	Overview	Snare capital	Mizrani-Tefanot Bank – Subordinated capital notes (Series A)	Bank Mizrahi Tetahot – Subordinated deposit notes*	Bank Mizrahi Tetahot – Contingent Subordinated notes
1	Legal entity – issuer	Bank Mizrahi Tefahot Ltd.	Bank Mizrahi Tefahot Ltd.	Bank Mizrahi Tefahot Ltd.	Bank Mizrahi Tefahot Ltd.
2	Securities ID / Ticker symbol	695437	6950083	Non-negotiable / multiple	Non-negotiable / multiple
3	Legal trameworks applicable to the instrument Supervisory treatment	State of Israel	State of Israel	State of Israel	State of Israel
4	Tier of which the instrument is part during the Basel III transitional period, which is gradually being eliminated	Not applicable	Tier II capital	Tier II capital	Not applicable
5	Tier of which the instrument is part during the Basel III transitional period, regardless of transitional provisions	Tier I shareholders' equity	Does not qualify	Does not qualify	Tier II capital
6	Does the instrument quality as regulatory capital component on solo basis, for the banking group or both	Banking group	Banking group	Banking group	Banking group
7	Instrument type	Ordinary share capital	Obligatory notes	Subordinated notes	Contingent subordinated notes
8	Amount recognized in regulatory capital as of September 30, 2020	3,445,438,334	718,347,400	174,852,600	342,259,000
9	Instrument par value	25,504,778	1,701,984,302	1,582,767,716	600,000,000
10	Accounting classification	Shareholders' equity	Liability – carried at	Liability – carried at	Liability – carried at
11	Original issue date	Variable	amortized cost November 16, 2006	amortized cost Multiple	amortized cost Multiple
12	Perpetual or dated	Perpetual	Dated	Dated	Dated
13	Original maturity	Not applicable	January 1, 2106	Multiple	Multiple
14	Early redemption possible upon issuer demand with prior approval by the	Not applicable	Yes	No	No
15	demand with prior approval by the Supervisor? Earliest date for exercising the option of	Not applicable	1/1/2022	Not applicable	Not applicable
	early redemption upon issuer demand	• •		••	
16	Existence and frequency of later early redemption dates	Not applicable	At the end of five-year terms after January 1, 2022 – i.e. on January 1 of 2027, 2032, 2037 etc.	Not applicable	Not applicable
17	Interest coupons / dividends Fixed or variable interest coupon / dividend	See Note 24.C (Share capital and equity) on the financial statements as of December 31, 2016	Currently fixed interest, to become variable in future	Fixed interest	Multiple (fixed interest and variable interest)
18	Coupon interest rate and linkage to specific index	Not applicable	4.5%, linked to the Consumer Price Index	Multiple, linked to the Consumer Price Index	Multiple Linked to Consumer Price Index and non-linked to Consumer Price Index
19	Any dividend stopper to ordinary share holders?	Not applicable	Yes	No	No
20	Subject to full discretion, partial discretion or not subject to discretion	Not applicable	Partial discretion	No discretion	No discretion
21	Interest step-up or other incentive for redemption?	Not applicable	Yes	No	No
22	Instrument accrues / does not accrue interest / dividends?	Not applicable	Accruing	Does not accrue	Does not accrue
23	Instrument is or is not convertible?	Not applicable	Is convertible	Is not convertible	Is not convertible
24	If convertible, what are the trigger points?	Not applicable	See note (1)	Not applicable	Not applicable
25	It convertible, is it fully / partially convertible?	Not applicable	Always fully convertible	Not applicable	Not applicable
26	If convertible, what is the conversion ratio?	Not applicable	See note (2)	Not applicable	Not applicable
21	If convertible, is conversion optional or mandatory?	Not applicable	Mandatory	Not applicable	Not applicable
28	If convertible, of what Tier is the resulting instrument after conversion?	Not applicable	Tier I shareholders' equity	Not applicable	Not applicable
29	It convertible, indicate the issuer of the instrument converted into	Not applicable	Bank Mizrahi Tefahot Ltd.	Not applicable	Not applicable
