and Non-Deductibility of Expense for Tax Purposes Due to Special Remuneration) Law 5776-2016 (hereinafter: “**Senior Officers’ Wage Law**”), Mizrahi Tefahot Bank Ltd (hereinafter: the “**Bank**”) hereby announces the convening of a special general meeting (hereinafter: “**general meeting**”) on Thursday, October 15, 2020, at 15:00, at the Bank’s offices, 7 Jabotinsky Street, Ramat Gan, 13<sup>th</sup> floor.

1. **The issues on the agenda of the general meeting and the summary of the proposed resolutions are:**

1.1 **The amendment of Regulations 142 and 144 of the Bank’s Articles of Association**

1.1.1 **Description of the nature of the issue and the principle facts required to understand the matter**

It is proposed to amend Regulations 142 and 144 of the Bank’s Articles of Association, in order to establish explicitly (to remove doubt) that the Bank may engage in an insurance contract and likewise to indemnify due to expenses, including reasonable litigation expenses, including legal attorney fees, in connection also with a proceeding to impose a financial sanction, per Article D of Chapter 4 of Part IX of the Companies Law, as amended from time to time.

1.1.2 **Text of the proposed resolution**

To approve the amendments to Regulations 142 (sub-regulations 142.9, 142.9.7 and 142.9.8) and 144 (sub-regulation 144.9) of the Bank’s Articles of Association, per the amended and marked text of these regulations, as detailed in the Bank’s Articles of Association, in its amended and marked wording, which is attached to this immediate report as **Appendix A** (said amendments to the current version of the

Articles of Association are marked with an underline and a strikethrough in Appendix A).

1.1.3 The majority required to pass a resolution

In regard to the majority required to approve the resolution to amend the Bank's Articles of Association, as aforesaid in Section 1.1.2, and although the controlling shareholders at the Bank do not currently serve as Bank officers, the Bank has determined, for the sake of prudence (and *ex gratia*) that the majority required to approve said resolution is the majority required by Article 262(b) of the Companies Law. Accordingly, the majority required at the general meeting and at the deferred general meeting to approve said resolution 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 is fulfilled:

- a. The counting of the majority votes at the general meeting will include a majority of the votes of shareholders who have no personal interest in the approval of the resolution, who are participating in the vote; abstaining votes will not be taken into account in the counting of the total votes of said shareholders;
- b. The total opposing votes among the shareholders referred to above in SS a. does not exceed two percent (2%) of the total voting rights at the Bank.

A shareholder participating in the voting, with regard to the resolution specified above in Section 1.1.2 shall notify the Bank prior to his voting; and if the vote is through a voting paper, shall mark in the designated place in Part B of the voting paper, attached as **Appendix B** to this immediate report, whether he is considered to have a personal interest in the approval of the resolution, and also describe the relevant connection, if any. Should a shareholder fail to notify or mark as aforesaid, or if he has marked and not provided a description as aforesaid, his vote shall not be counted.

In this report, "**personal interest**": an individual's personal interest in any activity or transaction of a company, including the personal interest of his relative and another corporation wherein he or his



relative are interested parties, and excluding personal interest arising from the very fact of 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 person 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 shall be considered a vote by the holder of the personal interest, whether the discretion of the vote is that of the voter or not.

1.2 **Amendment of the Bank’s letter of exemption and indemnity undertaking**

1.2.1 Description of the nature of the issue

Approval of the amended text of the Bank’s letter of exemption and indemnity undertaking (hereinafter: “**Amended Undertaking Letter**” or “**Undertaking Letter**”)

1.2.2 Text of the proposed resolution

Subject to the approval of the amendments to the Bank’s Articles of Association, as stated above in Section 1.1.2 – to approve the Bank’s letter of exemption and indemnity undertaking to directors and other officers, including the Chief Executive Officer of the Bank and controlling shareholders at the Bank and their relatives, as well as employees who serve from time to time, including those who have served in the past or may be appointed in the future, in accordance with the Amended Undertaking Letter attached to this immediate report as **Appendix C**. The proposed amendment to the current wording of the Bank’s Undertaking Letter are marked with an underline and a strikethrough in Appendix C.

The resolution in this Section 1.2.2 shall henceforth be called: the “**Resolution to Approve the Amended Undertaking Letter**”.

1.2.3 The Resolution to Approve the Amended Undertaking Letter was approved by the Bank’s Board of Directors on August 27, 2020, having received the approval of the Remuneration Committee on August 17, 2020.

Moreover, the Remuneration Committee and the Board of Directors have adopted the recommendation of the Audit Committee, according to which the Amended Undertaking Letter shall also apply to

whomsoever may serve, from time to time, as the Bank's Chief Internal Auditor; and the position of the Audit Committee, according to which the approval of the Amended Undertaking Letter, as aforesaid, is not to affect the professional discretion of the Bank's Chief Internal Auditor.

**Below are details in accordance with the Controlling Shareholders' Regulations regarding the Resolution to Approve the Amended Undertaking Letter.**

1.2.4 Approval of the Amended Undertaking Letter

a. **Background:**

- (1) On December 20, 2001, having received the approvals of the Bank's Audit Committee and Board of Directors, the Bank's general meeting approved a letter of exemption and indemnity undertaking (hereinafter: the "**Original Undertaking Letter**"); the principles of the aforesaid resolution were described in the report published by the Bank on November 28th, 2001, in accordance with the Controlling Shareholders' Regulations.
- (2) On October 28, 2004; May 14, 2006; November 9, 2011; September 20, 2012; and on December 23rd, 2015, the Bank's general meeting approved amended texts of the Original Undertaking Letter, after each such amended text was approved by the Bank's Audit Committee and/or Remuneration Committee (insofar as such an approval was required by law) as well as the Bank's Board of Directors. A summary of the details concerning the Original Undertaking Letter and the amendments made thereto, as aforesaid, are included in Sections 1.2.3 and 1.2.4 of the report published by the Bank on October 3, 2011 (Reference No. 2011-01-290787); in Section 1.6.5 of the report published by the Bank on August 15, 2012 (Reference No. 2012-01-211839); and in Section 1.4 of the (amended) report published by the Bank on December 7, 2015 (Reference No. 2015-01-175365), in accordance with the Controlling Shareholders' Regulations.

(The Undertaking Letter attached to the (amended) report published by the Bank on December 7, 2015, as aforesaid, which was approved by the general meeting on December 23, 2015, shall be henceforth called the “**Current Undertaking Letter**”).

- (3) To complete the picture, it is noted that on August 30, 2018 was the date on which the general meeting most recently approved the Current Undertaking Letter, in accordance with Article 275(a1)(1) of the Companies Law, in the matter of its applicability to the Bank’s controlling shareholders and their relatives, including those who have served in the past or may be appointed in the future.
- (4) Moreover, it is noted that further to the decisions of the Audit Committee on September 21, 2011 and August 12, 2012, the Audit Committee resolved at its meeting on December 7, 2015 that pursuant to the instructions of Article 275(a1)(2) of the Companies Law, the Current Undertaking Letter, in regard to its applicability to others entitled to indemnity thereby, who are not controlling shareholders and their relatives, shall be brought to re-approval when nine (9) years have passed from November 9, 2011 (i.e. on November 8, 2020), insofar as such an approval shall be required by law. This is since this transaction is one in which the Bank’s controlling shareholders have a personal interest, as detailed in this report.

**b. Description of the transaction’s principles:**

It is proposed to amend the Current Undertaking Letter, as detailed in the Amended Undertaking Letter, attached as Appendix C, and including as detailed below:

- (1) It is proposed to establish explicitly (to remove doubt) that the indemnity undertaking shall also apply to expenses, including reasonable litigation expenses, including legal attorney fees in connection also with a proceeding to impose a financial sanction, per Article D of Chapter 4 of Part IX of

the Companies Law, as amended from time to time, as specified in Section 2.2.6 of the Amended Undertaking Letter.

- (2) It is proposed to establish explicitly (to remove doubt) that the Undertaking Letter and all related thereto will be subject strictly to the laws of the state of Israel, and that the exclusive jurisdiction in any matter related thereto shall lie solely with the Tel-Aviv Jaffa District Court (unless the parties have appointed an arbitrator according to the Undertaking Letter).
- (3) The list of events included in the addendum to the Undertaking Letter
  - (a) In Article 260 of the Companies Law it was established, *inter alia*, that a company may indemnify its officer due to a monetary liability imposed in favor of another person by judgment, including a judgment granted in a settlement or an arbitrator's judgment approved by a court, if its Articles of Association establish an instruction permitting the company to give an officers' indemnity undertaking in advance, and provided that the indemnity undertaking is limited to events that, in the opinion of the Board of Directors, are to be expected given the *de facto* company operations when the indemnity undertaking is granted; and to a sum or a standard which the Board of Directors determined to be reasonable under the circumstances; and that the indemnity undertaking specifies the events that, in the opinion of the Board of Directors, are to be expected given the *de facto* company operations when the undertaking is granted, as well as the sum or standard which the Board of Directors determined to be reasonable under the circumstances.
  - (b) In accordance therewith, it is proposed to include clarifications, details and expanding to the list of events specified in the addendum to the Current Undertaking

Letter, in order to clarify and adjust the event list, per the events that, in the opinion of the Board of Directors, are to be expected given the *de facto* company operations when the indemnity undertaking is granted; as detailed above, the amendments to the Current Undertaking Letter in this regard are marked with an underline and a strikethrough in the Amended Undertaking Letter, which is attached as Appendix C.

- (4) In regard to the allocation of the period to re-approve the Amended Undertaking Letter (in addition to its approval per this report), in the matter of its applicability to those entitled thereby, who are not controlling shareholders and their relatives, see Section 1.2.7c below.

1.2.5 The names of the controlling shareholders, per this term's meaning in Article 268 of the Companies Law, who have a personal interest in the transaction and the nature of the personal interest; details of the rights that confer them control of the Bank, including their holdings at the Bank and voting agreements

- a. (1) The names of the controlling shareholders, as defined in Article 268 of the Companies Law, who have a personal interest in the Resolution to Approve the Amended Undertaking Letter, are the controlling shareholders whose names are listed in the notes regarding holders 1 through 3 in the immediate report on the holdings status of interested parties and senior officers, published by the Bank on July 7, 2020 (reference no 2020-01-064456) (hereinafter: "**Status Report**") and in the immediate report published by the Bank on August 9, 2020 (reference no. 2020-01-076270).
- (2) Mr. Eyal Ofer, who is among the Bank's controlling shareholders, may be considered to have a personal interest in the resolution to approve the Undertaking Letter, since his brother, Mr. Idan Ofer, had previously served as a director at the Bank; and as such, the Undertaking Letter applies to him.

(3) Mr. David Wertheim and Ms. Drorit Wertheim, who are among the Bank's controlling shareholders, may be considered to have a personal interest in said resolution, due to the interest of their father, the late Mr. Moshe (Muzi) Wertheim, who in the past had also been among the Bank's controlling shareholders, and who had previously served as a director at the Bank (until September 15, 2014) and as such, the Undertaking Letter applies to him.

(4) Details of the rights conferring control of the Bank to the aforesaid controlling shareholders, including a description of their holdings of voting rights and the Bank's issued and outstanding capital and voting agreements regarding the aforesaid voting rights, to which the controlling shareholders are party, are described in the notes regarding holders 1 to 3 in the Status Report and in the immediate reports published by the Bank on July 1, 2020 (reference no. 2020-01-062383), August 9, 2020 (reference no. 2020-01-076270), and August 18, 2020 (reference no. 2020-01-080740). These mentions constitute inclusion by way of reference to all information listed in the aforesaid notes regarding holders 1 to 3 in the Status Report and in the aforesaid immediate reports.

b. Moreover, it is noted that Ms. Liora Ofer, who in the past had been among the Bank's controlling shareholders (until February 7, 2019), had previously served as a director at the Bank (until February 7, 2019), and as such, the Undertaking Letter applies to her. Likewise, the late Mr. Yuli Ofer, Ms. Liora Ofer's father, had in the past been among the Bank's controlling shareholders, and had previously served as a director at the Bank (until December 24, 2008) and as such, the Undertaking Letter applies to him. In addition, Mr. Doron Ofer, who in the past had also been among the Bank's controlling shareholders, is the son of the late Mr. Yuli Ofer and the brother of Ms. Liora Ofer.

In this regard, it is noted that until the completion date of the separation transaction at the "Ofer Group" (on February 7, 2019),

Mr. Eyal Ofer, who is the cousin of Ms. Liora Ofer and the nephew of the late Mr. Yuli Ofer, was (indirectly) party to the agreements between the "Ofer Group Individuals" (among which are Ms. Liora Ofer and the late Mr. Yuli Ofer), as detailed in the notes on holders 3 through 5 in the immediate report published by the Bank on January 7, 2019 (reference no 2019-01-002787).

Further details regarding the Ofer Group's holdings at the Bank, including Ms. Liora Ofer and the late Mr. Yuli Ofer (prior to the completion date of the separation transaction at the "Ofer Group", as aforesaid), see the notes on holders 3 through 5 in the immediate report on the holdings status of interested parties and senior officers, mentioned above in this SS b.

- c. It is hereby clarified that the Undertaking Letter also applies to the controlling shareholders at the Bank and their relatives, who serve from time to time, including those who have served in the past or may be appointed in the future (even if their names are not specified above), and therefore these controlling shareholders and their relatives shall also have a personal interest in said resolution.

#### 1.2.6 The manner in which the remuneration was established

- a. The amendment of the Undertaking Letter was done, *inter alia*, to commit the changes detailed above in Section 1.2.4b.
- b. The text of the Amended Undertaking Letter, which shall apply to officers who are or were controlling shareholders at the Bank and their relatives (including those who may be appointed in the future) does not differ from the text of the Amended Undertaking Letter, which shall apply to directors and other officers, including the Chief Executive Officer of the Bank.
- c. It is hereby clarified that the Resolution to Approve the Amended Undertaking Letter will not change the maximum indemnification sum to be paid by the Bank to all who are entitled to indemnification under the Current Undertaking Letter.
- d. It is further clarified that the Resolution to Approve the Amended Undertaking Letter is in line with the remuneration policy for Bank

officers, which was approved by the Bank's general meeting on December 18, 2019 (hereinafter: the "**Remuneration Policy**").

- e. The rationale of the Remuneration Committee and the Board of Directors behind the approval of the Amended Undertaking Letter is specified below in Section 1.2.9.

1.2.7 Approvals required or conditions established for the execution of the transaction

- a. The Resolution to Approve the Amended Undertaking Letter was approved by the Bank's Remuneration Committee and Board of Directors (having adopted the recommendation and position of the Audit Committee, according to which the Amended Undertaking Letter shall also apply to whomsoever may serve, from time to time, as the Bank's Chief Internal Auditor, as specified above in Section 1.2.3), including in regard to the Amended Undertaking Letter's applicability to the Bank's controlling shareholders and their relatives, including those who have served in the past or may be appointed in the future, as per the Amended Undertaking Letter; and subject to the approval of the Resolution to Approve the Amended Undertaking Letter by the general meeting, as detailed above in Section 1.1.

Accordingly, the Resolution to Approve the Amended Undertaking Letter requires the approval of the Bank's general meeting, pursuant to the instructions of Articles 272(c1), 273 and 275 of the Companies Law. This approval is expected to be granted on October 15, 2020.

- b. The Resolution to Approve the Amended Undertaking in regard to its applicability to the Bank's controlling shareholders and their relatives shall be brought to re-approval by the lapse of three (3) years from the date on which the Resolution to Approve the Amended Undertaking Letter is approved by the Bank's general meeting (according to this report), insofar as required by law.
- c. Moreover, pursuant to the decisions mentioned above in Section 1.2.4a(4), and pursuant to the instructions of Article 275(a1)(2) of the Companies Law the Bank's Audit Committee approved, in its



meeting on August 17, 2020, that the Resolution to Approve the Amended Undertaking Letter, in regard to its applicability to others entitled thereunder, who are not the Bank's controlling shareholders and their relatives, shall be brought to re-approval as duly required (in addition to its approval according to this report) by the lapse of nine (9) years from the date on which the Resolution to Approve the Amended Undertaking Letter is approved by the general meeting, according to this report. In this regard, the Audit Committee confirmed that the allocated period of nine (9) years, as aforesaid, is reasonable under the circumstances, *inter alia* considering that it is appropriate to grant officers and other employees entitled to indemnification the required certainty in regard to the continued validity, over time, of the Undertaking Letter during the period of their service and employment.

1.2.8 Details of transactions of the same type as this transaction or transactions similar thereto between the Bank and the controlling shareholders

- a. In the periodic report for 2019 published by the Bank on February 25, 2020 (reference no. 2020-01-018930), in Section c.4), 5), 6), 7), 8) and 9) of Note 26 of the financial reports for 2019, undertakings to indemnify officers and employees granted by the Bank, as well as undertakings to indemnify officers and employees granted by Tefahot Mortgage Bank and a consolidated company which was owned and controlled fully by it and by the Adanim Mortgage Bank Ltd, which were the Bank's subsidiaries and were merged into the Bank, in the framework of which the Bank had taken the aforesaid undertakings upon itself, are described. This mention constitutes inclusion by way of reference to all information listed in Section C in this matter, as aforesaid.
- b. On April 18, 2000, the general meeting of the Bank approved the grant of an indemnity undertaking to officers at the Bank (hereinafter in this section: "**2000 undertaking**") according to which the Bank undertook to indemnify officers under the

conditions detailed in the 2000 undertaking, due to a sale offer of the Bank's securities to the public, according to a prospectus which was to be published in 2000 (hereinafter: "2000 prospectus") and in connection with it, provided that the indemnity sum to be paid by the Bank to all officers, in the aggregate, according to the 2000 undertaking, did not exceed CPI-linked ILS 1,000 million, as detailed in the immediate report published by the Bank in this matter on March 23, 2000. However, the 2000 prospectus was not published by the Bank and only a draft thereof was served to the Securities Authority.

In the event that the 2000 prospectus is not published, the 2000 undertaking established as follows:

"5.1 The undertaking to indemnify shall enter into force upon the publication of the prospectus and the completion of the securities offer thereby, and likewise if the prospectus is published but the securities offer is not completed due to its cancellation for any reason; however, if the prospectus is not published, the undertaking to indemnify shall apply to financial liabilities and legal expenses as aforesaid in Section 1 above, which were incurred or shall be incurred to the officer due to criminal or civil proceedings served by a member of the public in connection with or as a result of a draft of the prospectus served to the Securities Authority, and anything connected to or deriving therefrom, whether directly or indirectly."

1.2.9 The rationale of the Remuneration Committee and Board of Directors' reasons for approving the transaction, the value of the compensation and the manner in which it was established

The following was specified, *inter alia*, in the Remuneration Committee and the Board of Directors' rationale for approving the Amended Undertaking Letter:

- a. (1) The amendments to the Undertaking Letter were made, *inter alia*, in order to establish explicitly (to remove doubt) that the Undertaking Letter shall also apply in connection with expenses incurred by a proceeding to impose a financial

sanction, per the Companies Law; and likewise that the Undertaking Letter and all related thereto will be subject strictly to the laws of the state of Israel, and that the exclusive jurisdiction shall lie solely with the Tel-Aviv Jaffa District Court (as detailed above in Section 1.2.4b).

- (2) Moreover, the amendment of the list of events specified in the addendum to the Current Undertaking Letter was made in order to include clarifications, details and expanding in the list of events in the Amended Undertaking Letter, in order to clarify and adjust the event list, per the events that, in the opinion of the Board of Directors, are to be expected given the de facto company operations when the indemnity undertaking is granted.
- b. The approval of the Amended Undertaking Letter will contribute to those entitled thereunder being able to operate independently, while employing discretion at liberty, and fulfill their position as appropriate, professionally and responsibly, without fear, in the Bank's favor, considering, *inter alia*, the complexity of the Bank's operations, as well as the risks and exposures involved in their activities and the personal responsibility placed upon them by law.
  - c. The Resolution to Approve the Amended Undertaking Letter is in line with the remuneration policy for the Bank's officers.
  - d. The Resolution to Approve the Amended Undertaking Letter does not change the maximum indemnification sum that the Bank shall pay to all those entitled to indemnity under the Current Undertaking Letter.
  - e. It is hereby clarified that the text of the Amended Undertaking Letter shall apply with the same conditions to all directors and other officers, without giving priority of any kind to the Bank's Chief Executive Officer, the Bank's controlling shareholders or their relatives.
  - f. The Remuneration Committee and the Board of Directors have determined that the Resolution to Approve the Amended Undertaking Letter does not include "distribution" (per its

definition in Article 1 of the Companies Law), by its nature, essence and conditions, and that there is no reasonable concern that said resolution might prevent the Bank's ability to fulfill its existing and anticipated obligations, when the time of their fulfilment arrives.

- g. The Resolution to Approve the Amended Undertaking Letter is in favor of the Bank and the promotion of its goals from a long-term view.

1.2.10 The name of each director who has a personal interest in the Resolution to Approve the Amended Undertaking Letter

All of the directors at the Bank are considered as having a personal interest in the Resolution to Approve the Amended Undertaking Letter, by virtue of being officers at the Bank.

1.2.11 The power of the Securities Authority

Pursuant to the Controlling Shareholders' Regulations, the Securities Authority or an employee so designated thereby (hereinafter: "**the Authority**") may, within twenty-one days of the report's submission, instruct the Bank to provide an explanation, details, information and documents regarding the Resolution to Approve the Amended Undertaking Letter, within a timeframe it shall establish; and likewise to instruct the Bank to amend the report in the manner and within the timeframe it shall establish. Once such an instruction to amend the report has been given, the Authority may instruct the deferral of the general meeting, as stated in the Controlling Shareholders' Regulations. The Bank will submit an amendment and likewise publish a notice regarding this matter, per the aforesaid instruction in the manner established by the Controlling Shareholders' Regulations, all unless instructed otherwise by the Authority.

If an instruction has been given to defer the date of the general meeting's convening, the Bank will announce such instruction in an immediate report.