30	Is there a mandatory write-down on the instrument?	Not applicable	No	No	Yes
31	If there is a mandatory write-down, what are the trigger points?	Not applicable	Not applicable	Not applicable	Supervisor of Banks announces an event leading to dissolution and/or Tier I capital lower than 5% (Regulation 202, Appendix D-E)
32	If there is a mandatory write-down, is it full or partial?	Not applicable	Not applicable	Not applicable	Full or partial
33	If there is a mandatory write-down, is it permanent or temporary?	Not applicable	Not applicable	Not applicable	Temporary
34	If there is a temporary write-down, describe the write-down elimination mechanism	Not applicable	Not applicable	Not applicable	At Bank discretion, after the Bank's Tier I capital ratio rises above the minimum ratio specified by the Supervisor of Banks
35	Creditor ranking upon dissolution – instrument type immediately preceding this instrument in creditor ranking	Subordinated capital notes (Series A), Bank Mizrahi- Tefahot	Contingent Subordinated notes of Bank Mizrahi Tefahot and contingent Subordinated notes of Mizrahi Tefahot Issue Company – Series 47,48,50 and 53	Deposits and debentures	Not applicable, unless the instrument was not deleted upon dissolution according to its terms and conditions - Bank Mizrahi Tefahot subordinated notes and deposits
36	Are there components which only comply with the definition of regulatory capital due to transitional provisions?	No	Yes	Yes	No
37	If Yes, indicate the components	Not applicable	Non-qualification as Tier II capital: Regulation 202, Appendix D, sections 4c and 9 and Appendix E	Non-qualification as Tier II capital: Regulation 202, Appendix D, section 9 and Appendix E	Not applicable
38	Link to prospectus	_	<u>קישור לתשקיף</u>	<ul> <li>556 deposits which are essentially subordinated notes</li> </ul>	_

		Mizrahi-Tefahot Issuance company – contingent subordinated notes (Series 47)	Mizrahi-Tefahot Issuance company – contingent subordinated notes (Series 48)	Mizrahi-Tefahot Issuance company – contingent subordinated notes (Series 50)	Mizrahi-Tefahot Issuance company – contingent subordinated notes (Series 53)
1	Overview Legal entity – issuer	Mizrahi Tefahot Issue Company Ltd.	Mizrahi Tefahot Issue Company Ltd.	Mizrahi Tefahot Issue Company Ltd.	Mizrahi Tefahot Issue Company Ltd.
2	Securities ID / Ticker symbol	2310233	2310266	2310290	2310399
3	Legal frameworks applicable to the instrument	State of Israel	State of Israel	State of Israel	State of Israel
3	Supervisory treatment	State of Israel	State of Israel	State of Israel	State of Israel
4	Tier of which the instrument is part during the Basel III transitional period, which is gradually being eliminated	Not applicable	Not applicable	Not applicable	Not applicable
5	Tier of which the instrument is part during the Basel III transitional period, regardless of transitional provisions	Tier II capital	Tier II capital	Tier II capital	Tier II capital
6	Does the instrument qualify as regulatory capital component on solo basis, for the banking group or both	Banking group	Banking group	Banking group	Banking group
7	Instrument type	Contingent subordinated notes issued by a subsidiary of the banking corporation to third-party investors	Contingent subordinated notes issued by a subsidiary of the banking corporation to third-party investors	Contingent subordinated notes issued by a subsidiary of the banking corporation to third-party investors	Contingent subordinated notes issued by a subsidiary of the banking corporation to third-party investors
8	Amount recognized in regulatory capital as of	685,055,797	708,463,825	1,073,823,975	-
9	September 30, 2020	070.050.000	740.550.000	4 000 000 000	400 000 000
10	Instrument par value	678,950,000 Liability – carried at	710,550,000 Liability – carried at	1,089,900,000 Liability – carried at	400,000,000 Liability – carried at
11	Accounting classification  Original issue date	amortized cost  December 19, 2017	amortized cost October 21, 2018	amortized cost June 23, 2019	amortized cost  December 24, 2020