1.2.12 The majority required to pass the resolution

The majority required at the general meeting and at the deferred general meeting to approve the Amended Undertaking Letter, as

aforesaid in Section 1.2.2, is an ordinary majority of the shareholders present at the general meeting, who are entitled to vote and voting thereat, provided that one of the following is fulfilled:

- a. The counting of the majority votes at the general meeting will include a majority of the votes of shareholders who are not controlling shareholders at the Bank, nor have any personal interest in the approval of the resolution, who are participating in the vote; abstaining votes will not be taken into account in the counting of the total votes of said shareholders;
- b. The total opposing votes among the shareholders referred to above in SS a. does not exceed two percent (2%) of the total voting rights at the Bank.

A shareholder participating in the voting, with regard to the Resolution to Approve the Amended Undertaking Letter, shall notify the Bank prior to his voting; and if the vote is through a voting paper, shall mark in the designated place in Part B of the voting paper, which is attached as **Appendix B** to this immediate report, whether he is considered to be a controlling shareholder at the Bank or anyone on his behalf, or whether he has a personal interest in the approval of the resolution, and also describe the relevant connection, if any. Should a shareholder fail to notify or mark as aforesaid, or if he has marked and not provided a description as aforesaid, his vote shall not be counted.

In this report, “**personal interest**”: per its meaning above in Section 1.1.3.

1.3 **Approval of the service and employment terms of Mr. Moshe Lari, the Bank’s designated CEO, with respect to his tenure as the Bank’s CEO, which will begin on September 16, 2020**

1.3.1 **Description of the nature of the issue:** The approval of the service and employment terms of Mr. Moshe Lari, the Bank’s designated CEO, with respect to his tenure as the Bank’s CEO, which will begin on September 16, 2020 (hereinafter in this report: the “**CEO**”).

1.3.2 **The proposed resolution:** To approve the service and employment terms of Mr. Moshe Lari, with respect to his tenure as the Chief Executive Officer of the Bank, for a period beginning on September 16, 2020, including the Bank’s engagement in an employment agreement with the CEO, as well as the remuneration plan to be granted to him

(which includes a monetary bonus and a long-term capital remuneration), as detailed in **Appendix D** of this report; this, without derogating from the rights granted to Mr. Moshe Lari in the past by the Bank (hereinafter: the “**Employment Agreement**” and the “**CEO’s Terms of Service and Employment**”, as applicable).

1.3.3 **The principle facts required to understand the matter:**

- a. On June 8, 2020, the Bank’s Board of Directors approved the appointment of Mr. Moshe Lari as the Chief Executive Officer of the Bank, as of September 16, 2020.
- b. Mr. Lari began his work at Tefahot Israel Mortgage Bank Ltd (hereinafter: “**Tefahot Bank**”) in March 1998, and in April 2001, he was appointed as Tefahot Bank’s Chief Accountant. In October 2006, Mr. Lari was appointed as the head of the Bank’s Planning and Economics Sector. On November 8, 2009, he began to serve as a deputy CEO – the head of the Bank’s Operation, Planning and Control Division; and on July 14, 2011, he also began to serve as the head of the Customer Assets and Consultation Division (said divisions were merged into a single division on that date). On August 16, 2013, Mr. Lari began to serve as head of the Bank’s Financial Division (CFO).

Furthermore, Mr. Lari currently serves, and has served in the last five years (unless stated otherwise) in the Bank’s subsidiaries, as detailed below: Mizrahi Tefahot Issuance Company Ltd (Chairman of the Board of Directors, a position from which Mr. Lari resigned on August 10, 2020); Mizrahi Tefahot Trust Company Ltd (Chairman of the Board of Directors); United Mizrahi Overseas Holding Co. B.V. (Netherlands) (Chairman of the Board of Directors); Yahav Bank for Government Employees Ltd (director, a position from which Mr. Lari resigned on July 26, 2020); Netzivim Assets & Equipment Ltd (director, a position from which Mr. Lari resigned on August 10, 2020); United Mizrahi Bank Switzerland (director); United Mizrahi International Investments N.V. (director).

- c. Mr. Lari holds a bachelor of sciences degree in Economics and Accounting (from the Hebrew University in Jerusalem), an MBA (from the Tel-Aviv University) and is a certified public accountant.
- d. It is hereby clarified that until the commencement date of Mr. Lari's tenure as the CEO of the Bank (i.e. until September 15, 2020), the employment terms per the personal employment agreement signed between him and the Bank, regarding his employment period at the Bank prior to his appointment as CEO, will continue to apply.

1.3.4 **Details regarding the CEO's Terms of Service and Employment, in accordance with the Sixth Addendum to the Periodic and Immediate Report Regulations**

Below are details regarding the remunerations to which Mr. Moshe Lari shall be entitled, as specified below:

- a. For the year 2020 (assuming employment for a full calendar year period):
    - (1) For the period from January 1, 2020 and until September 15, 2020: According to the personal employment agreement signed between the Bank and Mr. Moshe Lari, regarding his employment period at the Bank prior to his appointment as CEO (hereinafter: "**Previous Employment Terms**");
    - (2) For the period from September 16, 2020 and until December 31, 2020: According to the service and employment terms of Mr. Moshe Lari as the CEO of the Bank, as detailed in Appendix D to this report.
  - b. Furthermore, below are details regarding the remunerations to which the CEO shall be entitled for the year 2021, according to the CEO's Terms of Service and Employment, as detailed in Appendix D to this report (assuming employment for a full calendar year period):
-

Name	Position	Position Scope	Holding percentage of the corporation's capital <sup>1</sup>
Moshe Lari	CEO	100%	-

Annual remuneration (In ILS K) for 2020 and 2021 <sup>1)</sup>									
To Mr. Moshe Lari									
(In terms of cost to the Bank)									
	Salary <sup>(2)</sup>	Other wage components <sup>(3)</sup>	Other		Bonus <sup>(6)</sup>	Share-based payment <sup>(7)</sup>	Management fees/ Consultation fees/ Commission/ Rent fees	Total remuneration cost <sup>(8)</sup>	Social benefits under the law <sup>(9)</sup>
			Social benefits <sup>(4)</sup>	Value of benefits and interest <sup>(5)</sup>					
<b>2020</b>	1553	108	214	110	--	425	--	2410	230
<b>2021</b>	2760	110	297	150	--	--	--	3317	409

**Table notes:**

- 1) The remuneration sums are given in terms of annual cost to the Bank (not including wage tax).
- (a) The remuneration for the year 2020 (assuming employment for a full calendar year period) was calculated as follows: For the period from January 1, 2020 and until September 15, 2020 – according to Mr. Moshe Lari's Previous Employment Terms; and for the period from September 16, 2020 and until December 31, 2020 - according to Mr. Moshe Lari's terms of service and employment as the CEO of the Bank, as detailed in Appendix D to this report;
- (b) The remuneration for the year 2021 (assuming employment for a full calendar year period) was calculated according to Mr. Moshe Lari's terms of service and employment as the CEO of the Bank, as detailed in Appendix D to this report.
- 2) Mr. Lari's (gross) monthly salary for the period from January 1, 2020 and until September 15, 2020 (according to his Previous Employment Terms) is in the total sum of ILS 87,952 (the salary is fully linked to increases in the Consumer Price Index, based on the index for the month of November 2016).

<sup>1</sup> For details regarding Mr. Lari's holdings of option warrants issued by the Bank, see the immediate report on "The Holdings Status of Interested Parties and Senior Officers" published by the Bank on July 7, 2020 (reference no. 2020-01-064456); and the immediate report on "Changes in the Holdings of Interested Parties and Senior Officers", published by the Bank on July 26, 2020 (reference no. 2020-01-078816).



Under the service and employment terms being offered to Mr. Lari, his (gross) monthly salary during his tenure as CEO (beginning on September 16, 2020) is in the total sum of ILS 230,000 (the salary is fully linked to increases in the Consumer Price Index, based on the index for the month of August 2020).

The salary sum specified above in the table does not include provisions for social benefits, nor other benefits.

- 3) These components include the tax gross-up values for a car, mobile phone and home communication expenses and convalescence pay.
- 4) (a) Provisions to the advanced study fund, social benefits (above the severance pay and remunerations due under the law), national insurance (employer's share) and annual leave; the sums specified above in the table are assuming a full utilization of the entitlement to annual leave days.
- (b) Moreover:
- (1) Mr. Lari is entitled to an adjustment bonus in the total sum of 6 monthly salaries (without provisions to social benefits) under the Previous Employment Terms (prior to his appointment as the CEO of the Bank); the cost of the adjustment bonus was fully provided in the Bank's financial reports. In this regard, it is noted that the adjustment bonus for the end of the transitory period established in the Senior Officers' Wage Law, i.e. for October 12, 2016 (hereinafter: "**End of the Transitory Period**") was fully provided in the Bank's financial reports prior to the End of the Transitory Period, as detailed in Section 4.9.3a. of Appendix D to this report.
- Moreover, according to his Employment Agreement as the CEO of the Bank, Mr. Lari is entitled to an addition to the sum of the adjustment bonus in the sum of the Bank's provisions to social benefits, calculated on the basis of six (6) monthly salaries, per his last salary on the eve of his appointment as the CEO of the Bank (hereinafter: "**Adjustment Bonus Differences**"); the Adjustment Bonus Differences shall be accrued during the first two years of his tenure as the Bank's CEO, as detailed in Section 4.9.3 of Appendix D to this report.
- The sums presented above in the table include the components specified above in note 4)(a), in addition to the sum of the expenditure due to the Adjustment Bonus Differences, as aforesaid, in the total sum of ILS 39,000 *per annum*, which may be imputed (according to the service and employment terms being offered to the CEO) in the years 2020 and 2021.
- (2) The Remuneration Committee and the Board of Directors may, at their discretion, grant the CEO an additional adjustment bonus sum (beyond the sums specified above in Note (b)(1) and without prejudice to them); the entitlement to the additional adjustment bonus sum (insofar as it will be approved) will be accrued during the first two years of the CEO's tenure, in accordance with his experience as the Bank's CEO, and contingent upon the permitted remuneration cap under the Senior Officers' Wage Law, as specified in Section 4.9.3e. of Appendix D to this report.
- (3) The CEO is entitled to a retirement bonus, according to his Previous Employment Terms (prior to his appointment as the CEO of the Bank) in an amount equal to 150% of the last monthly salary for December 2016, multiplied by the number of his years of employment at the Bank until the end of 2016, as specified in Section 4.9.4 of Appendix D to this report; the cost of the retirement bonus accrued for the CEO until the

end of 2016, as aforesaid, was fully provided in the Bank's financial reports prior to the End of the Transitory Period (i.e. before October 12, 2016).

It is noted that the cost of the adjustment bonus (without Adjustment Bonus Differences) and the retirement bonus accrued in the past and fully provided in the Bank's financial reports prior to October 12, 2016, as aforesaid, will not be taken into account for the purpose of calculating the total remuneration which the Bank may pay to the CEO under the Senior Officers' Wage Law, including under Article 2(b) of said law.

- 5) Car, mobile phone and home communication expenses, leisure, holiday gift and life insurance.
- 6) (a) According to the remuneration policy for Bank officers, approved by the Bank's general meeting on December 18, 2019; and according to the remuneration plan for Bank officers (hereinafter: the "**remuneration policy**" and the "**remuneration plan**", respectively), the cap of the monetary bonus to which Mr. Moshe Lari shall be entitled, in his capacity as the head of the Financial Division (who is included among the "other officers", per their definition in Section 2 of the remuneration policy, who are not gatekeepers) for the period from January 1, 2020 and until September 15, 2020, is in the total sum of ILS 425,000 (plus linkage differences). Said monetary bonus is based on performance; as such, Mr. Lari's entitlement to the monetary bonus for said period is contingent upon the fulfilment of the prerequisite established in this regard (as detailed in Section 6.2 of the remuneration policy), and shall be determined based on the quantitative indices and the qualitative index specified in this regard in Section 6.5 of the remuneration policy and in the remuneration plan. Therefore, Mr. Lari shall be entitled to the monetary bonus cap, as aforesaid, only if the quantitative indices are achieved in full and only if he is granted the full sum due by the qualitative indices, all as specified in Section 6.5 of the remuneration policy. It is hereby clarified that Mr. Lari's entitlement to the monetary bonus, as aforesaid, is contingent upon the permitted remuneration cap under the Senior Officers' Wage Law, as detailed in Section 7 of the remuneration policy.
- (b) In accordance with the CEO's Terms of Service and Employment, the Remuneration Committee and the Board of Directors may, at their discretion, grant the CEO a monetary bonus for the period that begins on September 16, 2020 and ends on December 31, 2020, as well as for each calendar year as of 2021 (hereinafter: "**Bonus Year**"), as stated in Section 5.3 of Appendix D to this report. The monetary bonus for each bonus year, in addition to the value of the capital remuneration (mentioned below in Note (7)(b)) shall not exceed the sum total of three (3) monthly salaries in a bonus year, or a proportional part of this sum, for part of a bonus year. It is hereby clarified that the CEO's entitlement to a monetary bonus (insofar as it may be decided to grant it) is subject to the fulfilment of the prerequisite established in this regard, and contingent upon the permitted remuneration cap under the Senior Officers' Wage Law, as specified in Section 5 of Appendix D to this report.
- 7) (a) According to the outline of an offer to employees published by the Bank on June 22, 2020, reference no. 2020-01-056299 (hereinafter: the "**outline**"), the Bank granted Mr. Moshe Lari, in his capacity as the head of the Financial Division, 42,627 performance-based A option warrants for the period from January 1, 2020 and until September 15, 2020, all as described in the outline, including Section 2.5.2 of the outline. The fair value of said option warrants on the date of the Board of Directors' approval of the issuance proposed under the outline is ILS 425,000 (see Section 5.2.4a of the outline); in this regard, it is noted that the CEO's entitlement to said option warrants is contingent upon the fulfilment of the prerequisite established in this regard, and shall be determined based on the quantitative indices and the qualitative index specified in the outline. Therefore, Mr. Lari shall be entitled to

the full amount of the option warrants granted to him only if the quantitative indices and the qualitative index are achieved in full (as detailed in Section 2 of the outline), and contingent upon the permitted remuneration cap under the Senior Officers' Wage Law, as specified in Section 5 of Appendix D to this report.

- (b) Since the Bank issued option warrants, *inter alia*, to the officers at the Bank, for the year 2020, according to the outline, the Remuneration Committee and the Board of Directors may determine, at their discretion, that all or part of the performance-based remuneration to be granted to the CEO for the proportional part of 2020 (from September 16, 2020 and until the end of 2020) shall include capital remuneration, per the terms determined in this regard by the Remuneration Committee and the Board of Directors, at their discretion, *inter alia* in accordance with the instructions set forth in this regard in the remuneration policy.

Moreover, should the Remuneration Committee and the Board of Directors decide that the performance-based remuneration to be granted to Bank officers (who are neither the CEO nor directors) for any bonus year, from 2021 and onwards, will also include a capital remuneration (which is a variable remuneration) (hereinafter: "**Capital Remuneration**"), the Remuneration Committee and the Board of Directors may determine, at their discretion, that all or part of the performance-based remuneration to be granted to the CEO for that bonus year shall include capital remuneration, under the terms that will be determined in this regard by the Remuneration Committee and the Board of Directors, at their discretion, *inter alia* according to the instructions set forth in this regard in the Bank's remuneration policy, or according to the instructions that will be set forth in this regard in the Bank's remuneration policy, as it may be from time to time, with the necessary changes;

The value of the capital remuneration, as detailed in this SS (b) above, in addition to the monetary bonus that will be given to the CEO for a bonus year (insofar as it may be granted), mentioned above in Note 6(b), shall not exceed the sum total of three (3) monthly salaries in a bonus year, or a proportional part of this sum, for part of a bonus year.

It is hereby clarified that the CEO's entitlement to a capital remuneration (insofar as it may be decided to grant it) is subject to the fulfilment of the prerequisite established in this regard, and contingent upon the permitted remuneration cap under the Senior Officers' Wage Law, as specified in Section 5 of Appendix D to this report.

- <sup>8)</sup> Not including social benefits under the law.
- <sup>9)</sup> The sum of the monetary bonus for the period from January 1, 2020 and until September 15, 2020 will be added to the sum presented in the table (as specified in Note 6(a) of the above table); moreover, the sum of the monetary bonus (specified in Note 6(b) of the above table) and the capital remuneration (as specified in Note 7(b) of the above table), to which the CEO will be entitled (insofar as he may be) for the period from September 16, 2020 and until December 31, 2020, and for the year 2021, will be added to the sum presented in the table.
- <sup>10)</sup> Provisions to a pension fund and executive insurance, at the expense of the Bank, for the years 2020 and 2021 in their entirety; in this regard, it is noted that these provisions will not be taken into account for the purpose of calculating the total remuneration which the Bank may pay the CEO under the Senior Officers' Wage Law, including according to Article 2(b) of the aforesaid law.

1.3.5 The ratio between the cost of the CEO’s remuneration and the cost of the average and median remuneration of the rest of the Bank’s employees

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

The ratio between the cost of the maximum monthly remuneration of the CEO and the monthly average remuneration of Bank Employees	The ratio between the cost of the maximum monthly remuneration of the CEO and the monthly median remuneration of Bank Employees
12.4	16.1

<sup>(1)</sup> The amounts were calculated according to the monthly average of the annual data of the CEO’s maximum remuneration, in accordance with the Employment Agreement, as detailed in Section 4 of Appendix D to this report, including the performance-based remuneration at a sum of up to three (3) salaries (as specified in Section 5 of Appendix D to this report), which the Bank is currently not allowed to pay, due to the restrictions established under the Senior Officers’ Wage Law. It is hereby clarified that these sums do not take into account the adjustment bonus to which Mr. Moshe Lari is entitled under his terms of employment prior to his appointment as the CEO (as specified in Section 4.9.3a. of Appendix D to this report). Moreover, the additional sum of the adjustment bonus, which has yet to be approved by the Remuneration Committee and the Board of Directors (as detailed in Section 4.9.3e. of Appendix D to this report), and which the Bank is currently not allowed to pay, due to the restrictions established under the Senior Officers’ Wage Law, was also not taken into account. Had the additional sum of the adjustment bonus been taken into account, as aforesaid, averaged in a straight line upon three (3) years, then the ratio between the cost of the CEO’s monthly remuneration and the cost of the monthly average remuneration of Bank Employees (as stated below in Note (2) to the table) would have been 13.3; and the ratio between the cost of the CEO’s monthly remuneration and the cost of the median average remuneration of Bank Employees would have been 17.4.

<sup>(2)</sup> 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 2019, including monetary bonuses that were paid in 2019 and including the fair value of option warrants, as calculated on the date of the Board of Directors' decision to approve the issuance of the option warrants, in accordance with the option warrant exercise entitlement rate, as determined for 2019, in accordance with the 2019 annual financial reports; with respect to employees who were employed part-time, or who were only employed for part of 2019, the remuneration was calculated in a manner so as to reflect remuneration for a full-time yearly position.

In this regard, it is noted that the ratio between the cost of the monthly remuneration of the CEO (per the Employment Agreement) which the Bank may currently pay, considering the restrictions established under the Senior Officers' Wage Law (as specified in section 4.6.1 of Appendix D), and the cost of the average monthly remuneration of Bank Employees (as provided in Note (2) to the table above) is 10.8; and 14.1 between the cost of the median monthly remuneration of Bank Employees.

1.3.6 Components of the CEO's remuneration, which may be considered as remuneration components which are not in accordance with the remuneration policy

The CEO's Terms of Service and Employment, beginning on September 16, 2020, were determined in accordance with the remuneration policy for Bank officers, which was approved by the Bank's general meeting on December 18, 2019 (hereinafter: the "**remuneration policy**"), subject to that which is stated below:

a. **Anti-competition adjustment bonus** (hereinafter: the "**adjustment bonus**")

- (1) In accordance with Section 9.2 of the remuneration policy, the entitlement to the adjustment bonus shall be accrued during the first two (2) years of tenure as the Bank's CEO; half of the adjustment bonus (in the sum of three (3) salaries plus the provisions in respect thereof) shall be considered part of the CEO's fixed remuneration and paid shortly after the time at which the employer-employee relations are terminated; whereas the other half of the adjustment bonus (in the sum of three (3) salaries plus the provisions in respect thereof) shall be considered part of

the CEO's variable remuneration, and averaging as detailed in Section 4.9.3d. of Appendix D to this report.

In the matter at hand (and as detailed in Section 4.9.3a. of Appendix D to this report), Mr. Moshe Lari is entitled to an adjustment bonus in the sum of 6 monthly salaries (without social provision) per the terms of his employment prior to his appointment as the CEO of the Bank, regardless of his tenure as the CEO of the Bank; likewise, the full sum of the adjustment bonus according to his Previous Employment Terms, as aforesaid, shall be paid shortly after the time at which the employer-employee relations are terminated (and shall not be averaged), in accordance with the "transitory instructions" established in this matter by the Supervisor of Banks (in the Proper Conducts of Banking Business directives) regarding the lack of prejudice to rights accrued in the past.

- (2) It is hereby clarified that the adjustment bonus differences to which Mr. Lari shall be entitled due to his tenure as the CEO of the Bank (as detailed in Section 4.9.3b. of Appendix D to this report), as well as the additional adjustment bonus sum (as detailed in Section 4.9.3e. of Appendix D to this report), insofar as the Remuneration Committee and the Board of Directors may approve it, shall fall under the instructions established in this regard in the remuneration policy (in regard to both the accrual of entitlement to the adjustment bonus differences and the payment dates), as detailed in Section 4.9.3 of Appendix D to this report.

**b. Retirement bonus accrued for Mr. Moshe Lari until the end of 2016 (according to his employment terms prior to his appointment as the CEO of the Bank)**

In accordance with the remuneration policy, an officer who is neither the CEO nor a director, is entitled to a retirement sum accrued for the period until December 31, 2016, in an amount equal to 150% of the last monthly salary for December 2016,

multiplied by the number of his years of employment at the Bank until the end of 2016.

It was further established in the remuneration policy that said retirement bonuses would be considered a variable remuneration, and paid to said officers according to their terms, at the time at which the employer-employee relations are terminated between them and the Bank; and the instructions regarding the averaging of the retirement bonus and the rest of the conditions established in Section 9.4 of the remuneration policy shall apply in this regard.

In the matter at hand, Mr. Lari is entitled to a retirement bonus under his Previous Employment Terms as an officer at the Bank (who is neither the CEO nor a director), in an amount equal to 150% of the last monthly salary for December 2016, multiplied by the number of his years of employment at the Bank until the end of 2016 (hereinafter: "**Retirement Bonus**"), as specified in Section 4.9.4 of Appendix D to this report; according to the personal employment agreement signed between the Bank and the CEO, regarding his employment period at the Bank prior to his appointment as CEO, the Retirement Bonus accrued for the Mr. Lari until the end of 2016, as aforesaid, shall be paid in full near the termination date of the employer-employee relations<sup>2</sup>; i.e. the averaging instructions shall not apply to it, nor shall the rest of the conditions established in Section 9.4 of the remuneration policy.

It is noted that the cost of the Retirement Bonus accrued for the CEO (according to his employment terms prior to his appointment as the CEO of the Bank) until the end of 2016 was fully provided

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<sup>2</sup> Per the rights for retirement bonuses of officers who are not directors, who had served at the Bank prior to June 3, 2013, in accordance with the "transitory instructions" established in this matter by the Supervisor of Banks (in the Proper Conducts of Banking Business directives or per the Supervisor of Banks' approval) regarding the lack of prejudice to rights accrued in the past (in this regard, see Footnote 24 to Section 9.3.2 of the remuneration policy).

in the Bank's financial reports prior to the End of the Transitory Period<sup>3</sup>.

1.3.7 The service and employment terms being offered to Mr. Moshe Lari, as CEO of the Bank, under the Employment Agreement, relative to the service and employment terms of Mr. Eldad Fresher as CEO of the Bank

The service and employment terms of Mr. Eldad Fresher, who is serving as the Chief Executive Officer of the Bank until September 15, 2020, were detailed in Appendix C to the (supplementary) immediate report published by the Bank on December 2, 2019 (reference no. 2019-01-105612) and approved by the general meeting on December 18, 2019.

Below are the main changes between the service and employment terms being offered to Mr. Moshe Lari, as CEO of the Bank, under the Employment Agreement, and said service and employment terms of Mr. Eldad Fresher as CEO of the Bank:

a. **Salary:**

- (1) According to the service and employment terms being offered to Mr. Lari, his monthly salary during his tenure as CEO shall be in the gross total sum of ILS 230,000 (including linkage differences based on the index for the month of August 2020).
- (2) Mr. Eldad Fresher's monthly salary, according to his (current) terms of service and employment as the CEO of the Bank, is in the gross total sum of ILS 238,000 (including linkage differences based on the index for the month of October 2019).

b. **Anti-competition adjustment bonus:**

- (1) As specified above in Section 1.3.6a., Mr. Moshe Lari is entitled to an adjustment bonus in the total sum of 6 monthly salaries (without social provisions) per the terms of his employment prior to his appointment as the CEO of

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



the Bank (per his last salary on the eve of his appointment as the CEO of the Bank), which shall be paid shortly after the time at which the employer-employee relations are terminated; moreover, according to his Employment Agreement as the CEO of the Bank, Mr. Lari is entitled to an addition to the adjustment bonus sum, in the sum of the social provisions, calculated on the sum of six (6) monthly salaries (per his last salary on the eve of his appointment as the CEO of the Bank), half of shall be paid to him near the termination date of the employer-employee relations, and to half of which the averaging instructions and the rest of the conditions established in Section 9.4 of the remuneration policy shall apply (as detailed in Section 9.4.3 of Appendix D to this report).

Moreover, the Remuneration Committee and the Board of Directors may, at their discretion, grant the CEO an “additional adjustment bonus sum” (beyond the sums specified above and without prejudice to them), which is contingent upon the remuneration cap permitted by the Senior Officers' Wage Law, all as detailed in Section 4.9.3e. of Appendix D to this report. In this regard, it is noted that if it is decided to grant the additional adjustment bonus sum to the CEO, then the total sum of the adjustment bonus to which the CEO shall be entitled, as specified above in this Paragraph (1), shall be based on the same principles according to which Mr. Eldad Fresher's adjustment bonus shall be calculated (i.e. six (6) monthly salaries, per the last salary on the termination date of employer-employee relations, plus the social provisions incurred thereby), as detailed below in Paragraph (2).

- (2) According to Mr. Eldad Fresher's terms of employment as the Bank's CEO, he is entitled to an adjustment bonus in the total sum of six monthly salaries (as aforesaid in SSa.(2)) in addition to social provisions calculated on the

sum of said six salaries; half of the adjustment bonus sum, plus the social provisions, as aforesaid, shall be paid to him near the termination date of the employer-employee relations, and to half of which the averaging instructions and the rest of the conditions established in Section 9.4 of the remuneration policy shall apply;

All contingent upon the remuneration cap permitted under the Senior Officers' Wage Law.

**c. Retirement Bonus**

As detailed above in Section 1.3.6b., the Retirement Bonus according to Mr. Moshe Lari's employment terms as a Bank officer (which was accrued prior to his appointment as the CEO of the Bank) shall be paid in full near the termination date of the employer-employee relations, and the averaging instructions and the rest of the conditions established in Section 9.4 of the remuneration policy shall not apply to it, due to the "transitory instructions", as detailed in Footnote no. 2 to Section 1.3.6 above; this differs from Mr. Eldad Fresher's retirement bonus, to which the averaging instructions and the rest of the conditions established in Section 9.4 of the remuneration policy do apply.

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

- a. On August 27, 2020, having received the approval of the Remuneration Committee on August 17, 2020, the Bank's Board of Directors approved Mr. Moshe Lari's terms of service and employment, with respect to his tenure as the Chief Executive Officer of the Bank, for a period beginning on September 16, 2020, including the Bank's engagement in an employment agreement with the CEO, as well as the remuneration plan to be granted to him (which includes a monetary bonus and a long-term capital remuneration), all as detailed in Appendix D to this

report, without derogating from the rights granted to Mr. Moshe Lari in the past by the Bank.

Said decisions were made unanimously by all Remuneration Committee members who had participated in the Remuneration Committee meeting on August 17, 2020, as well as all members of Board of Directors who had participated in the Board of Directors' meeting on August 27, 2020.

- b. To the best of the Bank's knowledge, the directors at the Bank have no personal interest in the resolution to approve the service and employment terms of the Bank's CEO.
- c. The following documents and information, *inter alia*, were presented to the Remuneration Committee and the Board of Directors:
  - (1) The remuneration policy for officers at the Bank.
  - (2) The principles of the service and employment terms being offered to the CEO of the Bank, under the Employment Agreement.
  - (3) The principles of Mr. Moshe Lari's employment terms, prior to his appointment as the CEO of the Bank (in his capacity as the head of the Financial Division - CFO).
  - (4) The principles of Mr. Eldad Fresher's service and employment terms, in his capacity as the CEO of the Bank.
  - (5) Data regarding the service and employment terms of the Chairman of the Bank's Board of Directors, Mr. Moshe Vidman.
  - (6) Data regarding the ratio between the cost of the remuneration offered to the CEO under the Employment Agreement, and the cost of the average and median remuneration of the rest of the Bank's employees, including the employees of the Bank's fully-controlled subsidiaries (and including contractor employees).
  - (7) Data comparing the remuneration offered to the CEO and the remuneration of the CEOs at the four other major banks in Israel.

- (8) Data regarding the calculation of the remuneration cap permitted under the Senior Officers' Wage Law, including the sum of the expenditure due to the lowest remuneration which the Bank has paid to an employee (including a contractor employee) in the year preceding the date of the approval of the CEO's Terms of Service and Employment.
- (9) The Remuneration of Officers of Financial Institutions (Special Approval and Limitations on Expenses on account of Extraordinary Remuneration), 5776-2016;
- (10) Proper Conduct of Banking Directive No. 301A on the matter of remuneration policies at banking corporations.

1.3.9 The rationale of the Remuneration Committee and the Board of Directors behind the approval of the CEO's Terms of Service and Employment

Below are the reasons for the approval of the CEO's Terms of Service and Employment:

- a. The CEO's Terms of Service and Employment were formulated, *inter alia*, taking into account his education, skills, achievements, seniority at the Bank and the managerial experience acquired as part of his various positions at the Bank, as well as the importance of the CEO's tenure over time.
- b. The CEO's Terms of Service and Employment, beginning on September 16, 2020, were determined in accordance with the Bank's remuneration policy, taking into account, *inter alia*, the instructions set forth in this regard in the Senior Officers' Wage Law and the Supervisor of Banks' directives; this, without prejudice to the rights granted to Mr. Moshe Lari in the past by the Bank. The remuneration being offered to the designated CEO, as stated above, is essentially similar to the remuneration of the Bank's current CEO, Mr. Eldad Fresher, and to the customary remuneration in the banking system.
- c. In the terms of service and employment being offered to the CEO, as well as in Mr. Eldad Fresher's terms of service and employment

(in his capacity as CEO) it was determined, *inter alia*, that the performance-based remuneration (monetary bonus and capital remuneration), insofar as it may be granted to the CEO, shall not exceed a total of three (3) monthly salaries in a calendar year.

It is hereby clarified that the total remuneration of the CEO, for any calendar year (not including provisions to severance pay and provident funds due by law), including the performance-based remuneration, insofar as it may be granted to the CEO, as aforesaid, shall not exceed the remuneration cap permitted under the Senior Officers' Wage Law.

- d. During the discussions, the directors were presented with data regarding the ratio between the cost of the remuneration being offered to the CEO and the cost of the average and median salaries of the employees of the Bank and subsidiaries fully controlled by the Bank, including contractor employees employed by them. With respect to the effect of the gaps between the aforesaid remuneration costs on work relations at the Bank, the Remuneration Committee and the Board of Directors are of the opinion that the aforesaid ratios are reasonable and that they do not impair work relations at the Bank, due to the difference between the roles and responsibilities of the CEO and those of other employees.
- e. In addition, during the approval of the CEO's Terms of Service and Employment, the Remuneration Committee and the Board of Directors were mindful that since the expense due to the salary cost that the Bank would bear, directly or indirectly, in a tax year for the CEO, would exceed the "payment cap", per its meaning in Article 4 of the Senior Officers' Wage Law, part of the remuneration which will be paid to the CEO will not be recognized as a tax-deductible expense for the Bank, under the instructions of Article 4 of the aforesaid law. The Remuneration Committee and the Board of Directors are of the opinion that the sum which will not be recognized as a tax-deductible expense for the Bank, as stated above, is insignificant to the Bank.

f. Being mindful of the aforesaid, and in view of the entirety of the information, data, documents and considerations examined in this matter, the Remuneration Committee and the Board of Directors are of the opinion that the CEO's Terms of Service and Employment being brought to approval are reasonable and appropriate under the circumstances, *inter alia*, the scope of the Bank's operations and their complexity, as well as the great responsibility bestowed upon the CEO of the Bank by his position, as well as Mr. Moshe Lari's proven managerial capabilities, in his previous positions at the Bank, which contributed to the Bank's favorable performance and its business results in recent years. Furthermore, the aforesaid service and employment terms are intended to promote the Bank's best interest and grant the CEO an appropriate and adequate incentive to work towards the achievement of the Bank's goals and the yield of its profits, while maintaining the Bank's risk profile within the boundaries of the risk appetite determined by the Board of Directors.

1.3.10 The majority required to pass the resolution

The majority required at the general meeting and at the deferred general meeting to approve the service and employment terms of the CEO, as aforesaid in Section 1.3.2, is an ordinary majority of the shareholders present at the general meeting, who are entitled to vote and voting thereat, provided that one of the following is fulfilled:

- a. The counting of the majority votes at the general meeting will include a majority of the votes of shareholders who are not the controlling shareholders at the Bank, nor have a personal interest in the approval of the resolution, who are participating in the vote; abstaining votes will not be taken into account in the counting of the total votes of said shareholders;
- b. The total opposing votes among the shareholders referred to above in SS a. does not exceed two percent (2%) of the total voting rights at the Bank.

Notwithstanding the aforesaid, The Remuneration Committee - and thereafter, the Bank's Board of Directors - shall be entitled to approve

the CEO's service and employment terms, even if the general meeting objects to the approval thereof, provided that the Remuneration Committee - and thereafter, the Bank's Board of Directors – will decide so based on detailed arguments and having re-discussed them and examined, *inter alia*, the objection of the general meeting, in said discussion.

A shareholder participating in the voting, with regard to the resolution specified above in Section 1.3.2, shall notify the Bank prior to his voting; and if the vote is through a voting paper, shall mark in the designated place in Part B of the voting paper, which is attached as **Appendix B** to this immediate report, whether he is considered to be a controlling shareholder at the Bank or anyone on his behalf, or whether he has a personal interest in the approval of the resolution, and also describe the relevant connection, if any. Should a shareholder fail to notify or mark as aforesaid, or if he has marked and not provided a description as aforesaid, his vote shall not be counted.

In this report, “**personal interest**”: per its meaning above in Section 1.1.3.

1.3.11 The identity of the Bank's controlling shareholders and the rights which grant them control

For details on the identity of the Bank's controlling shareholders and the rights which grant them control, including their holdings in the voting rights and the issued and outstanding capital of the Bank, as well as the voting agreements to which they are party, which concern voting rights at the Bank, see the notes on holders 1 through 3 in the immediate report on the “Holdings Status of Interested Parties and Senior Officers”, published by the Bank on July 7, 2020 (reference no 2020-01-064456), as well as the immediate reports published by the Bank on July 1, 2020 (reference no. 2020-01-062383), August 9, 2020 (reference no. 2020-01-076270) and August 18, 2020 (reference no. 2020-01-080740). These mentions constitute inclusion by way of reference of all information detailed in the notes on holders 1 through 3 in the Status Report and in said immediate reports.

2. **Names of the directors who had participated in the discussions of the Remuneration Committee and the Board of Directors**

The names of the directors who had participated in the discussions of the Remuneration Committee and the Board of Directors on the resolutions detailed in Sections 1.2 and 1.3 above, which are upon the agenda of the general meeting:

- 2.1 The following directors participated in the Remuneration Committee meeting on August 17, 2020: Ms. Hanna Feuer (outside director), Mr. Gilad Rabinovich (outside director), Mr. Joseph Fellus (outside director) and Ms. Sabina Biran (independent director).
- 2.2 The following directors participated in the Board of Directors meeting on August 27, 2020: Mr. Moshe Vidman (chairman), Ms. Hanna Feuer (outside director), Mr. Gilad Rabinovich (outside director), Mr. Joseph Fellus (outside director), Ms. Sabina Biran (independent director), Mr. Ron Gazit, Mr. Avraham Zeldman, Mr. Joav-Asher Nachshon, Mr. Jonathan Kaplan, Mr. Ilan Kremer and Mr. Eli Alroy.

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

- 3.1 The general meeting will convene on Thursday, October 15, 2020, 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 October 22, 2020, at the same time and place.

The date for determining the entitlement of shareholders to vote at the general meeting, as stated in Article 182 of the Companies Law, shall be September 14, 2020 (hereinafter: "**Effective Date**").

- 3.2 The legal counting for holding the general meeting will be constituted upon the presence, in person or by proxy, of two shareholders with at least twenty-five percent (25%) of the voting rights, within half an hour from the time scheduled for the beginning of the meeting.
- 3.3 The Bank's controlling shareholders' holdings of the Bank's issued and outstanding capital shall not grant the Bank's controlling shareholders the majority required to approve any of the resolutions on the agenda of the general meeting.
- 3.4 A shareholder is entitled to vote at the general meeting, in person or through an agent granted power of attorney to vote. In addition, a shareholder is entitled to vote at the general meeting at the vote to approve the resolution



upon the agenda via voting paper, as detailed below (hereinafter: “**Written Vote**” or “**Voting Paper**”).

- 3.5 3.5.1 In addition, an unregistered shareholder (i.e. a person to whom shares are registered with a TASE member, and those shares are also included in the Shareholder Registry under a registration company’s name) (hereinafter: “**Unregistered Shareholder**”) is also entitled to vote through an electronic Voting Paper, which shall be transferred to the Bank through the electronic voting system (hereinafter: “**Electronic Voting System**”) up to 6 hours prior to the meeting.
- 3.5.2 An Unregistered Shareholder may, at any time, announce by writing to the TASE member through which he holds shares that he is not interested in being included on the list of those entitled to vote through the Electronic Voting System (as it 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. Such instructions from shareholders, as stated above, shall be delivered to the TASE member no later than 12:00 noon on the Effective Date, with regard to the securities account and not particular securities held in the account.
- 3.6 A Written Vote will be made through the second part of the Voting Paper, attached to this immediate report as **Appendix B**. The Voting Paper and the documents which must be attached thereto (hereinafter: “**Attached Documents**”), as provided in the Voting Paper, should be delivered to the Bank’s Offices up to 4 hours prior to the convening of the meeting (with respect to an Unregistered Shareholder) and up to 6 hours prior to the convening of the meeting (with respect to a registered shareholder). In this regard, the “time of delivery” shall be the time at which the Voting Paper and the Attached Documents arrive at the Bank’s Offices.
- 3.7 The document appointing an agent to vote (hereinafter: “**Letter of Appointment**”) and the power of attorney under which the Letter of Appointment was signed (if any) or a copy thereof, certified to the Bank’s satisfaction, is to be prepared and signed by the appointer or by an agent

authorized therefor in writing; and if the appointer is a corporation, will be signed in a manner such that binds the corporation. The Letter of Appointment will be deposited at the Bank's Offices no later than 48 hours prior to the time scheduled for the beginning of the meeting.

- 3.8 The distribution address of the Israel Securities Authority's site and the website of the Tel-Aviv Stock Exchange Ltd, on which the voting papers and position papers are located:
- 3.8.1 The distribution site of the Israel Securities Authority:  
<http://www.magna.isa.gov.il/>;
- 3.8.2 The Internet site of the Tel-Aviv Stock Exchange Ltd:  
<http://maya.tase.co.il/>
- 3.9 A shareholder is entitled to approach the Bank directly to receive from it, via registered mail, a copy of this immediate report. In addition, a shareholder is entitled to approach the Bank directly to receive the text of the Voting Paper and position papers therefrom.
- 3.10 An Unregistered Shareholder is entitled to receive a link to the text of the Voting Paper and position papers on the distribution site via e-mail from the TASE member through which he holds his shares, free of charge, unless he has notified the TASE member that he does not wish to receive such a link, or that he wishes to receive voting papers by regular mail in return for payment; a notice regarding voting papers shall also apply to receiving position papers.
- 3.11 A shareholder whose shares are registered with a TASE member may receive the ownership confirmation at a branch of the TASE member or by mail, if he has requested it. A request in this matter shall be given in advance regarding a particular securities account.
- An Unregistered Shareholder may instruct that his ownership confirmation be transferred to the Bank through the Electronic Voting System.
- 3.12 3.12.1 The voting paper shall be valid for an unregistered shareholder only if an ownership confirmation is attached thereto, or if such a confirmation has been transferred to the Bank through the electronic voting system.
- 3.12.2 The voting paper shall be valid with respect to a shareholder according to Article 177(2) of the Companies Law (i.e. those registered as a shareholder in the Shareholder Registry) only if a

photocopy of one's identity card, passport or incorporation certificate is attached thereto.

3.13 The Bank's address for the delivery of voting papers and position papers: The Bank's Offices at 7 Jabotinsky Street, Ramat-Gan.

3.13.1 The deadline for the delivery of position papers to the Bank: Up to 10 days before the meeting.

3.13.2 The deadline for the delivery of the Board of Directors' response to the position papers: No later than 5 days prior to the date of the meeting.

3.14 Any shareholder at the Bank voting on the resolutions which are on the agenda, who is an interested party at the Bank (as defined in Article 1 of the Securities Law 5728-1968), an officer at the Bank (as defined in Article 37(d) of the Securities Law 5728-1968), a financial institution (as define in the Control of Financial Services (Insurance) Law 5741-1981), or a fund manager (per its meaning in the Joint Investment Trust Law, 5721-1961), is required to notify the Bank, prior to voting at the meeting, with the details below regarding his or its voting manner at the meeting:

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

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

3.14.3 Voting manner;

3.14.4 Whether the voter has a personal interest or some other characteristic, as determined in the table in the addendum to the Companies Regulations (Written Votes and Position Papers) 5766-2005;

3.14.5 Additional relations between the voter and the company, the controlling shareholder or a senior officer therein, and details of the nature of the relationship;

3.14.6 If the vote is by proxy, the above details shall also be made with regard to both the power of attorney grantor and agent.

#### 4. **Adding an issue to the agenda**

After the publication of this voting paper, there may be changes to the agenda, including the addition of an issue thereto, and position papers may be published; it

will be possible to review the current agenda and published position papers in the Bank's reports on the distribution site.

One or more shareholder(s) who hold(s) shares representing at least 1% of the voting rights at the general meeting of the Bank may request the Board of Directors to include an issue on the agenda of the meeting up to 7 days after the meeting's summoning, provided that the issue is appropriate for a discussion at the general meeting.

Should the Board of Directors find that the issue requested to be included on the agenda is appropriate for a discussion at the general meeting, the Bank shall prepare an updated agenda and an amended voting paper, insofar as this may be required, which will be published no later than 7 days after the final date to produce a request to include another issue on the agenda, as stated above. It is clarified that the publication of an updated agenda, as stated above, shall not change the Effective Date as set forth in the immediate report.

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

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

6. **Perusal of documents**

This 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.

**Mizrahi Tefahot Bank Ltd**

**August 27 2020**

Date

**Via:** Racheli Friedman      Ofer Hortwitz  
         Chief Legal Advisor      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, 57591999, 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).