	- · · g · · · · · · · · · · · · · · · ·			October 29, 2019	
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity	December 18, 2027	October 21, 2028	December 23, 2029	June 24, 2031
14 15	Early redemption possible upon issuer demand with prior approval by the Supervisor?  Earliest date for exercising the option of early	Yes December 18, 2022	Yes October 21, 2023	Yes December 23, 2024	Yes June 24, 2026
16	redemption upon issuer demand  Existence and frequency of later early redemption	Not applicable	Not applicable	Not applicable	Not applicable
	dates Interest coupons / dividends	Tvot applicable	Tvot applicable	Tvot applicable	Tvot applicable
17	Fixed or variable interest coupon / dividend	Fixed	Fixed	Fixed	Fixed
18	Coupon interest rate and linkage to specific index	1.06%, linked to the Consumer Price Index	1.82%, linked to the Consumer Price Index	1.89%, linked to the Consumer Price Index	1.89%, linked to the Consumer Price Index
19 20	Any dividend stopper to ordinary share holders? Subject to full discretion, partial discretion or not	No discretion	No discretion	No discretion	No discretion
21	subject to discretion Interest step-up or other incentive for redemption?	No	No	No	No
22	Instrument accrues / does not accrue interest / dividends?	Not applicable	Not applicable	Not applicable	Not applicable
23	Instrument is or is not convertible?	Is not convertible	Is not convertible	Is not convertible	Is not convertible
24	If convertible, what are the trigger points?	Not applicable	Not applicable	Not applicable	Not applicable
25	If convertible, is it fully / partially convertible?	Not applicable	Not applicable	Not applicable	Not applicable
26	If convertible, what is the conversion ratio?	Not applicable	Not applicable	Not applicable	Not applicable
27 28	If convertible, is conversion optional or mandatory?  If convertible, of what Tier is the resulting instrument after conversion?	Not applicable Not applicable	Not applicable Not applicable	Not applicable  Not applicable	Not applicable  Not applicable
29	If convertible, indicate the issuer of the instrument converted into	Not applicable	Not applicable	Not applicable	Not applicable
30	Is there a mandatory write-down on the instrument?	Yes	Yes	Yes	Yes
31	If there is a mandatory write-down, what are the trigger points?	Supervisor of Banks announces an event leading to dissolution and/or Tier I capital lower than 5% (Regulation 202, Appendix	Supervisor of Banks announces an event leading to dissolution and/or Tier I capital lower than 5% (Regulation 202, Appendix	Supervisor of Banks announces an event leading to dissolution and/or Tier I capital lower than 5% (Regulation 202, Appendix	Supervisor of Banks announces an event leading to dissolution and/or Tier I capital lower than 5% (Regulation 202, Appendix
32	If there is a mandatory write-down, is it full or partial?	D-E) Full or partial	D-E) Full or partial	D-E) Full or partial	D-E) Full or partial
33	If there is a mandatory write-down, is it permanent or temporary?  If there is a temporary write-down, describe the write-	Temporary  At Bank discretion, after the	Temporary  At Bank discretion, after the	Temporary  At Bank discretion, after the	Temporary  At Bank discretion, after the
34	down elimination mechanism	At Bank discretion, after the Bank's Tier I capital ratio rises above the minimum ratio specified by the Supervisor of Banks, for a term of up to 15 years after the initial issue date.	At Bank discretion, after the Bank's Tier I capital ratio rises above the minimum ratio specified by the Supervisor of Banks, for a term of up to 7 years after the write off date.	At Bank discretion, after the Bank's Tier I capital ratio rises above the minimum ratio specified by the Supervisor of Banks, for a term of up to 7 years after the write off date.	At Bank discretion, after the Bank's Tier I capital ratio rises above the minimum ratio specified by the Supervisor of Banks, for a term of up to 7 years after the write off date.