\* At a general meeting convened on March 8th, 2016, it was resolved as follows: a. To add a definition to the terms "control" and "controlling shareholder" in Article 1.1 of the Bank's Articles of Association.

b. To amend Article 141 of the Bank's Articles of Association, in the matter of an officer's exemption from liability.

c. To amend scribble errors in Articles 142.5 and 144.5 of the Bank's Articles of Association.

\* At a general meeting convened on December 28th, 2016, it was resolved as follows:

a. To amend Article 59 of the Bank's Articles of Association, regarding the publication of a notice and an advertisement on the convening of a general meeting.

b. To add Article 183 to the Bank's Articles of Association regarding exclusive jurisdiction.

\* At a general meeting convened on April 2<sup>nd</sup>, 2019, it was resolved to amend Regulations 55, 89 and 92 of the bank's articles of association, on the issue of appointing directors (who are not external directors) at the bank's general meeting and the length of their tenure

\* At a general meeting convened on \_\_\_\_\_, it was resolved to amend Regulations 142 and 144 of the Bank's Articles of Association, in regard to insurance and indemnification.

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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;

**"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 nominee's 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 aforesaid, 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 oversubscription, 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 may include the appointment of directors and the determination of their terms of employment, as well as 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 an auditor;

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

55.4 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, or on the Company's website; the notice shall be published at least 14 days prior to the meeting. Notwithstanding the above, a notice of a general meeting upon which agenda is an issue of the issues under Regulation 2(a) of the Companies Regulations (Written Votes and Position Papers), 5766-2005, 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.

60.1 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.

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.
60.  
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"

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\* 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. 89.1 The directors shall be appointed at the annual meeting, and they shall hold office, save for the external directors, until the conclusion of the third annual meeting following the annual meeting in which their appointment was approved.
- 89.2 Notwithstanding the aforesaid, if directors who were candidates for reappointment at any annual meeting (hereinafter: "**the meeting to appoint directors**") are not appointed, effective immediately (i.e. the commencement of the tenure of the aforesaid directors, who were appointed at the meeting to appoint directors, is contingent upon some condition which has yet to be fulfilled), then these directors shall continue in their tenure until the end of the third annual meeting held after the meeting to appoint

directors, unless their tenure was terminated earlier, in accordance with the law.

89.3 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 third annual meeting following the special meeting at which their appointment was approved.
- 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.

106. 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.

109.1 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.

- 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.

114. 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.
- 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.
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 52D(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~~142.9.7 below, which was conducted against him, including a proceeding in accordance with sub-article ~~142.9.7~~142.9.8 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 in connection with the imposition of a financial sanction, per Article D of Chapter 4 of Part IX of the Companies Law, as amended from time to time; and

~~142.9.7~~ 142.9.8 a proceeding pursuant to any other law, which is not mentioned in sub-articles 142.9.1 to ~~142.9.6~~ 142.9.7 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 subarticles 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 subarticles 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 52D(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~~142.9.7 above, conducted against him, including proceedings in accordance with sub-article ~~142.9.7~~142.9.8 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 offered 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 offered 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**

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.

168.1 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.

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.

### **Exclusive Jurisdiction**

- 183.1 For the purposes of Article 183, the terms below shall be designated

the meanings that follow them:

“Held Corporation”: A corporation held by the company, whether incorporated under the laws of the State of Israel or incorporated under the laws of a foreign country.

“Derivative Action”: Per the term's definition in the Companies Law, including any other legal proceeding of similar principles, including applications to approve their submission and other related applications.

“Class Action”: Per the term's definition in the Class Action Law 5766-2006, including any other legal proceeding of similar principles, including applications to approve their submission and other related applications.

“Other Action”: An action which is neither a derivative action nor a class action. “Respondents and/or Defendants”: The Company and/or the Held Corporation and/or shareholders, officers, employees, auditing accountants, legal advisors, including proxies, consultants and other service providers of the Company and/or the Held Corporation.

“Grounds for Prosecution”: An action related to an incident and/or omission and/or act of the Respondents and/or Defendants connected (directly or indirectly) to the management methods of the Company and/or the Held Corporation and/or the breach of duty imposed by power of and according to the instructions of the law upon the officers, employees or shareholders of the Company or a corporation held by the Company; and/or the breach of duty imposed upon consultants, service providers or proxies of the Company or a corporation held by the Company, who are domiciled in Israel.

183.2 The competent courts in Israel and they alone are granted exclusive and unique jurisdiction to discuss any legal proceeding, according to the laws of the State of the Israel and not subject to a conflict of laws, as follows:

- A. A Derivative Action (on behalf of the Company and/or the Held Corporation), based on Grounds for Prosecution against the Respondents and/or Defendants or either of them.
- B. A Class Action based on Grounds for Prosecution against the Respondents and/or Defendants or either of them.
- C. An Other Action based on Grounds for Prosecution against the Respondents and/or Defendants or either of them.

All unless the Company has agreed to a particular matter in advance, explicitly and in writing, regarding the filing of legal proceedings outside of the jurisdiction of the courts in Israel, out of considerations of the Company's best interest. To remove doubt, the competent courts in Israel shall have the exclusive and unique jurisdiction to also discuss the legal proceedings that will be filed (insofar as they may be filed) in the matter of the above agreement, as stated in this paragraph.

**Mizrahi Tefahot Bank Ltd**  
**VOTING PAPER PURSUANT TO THE COMPANIES REGULATIONS**  
**(WRITTEN VOTES AND POSITION PAPERS), 5766-2005**  
**(THE “REGULATIONS”)**

**Part One**

1. Company name: **Mizrahi Tefahot Bank Ltd** (hereinafter: the “**Bank**” or the “**Company**”).
2. The type of general meeting and the time and place thereof: A special general meeting of all of the Bank’s shareholders (hereinafter: the “**general meeting**” or the “**meeting**”). The general meeting shall convene on Thursday, October 15, 2020, at 15:00, at the Bank’s offices, 7 Jabotinsky Street, 13th floor, Ramat Gan. Should the meeting be deferred, it shall take place on October 22, 2020, at the same time and place.
3. Details of the issues on the agenda, as detailed in the immediate report published by the Bank on August 27, 2020 (hereinafter: the “**immediate report**”), which can be voted on through the voting paper:
  - 3.1 **The amendment of Regulations 142 and 144 of the Bank’s Articles of Association – the issue detailed in Section 1.1 of the immediate report**
    - 3.1.1 Description of the nature of the issue and the principle facts required to understand the matter: It is proposed to amend Regulations 142 and 144 of the Bank’s Articles of Association, in order to establish explicitly (to remove doubt) that the Bank may engage in an insurance contract and likewise to indemnify due to expenses, including reasonable litigation expenses, including legal attorney fees in connection also with a proceeding to impose a financial sanction, per Article D of Chapter 4 of Part IX of the Companies Law, as amended from time to time.
    - 3.1.2 Text of the proposed resolution: To approve the amendments to Regulations 142 (sub-regulations 142.9, 142.9.7 and 142.9.8) and 144 (sub-regulation 144.9) of the Bank’s Articles of Association, per the amended and marked text of these regulations, as detailed in



the Bank's Articles of Association, in its amended and marked wording, which is attached to the immediate report as **Appendix A** (said amendments to the current version of the Articles of Association are marked with an underline and a strikethrough in Appendix A).

3.2 **The amendment of the Bank's letter of exemption and indemnity undertaking - the issue detailed in Section 1.2 of the immediate report**

3.2.1 Description of the nature of the issue: Approval of the amended text of the Bank's letter of exemption and indemnity undertaking (hereinafter: "**Amended Undertaking Letter**" or "**Undertaking Letter**")

3.2.2 Text of the proposed resolution: Subject to the approval of the amendments to the Bank's Articles of Association by the general meeting, as stated above in Section 3.1.2 – to approve the Bank's letter of exemption and indemnity undertaking to directors and other officers, including the Chief Executive Officer of the Bank and controlling shareholders at the Bank and their relatives, as well as employees who serve from time to time, including those who have served in the past or may be appointed in the future, in accordance with the Amended Undertaking Letter attached to the immediate report as **Appendix C**. The proposed amendment to the current wording of the Bank's Undertaking Letter are marked with an underline and a strikethrough in Appendix C (hereinafter: the "**resolution to approve the Amended Undertaking Letter**").

**Below are details in accordance with the Controlling Shareholders' Regulations regarding the Resolution to Approve the Amended Undertaking Letter.**

3.2.3 Background

- a. On December 20, 2001, the Bank's general meeting approved a letter of exemption and indemnity undertaking (hereinafter: the "**Original Undertaking Letter**").
- b. On October 28, 2004; May 14, 2006; November 9, 2011; September 20, 2012; and on December 23rd, 2015, the Bank's

general meeting approved amended texts of the Original Undertaking Letter.

(The Undertaking Letter which was approved by the general meeting on December 23, 2015, shall be henceforth called the “**Current Undertaking Letter**”).

- c. For additional details in this regard, including the applicability of the Current Undertaking Letter to the controlling shareholders at the Bank and their relatives, as well as all others entitled thereby, see Section 1.2.4a of the immediate report.

#### 3.2.4 Description of the transaction’s principles:

It is proposed to amend the Current Undertaking Letter, as detailed in the Amended Undertaking Letter, and including as detailed below:

- a. It is proposed to establish explicitly (to remove doubt):
  - (1) That the indemnity undertaking shall also apply to expenses, including reasonable litigation expenses, including legal attorney fees in connection also with a proceeding to impose a financial sanction, per Article D of Chapter 4 of Part IX of the Companies Law, as amended from time to time, as specified in Section 2.2.6 of the Amended Undertaking Letter;
  - (2) That the Undertaking Letter and all related thereto will be subject only to the laws of the state of Israel, and that the exclusive jurisdiction in any matter related thereto shall lie solely with the Tel-Aviv Jaffa District Court (unless the parties have appointed an arbitrator according to the Undertaking Letter).
- b. It is proposed to include clarifications, details and expanding to the list of events specified in the addendum to the Current Undertaking Letter, in order to clarify and adjust the event list, per the events that, in the opinion of the Remuneration Committee and the Board of Directors, are to be expected given

the *de facto* company operations when the indemnity undertaking is granted.

- c. In regard to the allocation of the period to re-approve the Amended Undertaking Letter (in addition to its approval per the immediate report), in the matter of its applicability to those entitled thereby, who are not controlling shareholders and their relatives, see Section 1.2.7c of the immediate report.

3.2.5 The resolution to approve the Amended Undertaking Letter is in line with the remuneration policy for Bank officers, which was approved by the Bank's general meeting on December 18, 2019.

3.2.6 All of the directors at the Bank are considered as having a personal interest in the approval of the Amended Undertaking Letter, by virtue of being officers at the Bank.

3.2.7 For details regarding the controlling shareholders who have a personal interest in the approval of the Amended Undertaking Letter, see Section 1.2.5 of the immediate report.

3.2.8 For details regarding the manner in which the remuneration was established, the required approvals and details of transactions of the same type as this transaction or transactions similar thereto between the Bank and the controlling shareholders, see Sections 1.2.6 through 1.2.8 of the immediate report.

3.2.9 For the rationale of the Remuneration Committee and the Board of Directors, see Section 1.2.9 of the immediate report.

3.2.10 For details on the identity of the members of the Remuneration Committee and the Board of Directors, who had participated in the meetings where the resolution to approve the Amended Undertaking Letter was discussed, see Section 2 of the immediate report.

3.2.11 For additional details, see Section 1.2 of the immediate report.

- 3.3 **Approval of the service and employment terms of Mr. Moshe Lari, the Bank's designated CEO, with respect to his tenure as the Bank's CEO, which will begin on September 16, 2020 - the issue detailed in Section 1.3 of the immediate report**

- 3.3.1 Text of the proposed resolution: To approve the service and employment terms of Mr. Moshe Lari, with respect to his tenure as the Chief Executive Officer of the Bank, for a period beginning on September 16, 2020, including the Bank's engagement in an employment agreement with the CEO, as well as the remuneration plan to be granted to him (which includes a monetary bonus and a long-term capital remuneration), as detailed in **Appendix D** of the immediate report and without derogating from the rights granted to Mr. Moshe Lari in the past by the Bank (hereinafter: the "**CEO**", the "**Employment Agreement**" and the "**CEO's Terms of Service and Employment**", as applicable).
- 3.3.2 Description of the nature of the issue and the principle facts required to understand the matter:
- a. On June 8, 2020, the Bank's Board of Directors approved the appointment of Mr. Moshe Lari as the Chief Executive Officer of the Bank, as of September 16, 2020.
  - b. Mr. Lari began his work at Tefahot Israel Mortgage Bank Ltd (hereinafter: "**Tefahot Bank**") in March 1998, and in April 2001, he was appointed as Tefahot Bank's Chief Accountant. In October 2006, Mr. Lari was appointed as the head of the Bank's Planning and Economics Sector. On November 8, 2009, he began to serve as a deputy CEO – the head of the Bank's Operation, Planning and Control Division; and on July 14, 2011, he also began to serve as the head of the Customer Assets and Consultation Division (said divisions were merged into a single division on that date). On August 16, 2013, Mr. Lari began to serve as head of the Bank's Financial Division (CFO).  
For details regarding the CEO's professional experience, his occupations today and in the past five years, including a listing of the corporations at which he serves as a director, see Section 1.3.3b of the immediate report.
  - c. Mr. Lari holds a bachelor of sciences degree in Economics and Accounting (from the Hebrew University in Jerusalem), an MBA

(from the Tel-Aviv University) and is a certified public accountant.

- d. It is hereby clarified that until the commencement date of Mr. Lari's tenure as the CEO of the Bank (i.e. until September 15, 2020), the employment terms per the personal employment agreement signed between him and the Bank, regarding his employment period at the Bank prior to his appointment as CEO, will continue to apply (hereinafter: the "**Previous Employment Terms**").
- e. For details regarding the remunerations to which Mr. Moshe Lari shall be entitled for the period beginning on January 1, 2020 and ending on September 15, 2020, according to the Previous Employment Terms, and for the period beginning on September 16, 2020 and ending on December 31, 2020 and for the year 2021, according to his terms of service and employment as the CEO of the Bank, see Section 1.3.4 of the immediate report.
- f. For details regarding the ratio between the cost of the CEO's maximum remuneration, according to the Employment Agreement, and the cost of the average or median remuneration of the rest of the Bank's employees, including employees of fully-owned subsidiaries of the Bank and including contractor employees, see Section 1.3.5 of the immediate report.
- g. For details regarding the remuneration components granted to Mr. Moshe Lari under the Previous Employment Terms, which may be considered as remuneration components that are not in accordance with the Bank's remuneration policy, see Section 1.3.6 of the immediate report.
- h. For details regarding the service and employment terms being offered to Mr. Lari, as the CEO of the Bank, beginning on September 16, 2020, according to the Employment Agreement, relative to the service and employment terms of Mr. Eldad Fresher, who currently serves (and will serve until September

15, 2020) as the Chief Executive Officer of the Bank, see Section 1.3.7 of the immediate report.

- i. For details regarding how the service and employment terms being offered to the CEO were established, the date of their approval and the information brought in this regard before the Remuneration Committee and the Board of Directors, see Section 1.3.8 of the immediate report.
- j. For the rationale of the Remuneration Committee and the Board of Directors in approving the CEO's terms of service and employment, see Section 1.3.9 of the immediate report.
- k. For details on the identity of the members of the Remuneration Committee and the Board of Directors, who had participated in the meetings where the CEO's terms of service and employment were discussed, see Section 2 of the immediate report.

4. The majority required to pass the resolutions at the general meeting, on the issues upon the agenda, which can be voted on through a voting paper

4.1 The majority required to approve the resolution to amend the Bank's Articles of Association

In regard to the majority required to approve the resolution to amend the Bank's Articles of Association, as aforesaid in Section 1.1.2 of the immediate report (i.e. according to Section 3.1.2 of this voting paper), and although the controlling shareholders at the Bank do not currently serve as Bank officers, the Bank has determined, for the sake of prudence (and *ex gratia*) that the majority required to approve said resolution is the majority required by Article 262(b) of the Companies Law 5759-1999.

Accordingly, the majority required at the general meeting and at the deferred general meeting to approve said resolution 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 is fulfilled:

- a. The counting of the majority votes at the general meeting will include a majority of the votes of shareholders who have no personal interest in the approval of the resolution, who are participating in the vote;

abstaining votes will not be taken into account in the counting of the total votes of said shareholders;

- b. The total opposing votes among the shareholders referred to above in SS a. does not exceed two percent (2%) of the total voting rights at the Bank.

A shareholder participating in the voting, with regard to the resolution to amend the Bank's Articles of Association, shall notify the Bank prior to his voting; and if the vote is through a voting paper, shall mark in the designated place in Part B of the voting paper, whether he is considered to have a personal interest in the approval of the resolution, and also describe the relevant connection, if any. Should a shareholder fail to notify or mark as aforesaid, or if he has marked and not provided a description as aforesaid, 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 his relative and another corporation wherein he or his relative are interested parties, and excluding personal interest arising from the very fact of 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 person 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 shall be considered a vote by the holder of the personal interest, whether the discretion of the vote is that of the voter or not.

#### 4.2 The majority required to approve the resolution to approve the Amended Undertaking Letter

The majority required at the general meeting and at the deferred general meeting to approve the Amended Undertaking Letter, as aforesaid in Section 1.2.2 of the immediate report (i.e. according to Section 3.2.2 of this voting paper), 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 is fulfilled:

- a. The counting of the majority votes at the general meeting will include a majority of the votes of shareholders who have no personal interest in the approval of the resolution, who are participating in the vote;

abstaining votes will not be taken into account in the counting of the total votes of said shareholders;

- b. The total opposing votes among the shareholders referred to above in SS a. does not exceed two percent (2%) of the total voting rights at the Bank.

A shareholder participating in the voting, with regard to the resolution to approve the Amended Undertaking Letter, shall notify the Bank prior to his voting; and if the vote is through a voting paper, shall mark in the designated place in Part B of the voting paper, whether he is considered to have a personal interest in the approval of the resolution, and also describe the relevant connection, if any. Should a shareholder fail to notify or mark as aforesaid, or if he has marked and not provided a description as aforesaid, his vote shall not be counted.

In this voting paper, “**personal interest**”: per its meaning above in Section 4.1.

4.3 The majority required to approve the service and employment terms of the CEO (beginning on September 16, 2020)

The majority required at the general meeting and at the deferred general meeting to approve the service and employment terms of the CEO (beginning on September 16, 2020), as aforesaid in Section 1.3.2 of the immediate report (i.e. according to Section 3.3.1 of this voting paper), is an ordinary majority of the shareholders present at the general meeting, who are entitled to vote and voting thereat, provided that one of the following is fulfilled:

- a. The counting of the majority votes at the general meeting will include a majority of the votes of shareholders who have no personal interest in the approval of the resolution, who are participating in the vote; abstaining votes will not be taken into account in the counting of the total votes of said shareholders;
- b. The total opposing votes among the shareholders referred to above in SS a. does not exceed two percent (2%) of the total voting rights at the Bank.

Notwithstanding the aforesaid, The Remuneration Committee - and thereafter, the Bank's Board of Directors - shall be entitled to approve the



CEO's service and employment terms, even if the general meeting objects to the approval thereof, provided that the Remuneration Committee - and thereafter, the Bank's Board of Directors – will decide so based on detailed arguments and having re-discussed them and examined, *inter alia*, the objection of the general meeting, in said discussion.

A shareholder participating in the voting, with regard to the resolution to approve the service and employment terms of the CEO, shall notify the Bank prior to his voting; and if the vote is through a voting paper, shall mark in the designated place in Part B of the voting paper, whether he is considered to have a personal interest in the approval of the resolution, and also describe the relevant connection, if any. Should a shareholder fail to notify or mark as aforesaid, or if he has marked and not provided a description as aforesaid, his vote shall not be counted.

In this voting paper, "**personal interest**": per its meaning above in Section 4.1.

5. Place and time during which the full text of the proposed resolutions may be perused:

The Immediate Report released by the Company regarding the convening of the general meeting and the full text of the proposed resolutions may be perused at the Bank's Offices, 7 Jabotinsky St., Ramat-Gan, Tel: 03-7559720, during standard business hours, until the time scheduled for the meeting.
6. A shareholder may contact the Bank directly to receive the text of the Voting Paper and position papers from it.
7.
  - 7.1 The voting paper shall be valid for an unregistered shareholder (i.e. a person to whom shares are registered with a TASE member, that are also included in the shareholders' register at the registration company) (hereinafter: "**Unregistered Shareholder**") only if an ownership confirmation is attached thereto, or if such a confirmation has been transferred to the Bank through the electronic voting system.
  - 7.2 The voting paper shall be valid with respect to a shareholder according to Article 177(2) of the Companies Law (i.e. those registered as a shareholder in the Shareholder Registry) only if a photocopy of one's identity card, passport or incorporation certificate is attached thereto.

8. The voting paper and the documents which must be attached thereto (hereinafter: “Attached Documents”), as provided in the voting paper, must be produced to the Bank’s Offices as follows:
  - 8.1 Unregistered Shareholder: Up to 4 hours prior to the convening of the meeting;
  - 8.2 Registered shareholder: Up to 6 hours prior to the convening of the meeting. In this regard, the “time of delivery” shall be the time at which the Voting Paper and the Attached Documents arrive at the Bank’s Offices.
9. An Unregistered Shareholder is also entitled to vote through an electronic voting paper, which will be transferred to the Bank through the electronic voting system (hereinafter: “Electronic Voting System”) up to 6 hours prior to the meeting, at which time the Electronic Voting System will be closed.
10. The Bank’s address for the delivery of voting papers and position papers: The Bank’s Offices at 7 Jabotinsky Street, Ramat-Gan.
  - 10.1 The deadline for the delivery of position papers to the Bank: Up to 10 days before the meeting.
  - 10.2 The deadline for the delivery of the Board of Directors’ response to the position papers: No later than 5 days prior to the date of the meeting.
11. The distribution address of the Israel Securities Authority’s site and the website of the Tel-Aviv Stock Exchange Ltd, on which the voting papers and position papers are located:
  - 11.1 The distribution site of the Israel Securities Authority:  
<http://www.magna.isa.gov.il/>;
  - 11.2 The Internet site of the Tel-Aviv Stock Exchange Ltd: <http://maya.tase.co.il/>
12.
  - 12.1 A shareholder whose shares are registered with a TASE member may receive the ownership confirmation at a branch of the TASE member or by mail, if he has requested it. A request in this matter shall be given in advance regarding a particular securities account.
  - 12.2 An Unregistered Shareholder may instruct that his ownership confirmation be transferred to the Bank through the Electronic Voting System.
13. An Unregistered Shareholder is entitled to receive by e-mail a link to the voting paper and position papers on the distribution site from the TASE member through which he holds his shares, free of charge, unless he has notified the TASE member that he does not wish to receive such a link, or that he wishes to receive voting

papers by regular mail in return for payment; a notice regarding voting papers shall also apply to receiving position papers.

14. One or more shareholders holding shares at a rate which constitutes five percent or more of the total voting rights at the Bank; and likewise, anyone holding such a percentage of the total voting rights that are not held by the Bank's controlling shareholder, as defined in Article 268 of the Companies Law, may peruse the voting papers and voting records through the Electronic Voting System that have arrived at the Bank, as detailed in Regulation 10 of the Regulations.

The quantity of shares constituting 5% of the total voting rights at the Bank is:

11,759,102.

The quantity of shares constituting 5% of the total voting rights at the Bank, which are not held by the controlling shareholder, is: 6,496,861.

15. Any shareholder at the Bank voting on the resolutions which are on the agenda of the General Meeting, as detailed in Section 3 above and Section 1 of the Immediate Report, who is an interested party at the Bank (as defined in Article 1 of the Securities Law 5728-1968), an officer at the Bank (as defined in Article 37(d) of the Securities Law 5728-1968), a financial institution (as define in the Control of Financial Services (Insurance) Law 5741-1981), or a fund manager (per its meaning in the Joint Investment Trust Law, 5721-1961), is required to notify the Bank, prior to voting at the meeting, with the details below regarding his or its voting manner at the meeting:

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

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

15.3 Voting manner;

15.4 Whether the voter has a personal interest or some other characteristic, as determined in the table in the addendum to the Companies Regulations (Written Votes and Position Papers) 5766-2005;

15.5 Additional relations between the voter and the company, the controlling shareholder or a senior officer therein, and details of the nature of the relationship;

15.6 If the vote is by proxy, the above details shall also be made with regard to both the power of attorney grantor and agent.

16. Adding an Issue to the Agenda: After the publication of this voting paper, there may be changes to the agenda, including the addition of an issue thereto, and position papers may be published; it will be possible to review the current agenda and published position papers in the Bank's reports on the distribution site.

One or more shareholder(s) who hold(s) shares representing at least 1% of the voting rights at the general meeting of the Bank may request the Board of Directors to include an issue on the agenda of the meeting up to 7 days after the meeting's summoning, provided that the issue is appropriate for a discussion at the general meeting.

Should the Board of Directors find that the issue requested to be included on the agenda is appropriate for a discussion at the general meeting, the Bank shall prepare an updated agenda and an amended voting paper, insofar as this may be required, which will be published no later than 7 days after the final date to produce a request to include another issue on the agenda, as stated above. It is clarified that the publication of an updated agenda, as stated above, shall not change the Effective Date as set forth in the immediate report.

17. A shareholder shall indicate his voting manner regarding the issue on the agenda on the form which is the second part of this voting paper; and in the event that the shareholder is voting by power of attorney (i.e. through an agent), the above details shall be given both to the grantor of the power of attorney and the agent..

**Voting Paper – Part Two**

Company Name:	<b>Mizrahi Tefahot Bank Ltd</b> (hereinafter: <b>“Company” or “Bank”</b> )
Company Address (for delivery of voting papers):	The Bank’s Offices, Mizrahi Tefahot Bank Ltd., 7 Jabotinsky Street, 13th floor, Ramat-Gan 52520.
Company No.:	520000522
Meeting Date:	October 15, 2020 at 15:00
Meeting Type:	Special
Effective Date:	September 14, 2020

(Hereunto to be filled by the Company)

**Shareholder details:**

Shareholder name:

Identity number:

If the shareholder does not have an Israeli identification card:

Passport number:

Issuing country:

Valid until:

If the shareholder is a corporation:

Corporation number:

Country of incorporation:

**Manner of voting**

Number of issue on the agenda, as detailed in the immediate report regarding the convening of the meeting	Manner of voting <sup>1</sup>			In regard to changing the Articles of Association with respect to an exemption, indemnity or insurance (Article 262(b) of the Companies Law) – do you hold a personal interest in the resolution's approval <sup>2</sup> ?		In regard to approving a transaction pursuant to Articles 255 and 272 through 275 to the Companies Law that the majority required for its approval is not an ordinary majority, or a remuneration policy according to Article 267a - are you a controlling shareholder or hold a personal interest in the resolution's approval <sup>2</sup> ?	
	For	Against	Abstain	Yes*	No	Yes*	No
1.1							
1.2							
1.3							

**Are you an interested party<sup>3</sup>, a senior officer<sup>4</sup>, a financial institution<sup>5</sup> or a fund manager<sup>6</sup>?**

\* Please detail.

<sup>1</sup> Failure to mark will be considered as abstaining from a vote on that issue;

<sup>2</sup> A shareholder who will not fill in this column or mark “Yes” without an explanation will not be counted in the counting;

<sup>3</sup> “Interested party” per this term’s definition in Article 1 of the Securities Law 5728-1968;

<sup>4</sup> “Senior officer” per this term’s definition in Article 37(d) of the Securities Law 5728-1968;

<sup>5</sup> “Financial institution” per this term’s definition in the Control of Financial Services (Insurance) Law 5741-1981);

<sup>6</sup> “Fund manager” per this term’s definition the Joint Investment Trust Law, 5721-1961.

YES \_\_\_\_\_ NO \_\_\_\_\_

\_\_\_\_\_

Date

\_\_\_\_\_

Signature

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For shareholders who hold shares through a TASE member according to Section 177(1) of the Companies Law – this voting paper shall be valid only if accompanied by an ownership conformation, except for events in which the voting is done through the electronic voting system.

For shareholders that are registered in the Company's shareholders registry – this voting paper shall be valid if accompanied with a photocopy of an identity card/a passport/an incorporation certificate.

**Details**

Below are details in connection with my having a personal interest in the resolution to approve the amendment to the Bank's Articles of Association (as detailed in Section 1.1 of the immediate report and Section 3.1 of the voting paper):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Below are details in connection with my having a personal interest in the resolution to approve the Amended Undertaking Letter (as detailed in Section 1.2 of the immediate report and Section 3.2 of the voting paper):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Below are details in connection with my having a personal interest in the resolution to approve Mr. Moshe Lari's terms of service and employment, with respect to his tenure as the Chief Executive Officer of the Bank, for the period beginning on September 16, 2020 (as detailed in Section 1.3 of the immediate report and Section 3.3 of the voting paper):

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### **Letter of Exemption and Indemnity Undertaking**

In this undertaking, the following terms shall be given the meanings next to them:

“ <b>Excellence</b> ”	Excellence Investments Ltd and other companies or corporation held thereby at some rate.
“ <b>Adanim Bank</b> ”	Adanim Mortgage Bank Ltd.
“ <b>law</b> ”	Per its meaning in the Interpretation Law 5741-1981, including administrative direction per its meaning in the aforesaid law, and including foreign laws and directives of a similar nature issued abroad; and likewise any law that may amend or replace either of them, per their validity from time to time.
“ <b>the Bank</b> ”	Mizrahi Tefahot Bank Ltd
“ <b>controlled company</b> ”	A company controlled by the Bank, excluding Adanim Bank and Netivot.
“ <b>held company</b> ”	A company in which the Bank holds shares, directly or indirectly, at some rate, excluding Adanim Bank, Netivot and Excellence.
“ <b>Banking (Licensing) Law</b> ”	The Banking (Licensing) Law 5741-1981.
“ <b><del>Restrictive Trade Practices</del><u>Economic Competition</u> Law</b> ”	The <del>Restrictive Trade Practices</del> <u>Economic Competition</u> Law 5748-1988.
“ <b>Companies Law</b> ”	The Companies Law 5759-1999.
“ <b>Advising Law</b> ”	The Regulation of Investment Advising, Investment Marketing and Investment Portfolio Management Law 5755-1995
“ <b>Pension Counseling Law</b> ”	The Control Of Financial Services (Pension Counseling And Pension Marketing) Law 5765-2002.
“ <b>Insurance Control Law</b> ”	The Control of Financial Services (Insurance) Law 5741 – 1981.
“ <b>Provident Fund Control Law</b> ”	The Control of Financial Services (Provident Funds) Law 5765 – 2005.
“ <b>Joint Investment Law</b> ”	The Joint Investment Trust Law 5754-1994.
“ <b>Securities Law</b> ”	The Securities Law, 5728-1968.
“ <b>Undertaking Letter</b> ”	This letter of exemption and indemnity undertaking.

<b>“index”</b>	The Consumer Price Index (the general index) as it is published from time to time by the Central Bureau of Statistics next to the Prime Minister’s Office.
<b>“Effective Date”</b>	November 27 <sup>th</sup> , 2001.
<b>“supplement”</b>	The supplement to this Undertaking Letter, entitled “Supplement: List of Events”.
<b>“officer at the Bank”</b>	Whoever serves as an officer at the Bank, from time to time, per its meaning in the Companies Law, including the Bank’s Internal Auditor, from the Effective Date and thereafter.
<b>“officer at another company”</b>	Any of the following: <ul style="list-style-type: none"> <li>a. An employee of the Bank, including an officer at the Bank who is not a director at the Bank, who at the Bank’s request serves, from time to time, as the director of a held company, from the Effective Date and thereafter.</li> <li>b. Whoever serves as the director of a controlled company, at the Bank’s request, from time to time, from the Effective Date and thereafter.</li> <li>c. An employee of the Bank, who is not an officer at the Bank or a controlling shareholder at the Bank, who at the Bank’s request serves, from time to time, as an officer at a held company, per its meaning in the Companies Law, from the Effective Date and thereafter.</li> <li>d. One who is not an employee of the Bank, an officer at the Bank or a controlling shareholder at the Bank, who serves from time to time as an officer, per its meaning in the Companies Law, at a company which is fully owned by the Bank and is not a banking corporation, from the Effective Date and thereafter.</li> </ul>
<b>“officer”</b>	One who serves from time to time as an officer at the Bank or as an officer at another company, from the Effective Date and thereafter

<b>“employee”</b>	An employee of the Bank or an employee of a company which is fully owned by the Bank and is not a banking corporation, excluding an officer at the Bank or an officer at another company.
<b>“personal interest”</b>	Per its definition in Article 1 of the Companies Law.
<b>“transaction”</b>	Per its definition in Article 1 of the Companies Law, including an extraordinary transaction per its meaning in the aforesaid article.
<b>“Netivot”</b>	Netivot Management Company Ltd.
<b>“Officers’ Insurance Policy”</b>	A policy insuring the liability of directors and officers, acquired or to be acquired by the Bank or by a held company, whether it is a single policy or several, whether it is independent or a chapter within a Banking insurance policy or a chapter within another policy.
<b>“action” or “actions” or any derivative thereof</b>	Including a resolution, act or omission, including any action prior to the Effective Date; it is clarified that “action” will be interpreted as referring, <i>inter alia</i> , to the non-performance or refrainment from the performance of that action; and an action in connection with “Law” will be interpreted as referring, <i>inter alia</i> , to compliance with the instructions of any law or the violation thereof, unless the context is not consistent with such an interpretation.
<b>“control”</b>	Per its definition in the Securities Law.
<b>“banking corporation”</b>	Per its definition in the Banking (Licensing) Law 5741-1981.

Any law defined above shall be interpreted as including any law that may amend or replace it, per their validity from time to time.

**WHEREAS** the Bank and held corporations have acquired officers’ insurance policies;

**AND WHEREAS** the coverage, financial scope or conditions of the officers’ insurance policies might not fully insure the officers (as defined above) in any

claim that may be filed (insofar as one may be filed) against the officers;

**AND WHEREAS** the Bank wishes to grant the officers an independent undertaking to indemnify, in addition to the insurance;

**AND WHEREAS** the Bank wishes to exempt officers at the Bank from liability towards it, as detailed below;

**AND WHEREAS** this Undertaking Letter extends the entitlement of officers (as defined above) to exemption and indemnity, rather than reduces it, and therefore it must be widely interpreted according to the limitations of the law. Pursuant to this, in the event of conflict between some instruction in this Undertaking Letter and an instruction of the law that cannot be conditioned, changed or added upon, the aforesaid instruction of the law shall prevail, but this shall not impair or diminish the validity of other instructions in this Undertaking Letter;

**AND WHEREAS** the Bank wishes to grant Bank employees, as well as the employees of subsidiaries fully held by the Bank which are not banking corporations, an undertaking to indemnify as detailed in Section 2a below.

Therefore, with the authorization and by power of the Bank's general meeting's resolution dated December 20<sup>th</sup>, 2001 (having received the approval of the Board of Directors and the Bank's Audit Committee), including the resolutions to amend this Undertaking Letter, which were approved at the Bank's general meetings dated October 28<sup>th</sup>, 2004; May 14<sup>th</sup>, 2006; November 9<sup>th</sup>, 2011; September 20<sup>th</sup>, 2012; ~~and~~ December 23<sup>rd</sup>, 2015; ~~and~~ \_\_\_\_\_<sup>1</sup> (hereinafter: "**amendment resolutions**"), the Bank hereby undertakes to grant exemption to officers at the Bank and likewise to grant indemnity to the officers and the employees, as detailed in this Undertaking Letter.

1. **Grant of exemption**

Subject to the instructions of the Companies Law, the Bank exempts officers at the Bank in advance from any liability towards it due to damages caused to the Bank over a violation of the officer's duty of prudence towards the Bank in the officer's actions, in view of his capacity as an officer at the Bank.

The above exemption shall not apply due to damages that may be caused to the Bank following a violation of the duty of prudence by an officer at the Bank, as aforesaid,

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<sup>1</sup> After receiving the approval of the general meeting for the amendments marked in this undertaking letter, the date of the general meeting will be completed.

occurring after December 23<sup>rd</sup>, 2015, in the making of a decision or the approval of a transaction in which a controlling shareholder at the Bank or any officer at the Bank (including another officer at the Bank, who is not the officer to whom the exemption was granted under this Section 1) has a personal interest.

2. **Undertaking to indemnify an officer**

Subject to the conditions detailed in this Undertaking Letter and the instructions of the Companies Law:

2.1 Subject to the instructions of the law, the Bank hereby undertakes:

2.1.1 To indemnify any officer at the Bank for any liability or expense as detailed in Section 2.2 below, imposed on the officer due to his actions in his capacity as an officer at the Bank;

2.1.2 To indemnify an officer at another company for any liability or expense as detailed in Section 2.2 below, imposed on the officer due to his actions in his capacity as an officer at another company;

Provided that with respect to indemnification due to liability, as stated below in Section 2.2.1, the actions regarding which the indemnity is granted, as specified in Sections 2.1.1 and 2.1.2 above, will be connected - directly or indirectly - to one of the events specified in the supplement to this Undertaking Letter, or any part thereof;

2.2 Subject to the contents of Section 2b below, the undertaking to indemnify, as aforesaid in Section 2.1, shall apply due to financial liability and reasonable expenses, which are indemnifiable under law, as follows :

2.2.1 Financial liability, if and to the extent it may be imposed upon the officer, pursuant to a court verdict for the benefit of another person - including a verdict granted in a settlement or a court-approved arbitral verdict.

2.2.2 Reasonable litigation expenses, including attorney's fees, incurred by the officer over an investigation or a proceeding conducted against him by an authority certified to conduct an investigation or a proceeding, which terminated without an indictment against the officer and without financial liability imposed thereupon in lieu of criminal proceedings; or which has terminated without an indictment against him, but with the imposition of a financial liability in lieu of criminal proceedings, for an offense that does not require proof of *mens rea*, or in connection with a financial sanction;

In this subsection:

**“termination of proceedings without an indictment, regarding a matter in which a criminal investigation was conducted”** shall mean that the case was closed under Article 62 of the Criminal Procedure Law (Consolidated Version) 5742-1982 (hereinafter: **“criminal procedure law”**); or a stay of proceedings by the Attorney General under Article 231 of the criminal procedure law;

**“financial liability in lieu of criminal proceedings”**: a liability legally imposed in lieu of criminal proceedings, including an administrative fine pursuant to the Administrative offenses Law 5745-1985, a penalty due to an offense established as a penalty offense under the criminal procedure law’s instructions, a financial sanction or a forfeit;

- 2.2.3 Reasonable litigation expenses, including attorney’s fees, incurred by the officer or imposed thereupon by a court, in a proceeding filed against him by the Bank or by the controlling company or the held company, as the case may be, or on their behalf (including under a derivative action) or by another person, or a criminal charge from which he shall be exonerated, or a criminal charge in which he shall be convicted of an offense that does not require proof of *mens rea*;
- 2.2.4 A financial liability imposed on an officer due to payment to a party injured by a violation, as stated in Article 52BBB(a)(1)(a) of the Securities Law or due to payment to a party injured by a violation under the aforesaid article according to the instructions of the Advising Law or the Joint Investment Law, or due to payment to a party injured by a violation as stated in Article 92KA of the Insurance Control Law or due to payment to a party injured by a violation according to the aforesaid article under the instructions of the Provident Fund Control Law;
- 2.2.5 A financial liability imposed on an officer due to payment to a party injured by a violation or payment of a similar nature according to a different law, which is not mentioned in Section 2.2.4 above, provided that the indemnity, as aforesaid, is not prohibited by law;
- 2.2.6 Expenses incurred by the officer in connection with an administrative proceeding conducted in his matter, including reasonable litigation expenses, including attorney’s fees.

In this Undertaking Letter, **“administrative proceeding”**:

- 2.2.6.1 A proceeding according to Chapter 8-C (entitled “Imposition of Financial Sanctions by the ISA”), Chapter 8-D (entitled

“The Imposition of Administrative Enforcement Measures by the Administrative Enforcement Committee”) or Chapter 9-A (entitled “Arrangement to Prevent the Initiation of Proceedings or to Conclude Proceedings, Subject to Conditions”) of the Securities Law, as it may be amended from time to time; and

2.2.6.2 A proceeding according to Chapter G-1 (entitled “Imposition of Financial Sanctions by the ISA”), Chapter G-2 (entitled “The Imposition of Administrative Enforcement Measures by the Administrative Enforcement Committee”) or Chapter H-1 (entitled “Arrangement to Prevent the Initiation of Proceedings or to Conclude Proceedings, Subject to Conditions”) of the Advising Law, as it may be amended from time to time; and

2.2.6.3 A proceeding according to Chapter 10 (entitled “Imposition of Financial Sanctions by the ISA”), Chapter 10-a (entitled “The Imposition of Administrative Enforcement Measures by the Administrative Enforcement Committee”) or Chapter 11-A (entitled “Arrangement to Prevent the Initiation of Proceedings or to Conclude Proceedings, Subject to Conditions”) of the Joint Investment Law, as it may be amended from time to time; and

2.2.6.4 A proceeding in connection with the imposition of a financial sanction, under Chapter Nine “A” (entitled “Financial Sanction and Civil Fines”) of the Insurance Control law, as it may be amended from time to time; and

2.2.6.5 A proceeding in connection with the imposition of a financial sanction, under Chapter Five (entitled “Financial Sanction and Civil Fine”) of the Provident Fund Control law, as it may be amended from time to time; and

2.2.6.6 A proceeding according to Chapter VIII (entitled “Monetary Penalties”) of the ~~Restrictive Trade Practices~~Economic Competition Law, as it may be amended from time to time; and

2.2.6.7 A proceeding relating to the imposing a financial sanction, per Article D of Chapter 4 of Part IX of the Companies Law, as amended from time to time; and

2.2.6.78 A proceeding under another law, which is not mentioned in Section 2.2.6.1 until ~~2.6.6.2.2.6.7~~ above, provided that the aforesaid indemnity is not prohibited by law.

2a. **Undertaking to indemnify an employee**

Subject to the conditions detailed in this Undertaking Letter and the instructions of any law, the Bank hereby undertakes to indemnify any employee for any liability imposed upon him, as aforesaid in Sections 2.2.4 and 2.2.5, or due to expenses incurred thereby as detailed in Section 2.2.6 above, due to his actions in his capacity as an employee of the Bank or the employee of a subsidiary fully owned by the Bank which is not a banking corporation, as the case may be.

2b. **Maximum indemnity sum**

2b.1. The maximum sum of the indemnity to be paid by the Bank (in addition to sums that shall be received under insurance policies, whether they shall be paid to the Bank or a held company or whether they shall be paid to an officer or an employee), in aggregate and for all those entitled for indemnity under this Undertaking Letter, shall not exceed 25% (twenty-five per cents) of the Bank's equity according to the latest financial reports published thereby close to the indemnity sum's *de facto* payment date (hereinafter: "**maximum indemnity sum**").

2b.2. Notwithstanding the aforesaid in Section 2.1.b, if the total indemnity sum is higher than the maximum indemnity sum, then the maximum sum to be paid by the Bank, in aggregate and for all those entitled for indemnity under this Undertaking Letter, as aforesaid in Section 2.1.b, shall not exceed the total indemnity sum. However, the difference sum will only be used for indemnity due to actions performed prior to November 9<sup>th</sup>, 2011, the date on which the Bank's general meeting approved an amendment to this Undertaking Letter.

In this matter, "**total indemnity sum**" shall mean 25% (twenty-five per cents) of the of the Bank's equity according to the financial reports published in the year 2000, adjusted from time to time according to the increase rate of the Consumer Price Index (hereinafter: "**index**") compared with the index for December 2000, which was published in January 2001.