35	Creditor ranking upon dissolution – instrument type immediately preceding this instrument in creditor ranking	Not applicable, unless the instrument was not deleted upon dissolution according to its terms and conditions - Bank Mizrahi Tefahot subordinated notes and deposits	Not applicable, unless the instrument was not deleted upon dissolution according to its terms and conditions - Bank Mizrahi Tefahot subordinated notes and deposits	Not applicable, unless the instrument was not deleted upon dissolution according to its terms and conditions - Bank Mizrahi Tefahot subordinated notes and deposits	Not applicable, unless the instrument was not deleted upon dissolution according to its terms and conditions - Bank Mizrahi Tefahot subordinated notes and deposits
36	Are there components which only comply with the definition of regulatory capital due to transitional provisions?	No	No	No	No
37	If Yes, indicate the components	Not applicable	Not applicable	Not applicable	Not applicable
38	Link to prospectus		http://maya.tase.co.il/rep		https://maya.tase.co.il/re
		http://maya.tase.co.il/reports/details/1136660/2/2	orts/details/1189839	https://maya.tase.co.il/reports/details/1236196	ports/details/1340923/2/0

Seminary recognized in regulatory capital as of page-interest 3, 3, 000 programme 19, 300, 100 programme 19, 300,	Supervisory treatment	Bank Yahav – contingent subordinated notes	Igud Issuance – contingent obligatory notes – Series T	lgud Issuance – contingent obligatory notes – Series U	Bank Igud – private issuance 4	Bank Igud – private issuance 5
Establisher in Application (1976)  All segli immercial specified to the intraversal School (1986)  All segli immercial specified to the intraversal School (1986)  All segli immercial specified to the intraversal School (1986)  All segli immercial specified to the intraversal School (1986)  All segli immercial specified to the intraversal specified specified specified (1986)  All statistical procedures specified specified of specified (1986)  All statistical procedures specified specified (1986)  All statistical procedures specified (1986)  All statistical	······································	Rank Yahay for Government	laud Issuance	laud Issuance	Bank laud	Rank laud
Specification of the component of part plants of the component of the comp		Employees Ltd.		ŭ	3	
Supervivory ventrement   Supervivory ventrem	2 Securities ID / Ticker symbol		1139153	1141878		
The for which the instruction for period beautiful the speakable will be transitional order with a granuable will be speaked to the speaked beautiful the speaked beautiful the speaked or the speaked provided or the speaked provided or the speaked provided provided or the speaked provided or the speaked provided	······································	State of Israel	State of Israel	State of Israel	State of Israel	State of Israel
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Choose the instantions country is explained yearbilling or compound not subtilise, the harting group or compound not subtilise the harting group or c	5 Tier of which the instrument is part during the Basel III transitional period, regardless of transitional	Tier II capital	Tier II capital	Tier II capital	Does not qualify	Does not qualify
File factor des for controller of the property	6 Does the instrument qualify as regulatory capital component on solo basis, for the banking group or	Banking group	Banking group	Banking group	Banking group	Banking group
September 50, 2020 Information per value 1014 Accounting desistation 104 Early industry desistation 105 Accounting desistation 105 Accounting desistation 105 Accounting desistation of early investigating explanation design Information 105 Accounting desistation of early investigating explanation of early investigating explanation of early investigating explanation Information Information 105 Accounting design and design of early investigating investigating explanation of early investigating investigating explanation Information Information 105 Accounting the splanation of early investigating investigating explanation of early investigating investigating explanation Information Information 105 Accounting the splanation of early investigating investi		notes	issued by a subsidiary of the banking corporation to third- party investors	issued by a subsidiary of the banking corporation to third- party investors	notes issued by a subsidiary of the banking corporation to third-party investors	
Libitity - carried at amortized   Libitity - carried   Libitity - car		, ,	, ,		·	
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12/Perputation of attending   District   D	10 Accounting classification					
Multiple   September 11, 2025   September 12, 2027   August 30, 2022   September 12, 2022   August 30, 2022   September 12, 2023   August 30, 2022	11 Original issue date	Multiple	September 11, 2016	September 10, 2017	August 30, 2007	September 19, 2007
14 Early referrention possible upon issuer demand with prior approvally the Superior bythe Superior of 2 special with prior approvally the Superior bythe Superior of 2 special with prior approvally the Superior bythe Superior of 2 special state for exercising the option of early producing the option of later only redemption upon its sear demand of the second of th						
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18 Coupon interest rise and linkage to specific index 19 Any dividend stopper to ordinary share holders? 29 Subject to full discretion, partial discretion or not not subject to discretion or not by discretion or not not subject to discretion or not		Fixed interest	Variable	Variable	Variable	Fixed
Secretarian   Consumer Price   Consume						
29. Subject to discretion partial discretion or not subject to discretion where the subject to discretion subject to discretion where the subject to discretio		Linked to the Consumer Price Index				
Subject to discretion   No						