“**Difference sum**” shall mean the difference between the total indemnity sum and the maximum indemnity sum.

2b.3. If and to the extent that the total of all sums that the Bank shall have to pay to all those entitled to indemnity under this Undertaking Letter in one of the matters subject of the indemnity exceeds the sum established in Section 2.1.b or 2.2.b, as the case may be, the sum to be paid by the Bank shall be divided among those entitled to indemnity, in such a manner that the indemnity sum to be received by each of them *de facto* shall be calculated by the ratio between the sum that must be paid to each of those entitled to indemnity, as the case may be, and total of all sums that must be paid to all those entitled to indemnity due to that matter.

3. **Indemnification by an insurer or a third party**

In the event that the officer or employee shall receive indemnity from the insurer of the Officers’ Insurance Policy or another policy in which the Bank may become engaged, insofar as it may become engaged (hereinafter: “**other policy**”) or an insurance policy in which a third party may become engaged, or by some third party which has indemnified the officer or the employee due to the subject of the indemnification, the indemnity shall be granted as detailed in this Undertaking Letter, with respect to the difference between the sum of the liability imposed on the officer or employee and/or the legal expenses incurred by or charged to the officer or employee, and the sum received from the insurer or from the third party due to that matter; however, if the liability imposed on the officer or employee and/or the legal expenses incurred by or charged to the officer or employee are not covered *de facto* on time by the insurer or the third party, as aforesaid, the Bank shall indemnify the officer or the employee as detailed in this Undertaking Letter due to the aforesaid liability and/or legal expenses, provided that the officer or the employee will assign his right towards the insurer or the third party to the Bank, and do all that is required so that this assignment is valid and the Bank may realize it, and the Bank will replace him with respect to the insurer or the third party in view of that matter, all under the condition that the maximum sum to be paid by the Bank, in aggregate and for all those entitled for indemnity under this Undertaking Letter, shall not exceed the sum established in Section 2.1.b or 2.2.b above, as the case may be.

4. **Handling the claim**

In any event due to which an officer or employee may be entitled to indemnity as aforesaid, the officer or employee, as well as the Bank, will act as follows:

- 4.1 The officer or employee shall notify the Bank in writing of any judicial or administrative proceeding, as defined above in Section 2.2.6, or another proceeding (each of those hereinafter shall be called: “**proceeding**”) commenced against him, as well as any concerns or threats that a proceeding may be filed against him, as well as the circumstances brought to his attention that may lead to a proceeding being filed against him, as soon as possible after he first learns of this; and he will deliver a copy of each document given to him in connection with such a proceeding, without delay, to the Bank, or any other person prescribed by the Bank in a written notice delivered to the officer or employee.
- 4.2 The officer or employee shall cooperate fully with the Bank and any person prescribed by the Bank - including the insurer of the Officers’ Insurance Policy or the other policy - and deliver all information required in connection with the proceeding and likewise fulfill the rest of the policy instructions connected with defense against the proceeding.
- 4.3 The Bank shall be entitled to take it upon itself to handle the officer’s or employee’s legal defense against the proceeding, and to transfer the defense to be handled by an attorney whose identity shall be determined by the Bank according to its discretion, while taking into account the Bank’s duties under the Officers’ Insurance Policy or the other policy, and the possibility of appointing an attorney on behalf of the insurer (hereinafter: “**Bank attorney**”).
- 4.4 Notwithstanding the aforesaid in Section 4.3, the officer or employee shall be entitled to object to his representation by the Bank attorney on reasonable grounds, or in circumstances in which the officer or employee is of the opinion that a conflict of interest exists between his defense and the Bank’s defense.
- 4.5 If, within fourteen days of receiving a notice as specified above in Section 4.1, the Bank (or the insurer) has not taken it upon itself to handle the officer’s or employee’s defense against the proceeding, or if the officer or employee has objected to his representation by the Bank attorney under the circumstances described above in Section 4.4, the officer or employee shall be entitled to transfer the handling of his defense to an attorney he has chosen himself (hereinafter: “**other attorney**”), provided that the fees to be paid to the other attorney are subject to the approval of the Bank’s Audit Committee, which will review their reasonableness. The officer or employee shall be given the opportunity to appear and argue before the Audit Committee, and the Audit Committee will explain its resolution. The officer or employee shall be entitled

to appeal its resolution before the Board of Directors, and the officer or employee shall be given the opportunity to appear and argue before the Board of Directors. If the full sum of the attorney's fees has not been approved, and the officer or employee has decided not to relinquish the services of the other attorney, the officer or employee shall be entitled – if he so desires – to receive the reasonable approved attorney's fee sum from the Bank, while the rest shall be paid by the officer or employee at his own expense.

- 4.6 Notwithstanding Sections 4.4 and 4.5 above, if the Officers' Insurance Policy or the other policy applies to the matter, the Bank will act according to the policy's instructions in all matters pertaining to disputes with the insurer regarding the identity of the representing attorney, if the policy's instructions demand it in a manner such that transferring the handling to the other attorney will allow the insurer to be released from his liability according to the policy, or to reduce it; moreover, the policy's instructions shall prevail in this matter over any agreement between the officer or employee with the Bank. However, the Bank will make every reasonable effort within the framework of its possibilities under the policy to respect the wishes of the officer or employee.
- 4.7 If the Bank has decided to take upon itself the handling of defense against the proceeding and the officer or employee has not objected to this under the circumstances aforesaid in Section 4.4, the officer or employee will, at the Bank's request, sign an authorization letter authorizing the Bank, as well as the Bank attorney, to handle defense against the procedure on his behalf and to represent him in all that is connected to this defense; and the Bank and the Bank attorney shall be allowed to exclusively handle this (but with regular reports to the officer or employee and in consultation with him and his legal advisors) and will be entitled to bring the proceedings to an end as they see fit, subject to the contents of Section 4.15 below.
- 4.8 The officer or employee shall cooperate with the Bank and the Bank attorney in any reasonable way required by either of them during their handling of the proceeding, including signing applications, depositions and any other document.
- 4.9 If the Bank has decided to take upon itself the handling of defense against the proceeding and the officer or employee has not objected to this under the circumstances aforesaid in Section 4.4, the Bank shall bear all expenses and payments involved therein, in such a manner that the officer or employee shall not be required to pay or fund them himself, and the Bank shall not be liable to the officer or employee under this Undertaking Letter for any legal expenses,

including attorney's fees, that the officer or employee may incur later in defense of his affairs.

- 4.10 At the request of the officer or employee, the Bank shall pay him an advance sum (or sums) required to cover reasonable expenses incurred by the officer or employee, including attorney's fees, and for which the officer or employee is entitled to indemnification pursuant to this Undertaking Letter. The advance sums will be agreed upon between the officer or employee and the Bank. In lack of an agreement, they will be determined by an arbitrator on whom the parties will agree.
- 4.11 If the Bank paid the officer or employee some sum by power of the undertaking to indemnify, whether in advance or otherwise, and later it transpires that the officer or employee must return it, in full or in part, because he was not entitled to indemnification due to the instructions of Article 263 of the Companies Law or due to any other instruction of the law, the returned sum shall bear index-linkage differences and an interest at the Bank's usual rates for index-linked loans, as of the day on which the sum was paid and until the day on which it is returned.
- 4.12 If the Bank pays the officer or employee some sum by power of the undertaking to indemnify, after which the charge for which the sum was paid is cancelled or has its sum reduced for any reason, the officer or employee shall assign the full extent of his rights to receive a restitution from the proceeding's plaintiff and do all that is required so that this assignment is valid and the Bank may realize it. Having done so, he shall be exempt from the restitution of the sum for which the restitution rights have been assigned. Having failed to do so, the officer or employee shall be required to reconstitute the sum or a part thereof, as the case may be, including linkage differences and an interest at rates and for a period according to which he is entitled for restitution by the plaintiff.
- 4.13 If the Bank attorney represents both the Bank and the officer or employee during the proceeding, after which it transpires that the officer or employee was not entitled to indemnification due to the instructions of Article 263 of the Companies Law or due to any other instruction of the law, and a dispute arises regarding the duty of the officer or employee to reconstitute legal expenses or concerning the sums of the restitution, the dispute shall be settled by an arbitrator on whom the parties will agree.
- 4.14 The officer or employee shall not consent to making a settlement or referring the proceeding to be decided by arbitration, except if the Bank has consented to

this in advance and in writing, and with the consent of the insurer if required, in which case the consent of the insurer of the Officers' Insurance Policy or the other policy has also been received, as the case may be.

4.15 The Bank, as well as the Bank attorney, shall not consent to making a settlement in a sum exceeding the indemnity sum to which the officer or employee will be entitled, except if the officer or employee has consented to this in advance and in writing, and with the consent of the insurer if required – in which case, the insurer's advance consent.

5. **Validity of the undertaking to indemnify**

5.1 The undertaking to indemnify shall be valid both in relation to proceedings taken against the officer or employee during his work or service, and the proceedings that may be taken against him after the termination date of his employment or the termination date of his service, provided that they relate to the actions subject of the indemnification, as stated in this Undertaking Letter. The undertaking to indemnify shall also be available to the heirs of the officer or employee and his other successors by law.

5.2 5.2.1 To prevent doubts, it is hereby established that this undertaking does not cancel or diminish or waive any other indemnity to which the officer or employee are entitled from any other source under the instructions of any law or according to a previous undertaking of the Bank, provided that the Bank is not required to indemnify the officer or employee for the same event under both the previous undertaking (if and insofar as it is valid) and this Undertaking Letter. It is hereby clarified that in the event where the officer or employee may be lawfully indemnified both under the previous undertaking and this Undertaking Letter, the Bank's Audit Committee will decide, subject to the instructions of any law, under which undertaking the officer or employee is to be indemnified.

5.2.2 To remove doubt, it is hereby clarified that the Bank's undertaking to indemnify under this Undertaking Letter (as approved by the general meeting on December 20<sup>th</sup>, 2001 and as amended according to the amendment resolutions) constitutes a single undertaking to indemnify, applying in its amended version only insofar as detailed in this Undertaking Letter, as approved on ~~December 23<sup>rd</sup>, 2015~~ \_\_\_\_<sup>2</sup>.

6. **Execution of the payment**

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<sup>2</sup> After receiving the approval of the general meeting for the amendments marked in this undertaking letter, the date of the general meeting will be completed.

- 6.1 Value-added tax shall be added to every payment paid under this Undertaking Letter, where applicable.
- 6.2 Each payment that the Bank must pay per this Undertaking Letter shall be paid thereby within 7 days of the date on which it is asked.

7. **General**

7.1 The introduction and the supplement to this Undertaking Letter constitute an integral part thereof.

7.17.2 This Undertaking Letter and all related thereto, including its interpretation and execution, will be subject to the laws of the state of Israel and these alone; the exclusive jurisdiction in any matter related to this Undertaking Letter, its interpretation and the manner of its execution, shall lie solely with the Tel-Aviv Jaffa District Court, unless the parties have appointed an arbitrator according to this Undertaking Letter.

## Supplement – List of Events

1. An action within the framework of a Bank or a mortgage Bank's fields of activity, with or in connection with its clients or other parties, including, without derogating from the generality of the above, any action under Articles 10 and 14 of the Banking (Licensing) Law, as well as an action in connection with investment portfolio management, an action in connection with underwriting, an action in connection with the management of mutual trust funds, an action in connection with the management of provident funds, an action in connection with trusteeship for others, and an action in connection with borrowers' life insurance or the insurance of dwellings, including but without derogating from the generality of the above:
  - 1.1 An action or a transaction in connection with receiving deposits of any kind, including an investment in a provident fund or in a savings program, their management and payment, establishing fees and collecting them; and also calculation, payment or collection of interest and expenses; and also the Bank making deposits with others, including foreign banks;
  - 1.2 Credit policy, as well as an action in connection with credit or some other liability, per its meaning in the Proper Conduct of Banking Business Directives (including syndications), including the grant of credit, its freezing or a deferment of its redemption, its renewal, its cancellation, a change in the credit terms, including a waiver of terms, collateral or changes therein, credit recycling, receiving collaterals including guarantees and handling them, including in the field of foreign trade and with financial institutes in Israel and abroad, extending credit for immediate payment, taking proceedings (or avoiding these) to collect debts and realize collaterals and guarantees, including by way of self-realization as well as under legal proceedings, including through a liquidator or another professional, as well as handling problematic debts, including debt waiver and drawing arrangements with debtors, all whether in accordance with the policy of the Bank and its procedures or not;
  - 1.3 An action or transaction in connection with the Payment Services Law 5779-2019 (hereinafter: the "Payment Services Law"), including, but without derogating from the generality of the aforesaid, in connection with a "payment service contract", a "payment action", a "payment order", a "freeze of use" on payment means (or non-freezing as aforesaid), cancellation of a means of payment or any other obligation under said law; as well as an action or transaction in connection with the Debit Cards Law 5746-1986, including in connection with the issuance of debit cards by the Bank or another corporation

and the clearing of debit card transactions, including engaging with a customer through a debit card usage contract, charging a customer and reimbursing charge sums according to a debit card contract, cancelling a deferred payment transaction and delivering documents, reports, information and explanation materials to the customer;

- 1.4 An action or transaction in the capital market, including in connection with the management of customer assets and also in connection with securities, financial assets, including derivatives, including in the derivatives market, and any action or transaction in connection with foreign currency; and all including sales, purchases, borrowing, exercise, conversions, hedging, transfers, deposits, safekeeping and management, including through the dealing room and with or through financial institutions in Israel and abroad, or in connection therewith, and all both for the customer and for the Bank (Nostro), both under the framework of trade on the stock exchange and outside of it, including “over the counter”; in addition, but without derogating from the generality of the aforesaid, an action concerning a duty imposed by any law in connection with the aforesaid above in this Section 1.4, including in connection with securities laws, including the Advising Law, or Banking laws and regulations, orders, instructions and rules established by power thereof, including directives issued by the Bank of Israel (including Proper Conduct of Banking Business Directives);
- 1.5 An action that is a part of Bank-customer relations, including but without derogating from the generality of the aforesaid, an action in connection with opening an account, managing it, closing it, depositing funds in the account, transferring them and withdrawing them, including actions in connection with checks, including uncovered checks, collection of fees and collection or payment of interest and its calculation, delivery of documents to the customer, receiving documents or information from the customer (including in connection with a third party), signing the customer unto contracts, documents and forms, the duty of confidentiality under any law and also duties under the Protection of Privacy Law 5741-1981 (including the duty of confidentiality) and the Consumer Protection Law 5741-1981, deductions including withholding tax and offsets in the relationship with the customer (including a waiver of rights), and including the provision of information or a report to the customer or to a third party, including a regulatory body, in connection with the account or the customer;
- 1.6 An action in connection with full disclosure or in connection with providing information to the customer, according to the law, including with respect to fees



and interest as well as actions under the Banking (Service to Customer) Law 5741-1981 and the rules established by power thereof as well as the Consumer Protection Law 5741-1981, including an action in connection with the collection of fees and interest and their calculation, as well as actions in connection with full disclosure or in connection with providing information to the customer under the Guarantee Law 5727-1967; and under the Advising Law, ~~and~~ the Pension Counselling Law, the Credit Data Law 5776-2016 (hereinafter: the “Credit Data Law”). The Payment Services Law and the Fair Lending Law 5753-1993 (hereinafter: the “Fair Lending Law”);

- 1.7 An action regarding identification, reporting, management and preservation of records, by law, including: the Prohibition on Money Laundering Law 5760-2000 (hereinafter: the “Prohibition on Money Laundering Law”), including the Prohibition on Money Laundering Order 5761-2001 (hereinafter: “**Prohibition on Money Laundering Order**”), the Prohibition of Financing Terrorism Law 5765-2005 (hereinafter: the “Prohibition of Financing Terrorism Law”), the Combating Terrorism Law 5776-2016 (hereinafter: the “Combating Terrorism Law”), the Law on the Struggle Against Iran’s Nuclear Program 5772-2012 and international sanction plans, Banking laws including directives issued by the Bank of Israel (including Proper Conduct of Banking Business Directives), securities laws including the Advising Law, tax laws, and regulations, orders, instructions and rules established by power of the aforesaid laws; including, without derogating from the generality of the above, an action in connection with the registration and verification of identifying details during the opening of an account, and receiving documents and declarations when opening an account, “face-to-face” identification of an account owner and an authorized signatory, verification of signatures, the “Know Your Customer” procedure and reporting to the competent authorities as required;
- 1.8 An action in connection with the establishment, registration, management and usage of registries and databases, as defined in the Protection of Privacy Law 5741-1981, including a computerized database of account numbers and identifying information (including additional details) of the account owners, authorized signatories, beneficiaries and controlling shareholders, in accordance with the Prohibition on Money Laundering Order; and an action in connection with the due transfer of data and information under any law, including under the Protection of Privacy Law 5741-1981, including in connection with the transfer of credit data, providing financial information services and providing access to a

customer's financial information, due to any law, including the Credit Data Law and the Proper Conduct of Banking Business directives; and including in connection with the implementation of the Open Banking Standard, as well as an action in connection with a cooperation of any kind, with a third party (including a "third party provider", a provider of financial information services or an information source of any kind whatsoever).

- 1.9 An action or transaction in connection with trusteeship to others, including as a trustee in joint trust funds, as a trustee for holders of bonds issued under the Securities Law, including private issuing and as trustee in a Bank account for insurance agencies, according to regulatory requirements, as a trustee in hedge funds, as a trustee for private customers and as a trustee in employee stock option plans, as well as holding and managing in trust of collaterals given under financing agreements, actions under supervising escrow transactions and holding securities for the purpose of complying with capping terms;
- 1.10 An action in connection with providing Banking services, as well as operating and information services in connection with the management of provident funds and pension funds; as well as providing such services; to the managers of joint trust funds, including for the purposes of reviewing and monitoring the activities of the aforesaid funds, according to the law's instructions;
- 1.11 An action in connection with the management and control of Bank risks (including risks insurance), including according to the instructions of the Bank of Israel, as they may be from time to time, and including an action in connection with establishing policy as well as management and control procedures in connection with exposures to financial risks in general, and risks arising from derivative activities with a counterparty in particular, and also business risks and strategic risks, reputational risks, credit risks, market risks and interest rate risks in the portfolio available for sale and the banking portfolio (including loss risks in balance sheet and off-balance sheet positions due to a change in the fair value of a financial instrument due to a change in market conditions), liquidity risks, risks in connection with business continuity management, environmental risks and also operational and legal risks, including data processing methods, actions using electronic communication, money laundering and terror financing prohibition risks, information security risks and cyber risks, privacy breach risks, risks inherent in the implementation of the Open Banking Standard, including in the provision of financial information services or providing access to a customer's financial information, model risk, outsourcing risks, human error

risks, risks arising from external natural events, pandemics (such as the corona pandemic), wars and other external events, including events over which the Bank has no control, risks arising from human resource management, inspection procedures and internal audit processes, technology risks, clearing risks, embezzlement and fraud risks, cross-border risks, regulatory compliance and violation of laws;

- 1.12 An action in connection with establishing policy or procedures, as well as the implementation of laws and other regulatory instructions among employees of the Bank, and any defect, failure or deficiency (hereinafter together: “**fault**”) in connection with inspection, audit or control, including with respect to job descriptions, limiting powers or not taking measures to prevent a fault;
- 1.13 An action in connection with drawing and conducting an audit (including an internal audit) of the Bank’s activity, including the Bank’s subsidiaries, employees and officers, treatment of exceptional cases (e.g. ethical violations, embezzlement and corruption), defects and complaints from customers, employees or other third parties, monitoring the implementation of in audit reports’ recommendations and repairing defects, preparation and authorization of audit work plans and supervision of audit work (including internal audit work);
- 1.14 An action in connection with issuing or receiving licenses, certificates of approval, permits or exemptions (hereinafter together: “**certificates of approval**”) required for conducting the businesses of the Bank or the Bank’s subsidiaries, including exemptions and certificates of approval according to the Banking laws and economic competition (restrictive trade) laws, and including business licenses or construction permits and an action in connection with terms established by power of the certificates of approval, including the reporting and provision of information;
- 1.15 An action in connection with employer-employee relations, including with respect to protective labor laws, as well as an action in connection with employment policies, employer-employee relations and employee remuneration, as well as in connection with hiring, managing negotiations and labor agreements, determining working conditions and changes therein, including fixed and variable remuneration (including bonuses and capital remuneration) and retirement conditions, social rights, appointment of an official, rotation, employee complaints, transfer of an employee from his position, inquiry or disciplinary proceedings against employees, termination of employee-employer relations, work safety issues, employee health, establishing work practices,

supervision of employees and maintaining workplace and its security, including in connection with a strike or a protective strike. In this matter, “**employee**”: any employee, including an officer, an external service provider (including those employed thereby), a contingent employee, an employment agency, and an authorized party;

- 1.16 An action or transaction in connection with advertising or marketing Bank activities and its businesses (including Banking services, fees, interest, savings plans, credit extension, investment in financial assets, issuing and management of debit cards, loyalty program promotions and bonuses, etc.), as well as in connection with the manner of advertisement, the correctness and non-deception of the advertisement, the content of the advertisement and intellectual property rights relating thereto;
- 1.17 A statement, utterance and expression of opinion or position, whether in writing, orally or by any other means, including at a meeting or an assembly or another forum, at the Bank or elsewhere, or through the distribution or publication of a document, message, comment or notice, including under or in connection with a conference call with the Bank’s shareholders or various persons in the capital market;
- 1.18 An event or action in connection with the issue of Bank security, information technology, computer crimes, information security and cyber events, including in connection with the implementation of the Open Banking Standard, and sharing information with a “third party provider”, including a provider of financial information services or an information source of any kind whatsoever, in particular; as well as an event or action in connection with cash center and cash transportation;
- 1.19 An action ~~under the framework of~~ in connection with legal or administrative proceedings of any kind, that the Bank or a subsidiary of the Bank, including an employee or officer, are party thereto (including avoiding a proceeding as aforesaid, objection or consent thereto, and including in connection with a settlement agreement or a waiver of rights, under or in lieu of such proceeding), as well as an action pursuant to a judicial order or at the request of a government ministry, including bodies over which the ministry is in charge or for which it is responsible, including a competent authority or a regulatory body; and likewise an action in connection with an agreement with an enforcing, supervisory or regulating agency, including under administrative proceedings of any kind or criminal proceedings;

1.20 An action in connection with payment or payment requirements applicable to the Bank by law, including, without derogating from the above, taxes and mandatory payments.

1.20 An action or transaction in connection with cooperation with other entities,  
1.21 including financial institutions and authorities of any kind.

2. Offering or issuing securities, including but without derogating from the generality of the above, an action or transaction in connection with an offer of securities to the public pursuant to a prospectus (including a shelf prospectus, a complementary notice or a shelf prospectus reports) or an outline to the employees a private offer or an offer of securities in any other way, registration for trade or removal from trade of securities, a tender offer, a repurchase of securities or any other action with respect to securities, all whether by the Bank or by a corporation in which the Bank holds shares or other means of controls, directly or indirectly at any proportion, including an action connected with the performance of a due diligence inspection, delivery of information whether in writing or orally, documents, opinions and reports, including in connection with a prospectus or a draft prospectus or any other document according to which the actions detailed above were performed.
3. An action including the purchase, sale, lending, transfer, lease or rental (including renting) of services, goods, real estate or other properties, securities, obligations or rights, as well as an investment or granting or obtaining a right in any of them, including an action in this regard, as well as business relations, including engagements with suppliers and service providers for the Bank, including through outsourcing.
4. An action in connection with the preparation, drawing, approval or signing of financial reports, interim financial reports, annual financial reports, periodic and quarterly reports, information accompanying the financial reports, including risk reports and other supervisory disclosures released to the public, and the like, including providing an evaluation in connection with the effectiveness of the internal audit (SOX), an action in connection with the activation and application of accounting principles and Bank of Israel directives, including Proper Conduct of Banking Business Directives, reliance on assessments and accounting estimates as well as work plans, business plans or outlooks, including forward-looking information, as well as restated financial reports.
5. An action in connection with “distribution”, per its meaning in Article 1 of the Companies Law (hereinafter: “distribution”), including the distribution of dividends to shareholders of the Bank.
6. An action, report, notice, delivery, transfer, sharing, provision of access or publication (hereinafter, jointly, in this section: “action”) ~~of~~ in connection with information, data,

details, representations, opinions and documents, including immediate reports and reports as specified in Section 4 of this Supplement, as well as a corporate responsibility report (hereinafter together: “**information**”), which are made or submitted, including under any law or in connection therewith, and including, without derogating from the generality of the above, an action in connection with that which is specified below: the Bank of Israel Law 5770-2010; the Banking Ordinance 1941; the Banking (Licensing) Law; directives issued by the Bank of Israel (including Proper Conduct of Banking Business Directives, the public reporting directives and the directives on reporting to the Supervision of Banks) as well as instructions in connection with the implementation of the Open Banking Standard, providing financial information services and providing access to a customer’s financial information, due to any law, the Credit Data Law, the Law to Promote Competition and Reduce Concentration, 5774-2013; the Banking (Service to Customer) Law 5741-1981; the Credit Information Service Law 5762-2002; the Companies Law; the Companies Ordinance (New Version) 5743-1983; the Pledge Law 5727-1967; the Guarantee Law 5727-1967; the Agency Law 5725-1965; the Securities Law; the Joint Investment Law; the Advising Law; the Provident Fund Control Law; the Pension Counseling Law; the Prohibition on Money Laundering Law 5760-2000; the Protection of Privacy Law 5741-1981; the Prohibition of Financing Terrorism Law; the Combating Terrorism Law; the ~~Restrictive Trade Practices~~Economic Competition Law; and the Income Tax Ordinance (New Version), 5721-1961; the Value Added Tax Law 5736-1975; as well as regulations, orders, instructions and rules prescribed under said legislation, including rules and guidelines prevailing at the stock exchange in Israel or abroad, as well as an action, including the publication or delivery of a report, a notice or information as aforesaid, to a Bank organ, to the public, to customers, to some third party, including to a competent authority, which includes the Israel Securities Authority, the Stock Exchange, the Registrar of Companies, the Bank of Israel (including the database, the Credit Bureau or any other entity in accordance with the Credit Data Law), the Supervisor of Banks, the Commissioner of the Capital Markets, Insurance and Savings at the Finance Ministry, the ~~Antitrust~~Competition Commissioner, a government ministry including the Finance Ministry and tax authorities.

7. An action in connection with any of the laws referenced in Section 6 of this Supplement, including on corporate governance issues, as well as transactions with related individuals or interested parties at the Bank, and including in connection with the instructions or requirements of a competent authority or another body indicated in Section 6 in connection with such an action or transaction.

8. An action in connection with the ~~Restrictive Trade Practices~~Economic Competition Law, including an action that creates or allows for the creation of a cartel or another business restriction, and including the transfer of information between competitors and any other coordination, including with regard to price, interest rate or other terms of service provided by the Bank or any other matter.
9. A transaction or action with or in connection with a corporation in which the Bank holds shares or other means of control (including the right to receive these), directly or indirectly, at any proportion, including non-financial corporations, or a corporation which the Bank has an interest, as well as a shareholders agreement and any action or transaction in connection thereto, purchase or sale of means of a corporation's means of control as aforesaid, or any change thereto, including exercise or conversion of rights or securities in the corporation as aforesaid; in addition, without derogating from the generality of the above, a transaction or action in connection with group policies, receiving information and reports from corporations as aforesaid, as well as submission of information and reports to regulatory authorities on a group basis, voting rights at a general meeting of a corporation as aforesaid, and the appointment of officers, as well as an action during tenure as an officer at a corporation as aforesaid.
10. An action or transaction in connection with insurance arrangements, including failure or the non-drawing of appropriate insurance arrangements, including in connection with an engagement with an insurer and the activation of an insurance policy.
11. An action in connection with bodily harm, property damage, hindrance of rights or damage to any other asset, which is attributed to the Bank or anyone on its behalf.
- ~~10.~~ **Notwithstanding the aforesaid in this Supplement, the following events shall not be**
12. **included in this Supplement:**
- ~~10.1~~ The sale offer of Bank securities to the public by the state, according to the 12.1 prospectus published by the Bank in 1998 and any other event included as part of the causes for indemnification, as set out in Section 2 of the undertaking to indemnify approved by the general meeting of the Bank's shareholders on May 12<sup>th</sup>, 1998.
- ~~10.2~~ Any event included as part of the causes for indemnification, pursuant to Section 12.2 5.1 of the undertaking to indemnify approved by the general meeting of the Bank's shareholders on April 18<sup>th</sup>, 2000.
- ~~11.~~ Merger, per its definition in Section 1 of the Companies Law, and any action in 13. connection with a restructuring of the Bank or a corporation in which the Bank holds shares or other means of control, directly or indirectly, at any proportion, a reorganization of the Bank or a corporation as aforesaid, including splitting, dissolution,



liquidation, deletion, sale, assignment or “division”, including dividends as well as a change in the equity of the Bank or a corporation as aforesaid, and a purchase of shares or other means of control in another corporation, whether directly or indirectly, including by way of purchase offer or an exchange purchase offer, any such changes in a corporation in which the Bank holds an interest; including, without derogating from the generality of the above, an action, agreement or report to any authority regarding the merger, purchase, restructuring or an action as aforesaid, including a report under the instructions of the Companies Law, the Securities Law, the Economic Competition Law and the Income Tax Ordinance (New Version) 5721-1961, as well as regulations, orders and instructions prescribed under said legislation-, including a purchase offer or an exchange purchase offer, and any action or transaction (including any action or transaction per the aforesaid in this Section 13), in connection with the planned merger of Union Bank of Israel Ltd with and into the Bank.

- ~~12.~~ An action in connection with the transfer of information required by law to interested
- ~~14.~~ parties.
- ~~13.~~ An action in connection with accessibility, proper representation, non-discrimination
- ~~15.~~ and fulfilling the rights of persons with disabilities, and any discrimination on other grounds.
- ~~14.~~ An action that may cause, contribute, create, increase, maintain or allow or which
- ~~16.~~ cannot prevent or reduce, whether directly or indirectly, damage or harm to the environment, including air quality, water, food, soil, flora and fauna, or which exposes humans, animals or plants to injury, damage, nuisance or disease.
- ~~17.~~ An action or transaction in connection with intellectual property or any right thereto, including secret information, patents, copyright, design rights, trademarks, trade secrets et cetera.
- ~~18.~~ An action or transaction in connection with any other activity, including activities accompanying the Bank’s business.
- ~~15.~~ An event specified above in this Supplement (with the necessary changes) shall be
- ~~19.~~ interpreted as also referring to any corporation in which the Bank holds shares or other means of controls, directly or indirectly at any proportion; likewise, an event specified above in this Supplement shall be interpreted (with the necessary changes) as also referring to a tenure as an officer at another company (per this term’s definition in the introduction to this Undertaking Letter), all based on the context and circumstances.
- ~~16.~~ In this Supplement, “**security**”: per its meaning in Article 52 of the Securities Law,
- ~~20.~~ including “financial instrument” per its definition in Article 44L of the aforesaid law



and financial assets; “**financial assets**”: per their meaning in the Advising Law;  
“**credit**”: per its meaning in the Banking (Licensing) Law.

The following is hereby clarified:

- (a) An event specified above in this Supplement shall be interpreted as referring to events both in Israel and abroad;
- (b) Without derogating from the generality of the aforesaid:
  - (1) An event specified above in this Supplement shall be interpreted as referring to a corporation, both in Israel and abroad, in which the Bank holds shares or other means of control, directly or indirectly, at any proportion, as well as an officer at another company (per this term’s definition in the introduction to this Undertaking Letter) both in Israel and abroad;
  - (2) An event specified above in this Supplement shall be interpreted as referring to foreign law and to instructions issued abroad, which are of a similar nature to the laws and to instructions issued in Israel which are specified above in this Supplement, as well as to any competent authority or other body abroad that are of a nature similar to the Israeli authorities and bodies specified above in this Supplement.

All based on context and circumstances.

**Mizrahi Tefahot Bank Ltd (hereinafter: the “Bank”)**

**Terms of Service and Employment for Mr. Moshe Lari**

**with respect to**

**His Tenure as the Chief Executive Officer of the Bank**

**as of September 16, 2020**

1. Introduction

1.1 On June 8, 2020, the Bank's Board of Directors approved the appointment of Mr. Moshe Lari as the Chief Executive Officer of the Bank, as of September 16, 2020 (hereinafter: the "CEO").

1.2 Mr. Lari began his work at Tefahot Israel Mortgage Bank Ltd (hereinafter: "Tefahot Bank") in March 1998, and in April 2001, he was appointed as Tefahot Bank's Chief Accountant. In October 2006, Mr. Lari was appointed as the head of the Bank's Planning and Economics Sector. On November 8, 2009, he began to serve as a deputy CEO – the head of the Bank's Operation, Planning and Control Division; and on July 14, 2011, he also began to serve as the head of the Customer Assets and Consultation Division (said divisions were merged into a single division on that date). On August 16, 2013, Mr. Lari began to serve as head of the Bank's Financial Division (CFO).

Furthermore, Mr. Lari currently serves, and has served in the last five years (unless stated otherwise) in the Bank's subsidiaries, as detailed below: Mizrahi Tefahot Issuance Company Ltd (Chairman of the Board of Directors, a position from which Mr. Lari resigned on August 10, 2020); Mizrahi Tefahot Trust Company Ltd (Chairman of the Board of Directors); United Mizrahi Overseas Holding Co. B.V. (Netherlands) (Chairman of the Board of Directors); Yahav Bank for Government Employees Ltd (director, a position from which Mr. Lari resigned on July 26, 2020); Netzivim Assets & Equipment Ltd (director, a position from which Mr. Lari resigned on August 10, 2020); United Mizrahi Bank Switzerland (director); United Mizrahi International Investments N.V. (director).

1.3 Mr. Lari holds a bachelor of sciences degree in Economics and Accounting (from the Hebrew University in Jerusalem), an MBA (from the Tel-Aviv University) and is a certified public accountant.

1.4 On August 27, 2020, having received the approval of the Remuneration Committee (on August 17, 2020), the Bank's Board of Directors approved Mr. Lari's terms of service and employment, with respect to his tenure as the Chief Executive Officer of the Bank, for a period beginning on September 16, 2020, including the Bank's engagement in an employment agreement with Mr. Lari, as well as the remuneration plan to be granted to him (which includes a monetary bonus and a long-term capital remuneration), as detailed below in

this document and without derogating from the rights granted to him in the past by the Bank (hereinafter: the “**Employment Agreement**” and the “**CEO’s Terms of Service and Employment**”, as applicable), subject to the approval of the general meeting, as required by law.

2. **Definitions**

- 2.1 The “**Employment Agreement**”: As defined above in Section 1.4;
- 2.2 “**Senior Officers’ Wage Law**”: The Remuneration for Officers in Financial Corporations (Special Approval and Non-Deductibility of Expense for Tax Purposes Due to Special Remuneration) Law 5776-2016;
- 2.3 The “**Remuneration Policy**”: The Bank’s remuneration policy, as defined in Article 267A of the Companies Law 5759-1999, which was approved by the general meeting on December 18, 2019 (as detailed in Appendix B of the (supplementary) immediate report published by the Bank on December 2, 2019 (reference no. 2019-01-105612));
- 2.4 “**Termination Date of Employer-Employee Relations**”: The date on which the employer-employee relations will legally end; it is hereby clarified that the early notice period (all or a part thereof) during which the Bank will have relinquished the CEO’s employment (insofar as it may relinquish it) shall not be counted as a period in which employer-employee relations will exist. Likewise, the payment of an adjustment bonus shall not extend the period in which employer-employee relations will exist;
- 2.5 “**Salary**” or “**Monthly Salary**”: As defined below in Section 4.2;
- 2.6 “**exceptional cause**”: with respect to the termination of employer-employee relations – a cause or grounds for employment termination under exceptional circumstances, including, but not limited to, dishonesty towards the Bank or a subsidiary, insubordination, willful misconduct, breach of fiduciary duty, disclosure of confidential information regarding the business of the Bank or a subsidiary, conduct that harms the business of the Bank or a subsidiary, or a material breach of the employment agreement or any other undertaking towards the Bank or a subsidiary;
- 2.7 “**Performance-Based Remuneration**”: A performance-based monetary bonus or a capital remuneration, as specified below in Section 5;
- 2.8 “**Variable Remuneration**”: A monetary bonus, as well as a capital remuneration, as specified below in Section 5; the part of the anti-competition

adjustment bonus higher than the sum of three (3) salaries, including the provisions made for them, as specified below in Section 4.3.4; and a retirement bonus, as specified below in Section 4.9.4;

2.9 **“Fixed Remuneration”**: The salary, including social benefits and other related benefits, as detailed below in Sections 4.2 and 4.3, as well as an anti-competition adjustment bonus in the sum of three (3) salaries, including the provisions made for them, as detailed below in Section 4.3.4;

2.10 **“End of the Transitory Period”**: Per this term’s definition in Section 4.9.3 below;

2.11 The **“CEO’s Terms of Service and Employment”**: As defined above in Section 1.4.

3. **The CEO’s Terms of Service and Employment - General**

The CEO’s Terms of Service and Employment, beginning on September 16, 2020.

Include the following components:

3.1 A Monthly Salary, related benefits (including social benefits), as well as retirements terms;

3.2 A Performance-Based Remuneration, at the discretion of the Remuneration Committee and the Board of Directors;

All as detailed below.

4. **The Principles of the CEO’s Terms of Service and Employment**

The principles of the CEO’s Terms of Service and Employment, according to the Employment Agreement, beginning on September 16, 2020, as approved by the Remuneration Committee and the Board of Directors, are as follows below:

4.1 **General**

4.1.1 The CEO’s position at the Bank shall be full-time, including overtime beyond the full-time scope, insofar as work will necessitate.

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

4.1.2 During the period in which employer-employee relations will exist, the CEO shall not be entitled to work in any other capacity or engage in any other occupation for a wage, whether as a salaried employee or in self-employment, as a consultant, agent, mediator or in any other form; nor will he be able to fulfill any other position in any

business entity, whether for consideration or not, unless he has received an approval in advance for this from the Board of Directors.

**4.2 Monthly Salary**

4.2.1 For his work, the CEO shall be entitled to a monthly wage in the gross total of ILS 230,000 (hereinafter: the “**Wage**”).

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

4.2.2 The Wage shall be fully linked to changes in the Consumer Price Index (hereinafter: the “**CPI**”), based on the CPI for August 2020, as will be published on September 15, 2020, and with respect to the CPI which will be known at the time of the relevant Wage’s payment; the Wage update, as aforesaid, will occur four (4) times *per annum*, in the salaries of February, May, August and November.

Despite the aforesaid, in the event of a CPI decline, the Wage shall not be reduced accordingly; however, the rate of the CPI’s decline shall be offset from the next CPI increase rate, and the one after that, as necessary, until the entire CPI decline is offset.

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

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

**4.3 Related Benefits**

The CEO will be entitled to related benefits as follows:

4.3.1 Car: The Bank shall provide the CEO with a fully-equipped company car, according to the Bank’s procedures, as well as a chauffeur, for the purposes of fulfilling his position, and bear all costs related to the use

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

and maintenance of the car, and shall gross up any tax that may be imposed upon the CEO due to the provided car.

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

4.3.3 Annual leave, convalescence and sick leave

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

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

- a. The Bank is providing the CEO with a budget that shall not exceed 15.83% for provisions for provident funds, pension and severance pay at the Bank's expense, which shall be transferred to a provident fund (or funds) chosen by the CEO, subject to the following aggregate terms and conditions:
- (1) Should the CEO choose to transfer the severance and provident fund monies at the Bank's expense into an executive insurance, the Bank shall transfer 8 1/3% for severance pay and 5% for provident funds, and likewise deduct 6% from the CEO and transfer these to the insurance policy as well. Likewise, the Bank shall purchase a loss of working capacity insurance for the CEO by paying 2.5% or such percentage that will vest the CEO with a disability allowance of 75% of the salary, whichever is lower. Should the payment for the loss of working capacity insurance be less than 2%, the Bank shall increase its provident fund provisions by the difference between the insurance pay rate and 2%.
  - (2) Should the CEO choose to transfer the severance and provident fund monies to a new pension fund, the Bank shall transfer 6% for severance pay and 7% for provident funds, and likewise deduct 2.33% to complete severance to that fund, or to an executive insurance or a personal severance provident fund, according to the CEO's choice; likewise, the Bank shall deduct 6% from the CEO for provident funds and transfer them to the pension fund.
  - (3) The CEO may choose to make provisions as aforesaid in a manner that combines the contents of paragraphs (1) and (2), all or a part thereof, in which case the aforesaid in those paragraphs shall apply to the part insured under each of them, as applicable.
  - (4) All aforesaid provisions shall be based on the CEO's Salary, as it shall be from time to time.



(5) The parties have adopted the terms of the General Approval regarding Employers' Payments to a Pension Fund and Insurance Fund in lieu of Severance Pay, in accordance with the Severance Pay Law, 5723-1963 (hereinafter: the "**General Approval**" and the "**Severance Pay Law**", respectively), and the payments according to the aforesaid and according to the General Approval, which was adopted by the parties as part of the previous employment agreement, shall come in lieu of severance pay, so that no severance pay settling or severance payment is made. Under this framework, the Bank waives all of its provisions per the aforesaid, in any employment termination event, and unless the CEO's right to severance pay has been revoked under Articles 16 or 17 to the Severance Pay Law, 5723-1963, in which case Section 4.9.1b. below shall apply.

b. In addition, the Bank shall make provisions for the CEO to an advanced study fund chosen by the CEO, at a rate of 7.5% of the monthly salary (against the deduction of 2.5% from the CEO's monthly salary and its transfer to the advanced study fund).

4.3.5 Expenses: The CEO shall be entitled to a reimbursement of expenses related to the fulfillment of his position, including on-duty accommodation expenses (no cap has been determined for the total reimbursement sum, as aforesaid). Likewise, the bank shall bear expenses due to newspapers, professional literature, membership fees at professional societies, and professional studies and training, and finance periodic medical examinations, holiday gifts and team-building days for the CEO, as customary at the Bank.

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

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

Insofar as the CEO will request it, from time to time, the Bank will update the CEO's Monthly Salary, subject to the adjustments and changes required to the terms specified above in Sections 4.3.1 through 4.3.4, all or a part thereof, in such manner that the increase or reduction of the Salary, as applicable, shall

come at the expense of a corresponding reduction or increase (as applicable) in the terms specified above in Sections 4.3.1 through 4.3.4, and vice versa (provided that the cost of the CEO's employment does not increase, including the cost of the tax which applies to the Bank), all subject to any law and subject to the remuneration cap permitted by the Senior Officers' Salary Law (as stated below in Section 4.6) and the deposit rate for severance pay and provisions, according to the law.

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

**4.5 Banking Services**

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

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

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

4.6.2 The total sum of the CEO's annual remuneration (not including due provisions for severance pay and provident funds) shall not, in any case, exceed the annual remuneration cap permitted under the Senior Officers' Wage Law, including Article 2(b) of the above law and/or according to any other law (hereinafter: "**Permitted Remuneration Cap**"); if and insofar as the total sum of the CEO's

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

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

annual remuneration (not including due provisions for severance pay and provident funds according to the law) for any year exceeds the Permitted Remuneration Cap, as aforesaid (hereinafter in this section: the “Excess”), the sum of the Excess shall be reduced, first, from the sum of the monetary bonus to which the CEO is entitled (insofar as he may be entitled) for that year; and insofar as there remains a surplus, it shall be reduced from the CEO’s fixed remuneration for that year.

- 4.6.3 It is hereby clarified that since the expense incurred by the wage cost which the Bank shall bear, directly or indirectly, in a tax year for the CEO, shall exceed the “payment cap”, per its meaning in Article 4 of the Senior Officers’ Wage Law, part of the CEO’s will not be recognized as a tax-deductible expense for the Bank, per the instructions of Article 4 of the aforesaid law.

**4.7 Exemption, insurance and indemnification**

- 4.7.1 The CEO shall be entitled to the officers’ exemption, insurance and indemnification as customary at the Bank, from time to time.
- 4.7.2 With regard to the approval of the engagement in the insurance policy for the liability of directors and other officers at the Bank and in companies that are part of the Bank’s group, including the Chief Executive Officer of the Bank and directors who are controlling shareholders at the Bank (as approved by the general meeting on March 25, 2020), see the immediate report published by the Bank on February 19, 2020 (reference no. 2020-01-017409).
- 4.7.3 a. With regard to the approval of the Bank’s letter of exemption and undertaking to indemnify directors and other officers, including the Chief Executive Officer of the Bank and controlling shareholders at the Bank, as well as employees, as approved by the Bank’s general meeting on December 23, 2015 and on August 30, 2018, see section 1.4 of the amending immediate report published by the Bank on December 7, 2015 (reference no. 2015-01-175365) and Section 1.2 of the amending immediate report published by the Bank on July 24, 2018 (reference no. 2018-01-069973).

- b. With regard to the approval of the Bank's letter of exemption and undertaking to indemnify directors and other officers, including the Chief Executive Officer of the Bank and controlling shareholders at the Bank, as well as employees, in its amended wording (attached as Appendix C to the immediate report regarding the convening the general meeting, to which this document is attached as Appendix D; hereinafter: the "**Immediate Report**") presented for the approval of the general meeting in parallel to the CEO's Terms of Service and Employment being presented for approval, as detailed in this document, see Section 1.2 of the Immediate Report.

**4.8 Termination of employment**

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

During the notice period, the CEO shall be under duty to work regularly and fully; however, the Bank reserves the right not to utilize said period, in whole or in part (regardless of which party gave the notice) and to bring the CEO's employment to an end before the end of the notice period; in such case, the Bank shall pay the CEO redemption for that part of the notice period in which it waived the CEO's work, in the amount of the Salary for the redemption period (hereinafter: "**Principal**") plus an amount equal to the Bank's payments detailed above in Section 4.3.4, calculated on the basis of the Principal.

**4.9 Payments due to termination of employment**

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

- 4.9.1 a. The Bank will provide a letter to release all payments (as specified above in Section 4.3.4a.) made for the CEO, including during the years of his employment prior to his appointment as the CEO, while waiving in advance any right to a refund of monies from the Bank's payments. These payments shall be in lieu of the full

liability for severance pay to which the CEO or his heirs may be entitled, and the Bank shall be exempt from any payment of severance pay, in accordance with Article 14 of the Severance Pay Law and in accordance with the General Approval by virtue thereof.

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

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

4.9.3 Adjustment bonus:

- a. Mr. Moshe Lari is entitled to an anti-competition adjustment bonus in the sum of 6 monthly salaries (without social provision) per the terms of his employment prior to his appointment as the CEO of the Bank; the cost of the adjustment bonus was fully provided in the Bank's financial reports. In this regard, it is noted that the adjustment bonus for the end of the transitory period established in the Senior Officers' Wage Law, i.e. for October 12, 2016 (hereinafter: "**End of the Transitory Period**")<sup>3</sup> was fully provided in the Bank's financial reports prior to the End of the Transitory Period<sup>4</sup>.

According to the personal employment agreement signed between the Bank and Mr. Lari, regarding his employment period at the Bank prior to his appointment as CEO, the adjustment

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<sup>3</sup>Per the transitory provision established in the Senior Officers' Wage Law regarding the Bank's engagement with a senior officer or employee, approved prior to the publication of this law, the instructions of the law shall apply as of six (6) months after the publication date – i.e., as of October 12, 2016.

<sup>4</sup> It is hereby clarified that this sum, provided prior to the End of the Transitory Period, shall not be taken into account for the purpose of calculating the total remuneration which the Bank may pay to the CEO under the Senior Officers' Wage Law, including according to Article 2(b) of the aforesaid law.

bonus, as aforesaid, shall be paid to the CEO in full near the termination date of the employer-employee relations<sup>5</sup>.

- b. Moreover, according to the Employment Agreement (with respect to his tenure as the CEO of the Bank), the CEO is entitled to an addition to the sum of the anti-competition adjustment bonus in the sum of the Bank's provisions, as specified above in Section 4.3.4, calculated per the sum of Mr. Lari's six (6) monthly salaries, per his last Salary on the eve of his appointment as the CEO of the Bank (hereinafter: "**Adjustment Bonus Differences**"); the entitlement to the Adjustment Bonus Differences shall be accrued during the first two years of his tenure as the Bank's CEO, in accordance with his experience in the position of the Bank's CEO, as specified below:

- (1) Up to one year's experience (inclusive): Adjustment Bonus Differences due to two (2) Monthly Salaries;
- (2) Over one year's experience and up to two years (inclusive): Adjustment Bonus Differences due to four (4) Monthly Salaries (in lieu of the aforesaid in SS (1));
- (3) Over two years' experience: Adjustment Bonus Differences due to six (6) Monthly Salaries (in lieu of the aforesaid in SS (1) and (2)).

This, without derogating from Mr. Lari's entitlement to an adjustment bonus according to his employment terms prior to his appointment as the CEO of the Bank, as aforesaid in SS a.

- c. In this regard, it is noted that in accordance with the remuneration policy and those that preceded it, half of the Adjustment Bonus (in the sum of three (3) salaries plus the provisions in respect thereof) shall be considered part of the CEO's fixed remuneration and paid shortly after the time at which the employer-employee relations are terminated (with tax deduction per the instructions of the law); the other half of the Adjustment Bonus (in the sum of three (3) salaries plus the

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<sup>5</sup> Per the transitory instructions established by the Supervisor of Banks in this matter (in the Proper Conduct of Banking Business directives) regarding the lack of prejudice to rights accrued in the past.

provisions in respect thereof) shall be considered part of the CEO's variable remuneration, and paid in four (4) installments, as stated below in SS d.

With respect to this matter:

- (1) As specified above, the full sum of the Adjustment Bonus per Mr. Lari's employment terms (per his last Salary on the eve of his appointment as the CEO of the Bank) shall be paid near the termination date of employer-employee relations, per the transitory instructions established by the Supervisor of Banks in this matter (as detailed in Footnote no. 5 to SS a. above);
  - (2) In addition, half the sum of the Adjustment Bonus Differences shall be paid near the termination date of employer-employee relations, while the second half shall be paid as stated below in SS d.
- d. Half of the sum of the Adjustment Bonus Differences (hereinafter: "**Half of the Adjustment Bonus Differences**") shall be paid in four (4) installments, as follows:
- (1) The first installment, in the amount of 50% of Half of the Adjustment Bonus Differences (with tax deduction, in accordance with the instructions of the law) shall be paid near the termination date of employer-employee relations;
  - (2) The payment of the rest of Half of the Adjustment Bonus Differences (with tax deduction, in accordance with the instructions of the law) shall be deferred and paid in three (3) equal annual installments, in the three (3) years following the termination date of the employer-employee relations (hereinafter, in this section: "**Deferred Installments**"), as follows: after 12 months, 24 months and 36 months from the termination date of the employer-employee relations, respectively;
  - (3) The Deferred Installments shall be paid with linkage to the CPI, in accordance with the rate of the rise in the index known on the actual payment date of any deferred

installment, compared with the index known at the termination date of the employer-employee relations (it is clarified that this linkage shall not result in a reduction in the Deferred Installments);

- (4) Notwithstanding the aforesaid, if the (consolidated) quarterly or annual financial reports of the Bank, published near the payment of any Deferred Installment, show a deviation of more than 10% from the minimum ratios of the total capital adequacy and tier 1 capital determined for this purpose in the Bank of Israel's directives (hereinafter: "**Material Deviation from the Minimum Ratios**"), then the payment of the aforesaid Deferred Installment shall be postponed by 12 months (hereinafter: "**Final Date**"). In the event that the Material Deviation from the Minimum Ratios persists in the (consolidated) quarterly or annual financial reports which will be published near and before the Final Date, then the Deferred Installment shall be cancelled and shall not be paid.

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

- (5) In the event that employment is terminated due to death, disability or disease, the averaging arrangements established in subsections (2) through (4) above shall not apply;
- e. (1) the Remuneration Committee and the Board of Directors may, at their discretion, grant the CEO an additional adjustment bonus sum (beyond the sums specified above in Section 4.9.3a. and b. and without prejudice to them), which is equal to the sum of the difference between:



- (a) Up to six (6) Monthly Salaries of the CEO, according to his last salary on the termination date of his employment at the Bank, in addition to a sum reflecting the Bank's provisions, as detailed above in Section 4.3.4 (calculated over the sum of up to six (6) of the aforesaid Monthly Salaries);  
and:
- (b) The accrued sum to which the CEO is entitled under Section 4.9.3a. and b. (i.e. the six (6) salaries aforementioned in Section 4.9.3a, in addition to the Adjustment Bonus Differences, as in Section 4.9.3b. above).

All contingent upon the Permitted Remuneration Cap under the Senior Officers' Wage Law, as aforesaid in Section 4.6.2 and subject to the contents of SS 4.9.3e.(2) below.

(Hereinafter: "**Additional Adjustment Bonus Sum**").

- (2) The entitlement to the Additional Adjustment Bonus Sum (insofar as it will be approved) will be accrued during the first two years of the CEO's tenure, in accordance with his experience as the Bank's CEO, as detailed below:
  - (a) Up to one year's experience (inclusive): An Additional Adjustment Bonus Sum, calculated due to two (2) Monthly Salaries, in addition to the Bank's provisions (as specified above in Section 4.3.4);
  - (b) Over one year's experience and up to two years (inclusive): An Additional Adjustment Bonus Sum, calculated due to four (4) Monthly Salaries (in lieu of the aforesaid in SS (a)), in addition to the Bank's provisions (as specified above in Section 4.3.4);
  - (c) Over two years' experience: An Additional Adjustment Bonus Sum, calculated due to six (6) Monthly Salaries (in lieu of the aforesaid in SS (a) and (b)), in addition to the Bank's provisions (as specified above in Section 4.3.4).

- (3) Half of the Additional Adjustment Bonus Sum will be paid on the Termination Date of Employer-Employee Relations between the CEO and the Bank; and the second half will be paid in four (4) installments, as specified above in Section 4.9.3d., with the necessary adjustments.
- f. It is hereby clarified that the reimbursement instructions, per Section 6.2 below, shall not apply to the half of the adjustment bonus, according to Mr. Lari's employment terms prior to his appointment as the CEO of the Bank (as aforesaid in SS a.), which is a variable remuneration<sup>6</sup> (but will apply to the half of the Adjustment Bonus Differences and the half of the Additional Adjustment Bonus Sum, insofar as it is approved, which are variable remuneration).

4.9.4 Retirement bonus

- a. The CEO is entitled to a retirement bonus (which will be added to the sums mentioned in Section 4.9 above), according to his employment terms prior to his appointment as the CEO of the Bank, in an amount equal to 150% of the last monthly salary for December 2016, multiplied by the number of his years of employment at the Bank until the end of 2016 (hereinafter: "**Retirement Bonus**"); the Remuneration Committee and the Board of Directors may reduce the Retirement Bonus considering the following factors: the period of employment, its terms, the Bank's performance for the duration thereof, his contribution to the achievement of the Bank's goals and the maximization of its profits, and the circumstances of the retirement.
- It is noted that the cost of the Retirement Bonus accrued for the CEO (according to his employment terms prior to his appointment as the CEO of the Bank) until the end of 2016 was

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<sup>6</sup> Per the transitory instructions established by the Supervisor of Banks in this matter (in the Proper Conduct of Banking Business directives) regarding the lack of prejudice to rights accrued in the past.

fully provided in the Bank's financial reports prior to the End of the Transitory Period<sup>7</sup>.

- b. According to the personal employment agreement signed between the Bank and the CEO, regarding his employment period at the Bank prior to his appointment as CEO, the Retirement Bonus accrued for the CEO until the end of 2016 shall be paid to the CEO in full near the termination date of the employer-employee relations<sup>8</sup>.

4.9.5 Lack of entitlement to an advance notice, an adjustment bonus and a retirement bonus

Notwithstanding the aforesaid in sections 4.8 and 4.9, if the CEO's employment is terminated (g-d forbid) under circumstances in which an employee may be dismissed without full or partial severance pay, even if the severance pay was not actually denied, *ex gratia*, the CEO shall not be entitled to an advance notice or to the redemption thereof, nor to an Adjustment Bonus (as detailed above in Section 4.9.3) and a Retirement Bonus, as provided above.

4.10 Confidentiality and restriction of competition

- 4.10.1 Since the CEO, due to his status and position, is entrusted with the Bank's trade secrets of any kind whatsoever, the CEO has undertaken to maintain trade and other secrets of the Bank and its subsidiaries in strict confidentiality, as detailed in the Employment Agreement. This undertaking shall be in force both during the period of the CEO's employment and thereafter, indefinitely.
- 4.10.2 The CEO has undertaken that he shall not engage or act directly or indirectly at or for any other banking corporation, for six (6) months from the termination date of all of his roles and employment at the Bank (including at the Bank's subsidiaries) for any reason whatsoever, including (but not limited to) serving as an employee of another

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<sup>7</sup> It is hereby clarified that this sum shall not be taken into account for the purpose of calculating the total remuneration which the Bank may pay to the CEO under the Senior Officers' Wage Law, including according to Article 2(b) of the aforesaid law.

<sup>8</sup> Per the rights for retirement bonuses of officers who are not directors, who had served at the Bank prior to June 3, 2013, in accordance with the "transitory instructions" established in this matter by the Supervisor of Banks (in the Proper Conducts of Banking Business directives or per the Supervisor of Banks' approval) regarding the lack of prejudice to rights accrued in the past (in this regard, see Footnote 24 to Section 9.3.2 of the remuneration policy).

banking corporation, nor providing it with services as a self-employed individual and/or a consultant and/or a member or partner at another banking corporation. Moreover, the CEO has undertaken that for six (6) months from the termination date of employer-employee relations between himself and the Bank, he shall not work as an officer under or for any institution which competes with the Bank's activities.

In this regard, "**Banking Corporation**" shall include any entity which engages in economic activity, competing with the Bank and/or a subsidiary thereof.

**5. Performance-based remuneration**

**5.1 Variable remuneration – monetary bonus and capital remuneration**

5.1.1 The Remuneration Committee and the Board of Directors may, at their discretion, grant the CEO a monetary bonus for the period that begins on September 16, 2020 and ends on December 31, 2020, as well as for each calendar year as of 2021 (hereinafter: "**Bonus Year**"), as provided in section 5.3 below.

- 5.1.2 a. The monetary bonus for each Bonus Year shall not exceed the sum total of three (3) monthly salaries<sup>9</sup> or a proportional part of this sum, for part of a Bonus Year (hereinafter: "**Monetary Bonus Cap**").
- b. The sum of the monetary bonus shall be paid to the CEO shortly after the (consolidated) financial reports of the Bank for the Bonus Year are published; the Bank shall duly deduct tax off the sum of the monetary bonus paid to the CEO.

5.1.3 Notwithstanding the aforesaid:

- a. Since the Bank issued option warrants, *inter alia*, to the officers at the Bank, for the year 2020, according to the outline of an offer to employees published by the Bank on June 22, 2020 (reference no. 2020-01-056299)<sup>10</sup>, the Remuneration Committee and the

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<sup>9</sup> Calculation will be based on the sum of the salary for December in the Bonus Year.

<sup>10</sup> In this regard, it is noted that under the aforesaid outline, Mr. Moshe Lari, in his capacity as the head of the Financial Division, was granted A option warrants strictly for the period beginning on January 1, 2020 and ending on September 15, 2020, rather than the year 2020 in its entirety; in this regard, see Section 2.5.2 of the aforesaid outline.

Board of Directors may determine, at their discretion, that all or part of the performance-based remuneration to be granted to the CEO for the proportional part of 2020 (from September 16, 2020 and until the end of 2020) shall include capital remuneration, per the terms determined in this regard by the Remuneration Committee and the Board of Directors, at their discretion, *inter alia* in accordance with the instructions set forth in this regard in the remuneration policy.

- b. Moreover, should the Remuneration Committee and the Board of Directors decide that the performance-based remuneration to be granted to Bank officers (who are neither the CEO nor directors) for any bonus year, from 2021 and onwards, will also include a capital remuneration (which is a variable remuneration) (hereinafter: “**Capital Remuneration**”), the Remuneration Committee and the Board of Directors may determine, at their discretion, that all or part of the performance-based remuneration to be granted to the CEO for that bonus year shall include Capital Remuneration, under the terms that will be determined in this regard by the Remuneration Committee and the Board of Directors, at their discretion, *inter alia* according to the instructions set forth in this regard in the Bank’s remuneration policy, or according to the instructions that will be set forth in this regard in the Bank’s remuneration policy, as it may be from time to time, with the necessary changes and subject to the specifications below;
- c. The value of the Capital Remuneration shall be calculated based on the value of the securities on the date of the Board of Directors’ approval of the allotment;
- d. It is hereby clarified that the value of the Capital Remuneration to be granted to the CEO for the bonus year, in addition to the monetary bonus to be granted to the CEO for that bonus year (insofar as it may be granted) do not exceed (in aggregate) 100% of the bonus cap;

- e. The CEO's entitlement to a monetary bonus, as aforesaid, shall be determined according to an evaluation of the CEO's performance by the Remuneration Committee and the Board of Directors, at their discretion, as stated below in Section 5.3.

**5.2 Prerequisite for the performance-based remuneration**

The CEO's entitlement to a performance-based remuneration (insofar as it is decided to grant it, as provided above in Section 5.1) for any bonus year shall be subject to the total capital adequacy ratio and tier 1 capital ratio of the Bank, according to the (consolidated) annual financial reports of the Bank for the bonus year, being no lower than the minimum ratios which were established in this regard in the Bank of Israel's directives.

Despite the aforesaid, in a year in which the aforesaid prerequisite is not fulfilled, the Remuneration Committee and the Board of Directors shall be entitled, at their discretion and under special circumstances, to grant the CEO a special monetary bonus equal to up to two (2) salaries (and a proportional part of this sum for part of the year).

**5.3 Evaluation of the CEO's performance**

At the end of each bonus year, the Remuneration Committee and the Board of Directors shall evaluate the CEO's performance.

The CEO's entitlement to the performance-based remuneration, as provided above, shall be determined at the discretion of the Remuneration Committee and the Board of Directors, per their evaluation, as aforesaid.

**5.4 The CEO's entitlement to the performance-based remuneration on termination of service**

5.4.1 Subject to Section 5.4.2 below, should the Remuneration Committee and the Board of Directors decide to grant the CEO a performance-based remuneration for any bonus year, and the employer-employee relations between the CEO and the Bank terminate in that bonus year (save by reason of exceptional cause), the CEO shall be entitled to a proportional part of the performance-based remuneration, for the period in which he worked *de facto* during said bonus year (i.e., until the termination date of the employer-employee relations).

5.4.2 The CEO's entitlement, as aforesaid in Section 5.4.1, is contingent upon the CEO having worked *de facto* for at least six (6) months in

that bonus year, prior to the termination date of the employer-employee relations. It is hereby clarified that if the CEO did not work for at least six (6) months *de facto* in said bonus year, he shall not be entitled to a performance-based remuneration for that bonus year.

**5.5 The Permitted Remuneration Cap**

It is hereby clarified that the total remuneration of the CEO for any bonus year (not including due provision for severance pay and pension), including the performance-based remuneration, as provided above, shall not exceed the permitted remuneration cap, aforesaid in Section 4.6.2.

**5.6 The Board of Directors' power to reduce the performance-based remuneration**

The Board of Directors may, for special reasons, reduce the performance-based remuneration and even determine that the CEO shall not be paid a performance-based remuneration for any bonus year.

**5.7 Termination of the CEO's service by reason of exceptional cause**

If the CEO's service is terminated by reason of exceptional cause, the CEO shall not be entitled to any performance-based remuneration not yet paid to him *de facto* (or not yet exercised, in the case of an option warrant allotment) at the termination date of the employer-employee relations between the CEO and the Bank or on the date at which he is served with a letter of dismissal, whichever earlier.

**6. Reimbursement**

6.1 The CEO shall reimburse the Bank, including by way of offsetting, with any sum paid to him, within sixty (60) days, if he was paid on the basis of figures that turned out to be erroneous and were restated in the Bank's (consolidated) financial reports during the three (3) years following the end of the year in respect of which the payment was made; and no later than three (3) years from the termination date of the employer-employee relations.

6.2 Without derogating from the aforesaid, the reimbursement instructions with respect to a variable remuneration, set forth in Section 6.10 of the remuneration policy, shall apply in the matter of a variable remuneration's reimbursement by the CEO (subject to the transitory instructions established by the Supervisor of Banks). This mention constitutes inclusion by way of

reference to all information listed in this matter in Section 6.10 of the remuneration policy.

7. **General Provisions**

- 7.1 It is hereby clarified that the monetary bonus and capital remuneration have been calculated so as to include severance pay (if due in respect thereof), in a manner such that no severance will be paid in respect thereof.
- 7.2 All taxes and levies that the Bank must duly deduct with respect to all payments, rights and benefits to which the CEO is entitled under the Employment Agreement, of any kind, shall be deducted at the source, at the CEO's expense, unless explicitly stated otherwise in the Employment Agreement.
- 7.3 The CEO undertakes not to create private hedging arrangements which would nullify the impacts of risk sensitivity inherent in their remuneration.
- 7.4 All remunerations to the CEO shall be paid directly to him, rather than through any corporation or some other entity.