22 Instrument accrues / does not accrue interest / dividends? 23 Instrument is or is not convertible? 25 Instrument is or is not convertible? 26 Instrument is or is not convertible? 27 Instrument is or is not convertible? 28 Instrument is or is not convertible? 29 Instrument is or is not convertible? 29 Instrument is or is not convertible? 20 Instrument is or is not convertible? 20 Instrument is or is not convertible? 30 Instrument is or is not convertible? 31 Instrument accrues / does not accrue interest / does applicable Not applicable No						
Sile convertible   Since	21 Interest step-up or other incentive for redemption?	<u> </u>	<u> </u>			
24 if convertible, what are the trigger points?  Not applicable No	· ·				ŭ	_
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26 If convertible, of what Tier is the resulting instrument after conversion?  Not applicable						
29 if convertible, indicate the issuer of the instrument converted into 201 sthere a mandatory write-down on the instrument? On the instrument of desolution and/or Tier In (Regulation 202, Appendix D. (Regulation 202, Addendum (N))  32 if there is a mandatory write-down, is it full or partial?  32 if there is a mandatory write-down, is it permanent for temporary?  33 if there is a temporary write-down, describe the write-down elimination mechanism  34 if there is a temporary write-down, describe the write-down elimination mechanism  35 Creditor ranking upon dissolution – instrument type immediately preceding this instrument in creditor ranking and except for creditor rights pursuant to the note are subordinated to all other orditor orgists assigned a lower redemption ranking and except for creditor rights pursuant to the note are subordinated for learning and except for creditor rights pursuant to the note are subordinated for learning and except for creditor rights pursuant to the note are subordinated ones and deposits  36 Are there components which only comply with the definition of regulatory capital due to transitional provisions?  37 if Yes, indicate the components.  Not applicable  Not applicable on the Not applicable of Banks armounces an event leading to dissolution and/or Tier I (Regulation 202, Addendum (N))  At Bank discretion, after the Bank's Tier I capital ratio rises above the minimum ratio above the minimum ratio above the minimum ratio and above the minimum ratio above the minimum ratio and above the minimum ratio and according to the supervisor of Banks armounces an event leading to dissolution and/or Tier I (Regulation 202, Addendum (N))  At Bank discretion, after the Bank	28 If convertible, of what Tier is the resulting	L	l	L		1
Ves	29 If convertible, indicate the issuer of the instrument	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
31 if there is a mandatory write-down, what are the trigger points?  Supervisor of Banks amountoes an event leading to dissolution and/or Tierf capital lower than 5% (Regulation 202, Appendix D. E. (Regulation 202, Appendix D. E.)  32. If there is a mandatory write-down, is it full or partial?  33. If there is a mandatory write-down, is it permanent or temporary?  34. If there is a temporary write-down, describe the write-down elimination mechanism  35. Creditior ranking upon dissolution —instrument type immediately preceding this instrument in creditor granking  36. Creditior ranking upon dissolution—instrument type immediately preceding this instrument in creditor granking  36. Are there components which only comply with the definition of regulatory capital due to transitional provisions?  37. If Yes, indicate the components.  Supervisor of Banks and conditions the factor of Banks (Regulation 202, Addendum (Regul		Yes	Yes	Yes	No	No
If there is a mandatory write-down, is it full or partial partial?   Partial or full   Partial or full   Partial or full   Partial or full   Not applicable   Sank's Tier I capital ratio rises above the minimum ratio specified by the Supervisor of Bank's   Not applicable   Sank's Tier I capital ratio rises above the minimum ratio specified by the Supervisor of Bank's   Not applicable   Sank's Tier I capital ratio rises above the minimum ratio specified by the Supervisor of Bank's Tier I capital ratio rises above the minimum ratio specified by the Supervisor of Bank's   Not applicable   Not app	31 If there is a mandatory write-down, what are the	Supervisor of Banks announces an event leading to dissolution and/or Tier I capital lower than 5% (Regulation 202, Appendix D-	announces an event leading to dissolution and/or Tier I capital lower than 5% (Regulation 202, Addendum	announces an event leading to dissolution and/or Tier I capital lower than 5% (Regulation 202, Addendum	Not applicable	Not applicable
33 If there is a mandatory write-down, is it permanent or temporary?  34 If there is a temporary write-down, describe the write-down elimination mechanism  35 Creditor ranking upon dissolution – instrument type immediately preceding this instrument in creditor ranking  36 Are there components which only comply with the definition of regulatory capital due to transitional provisions?  37 If Yes, indicate the components.  38 If there is a mandatory write-down, describe the write-down, describe the write-down, describe the write-down, describe the write-down elimination mechanism  36 Creditor ranking upon dissolution – instrument type immediately preceding this instrument in creditor ranking  37 If Yes, indicate the components.  38 If there is a mandatory write-down, describe the write-down, describe the write-down, describe the write-down elimination mechanism  36 Are there is a temporary write-down, describe the write-down elimination mechanism  37 If there is a temporary write-down, describe the write-down elimination mechanism  38 If there is a temporary write-down, describe the write-down elimination mechanism  39 If there is a temporary write-down, describe the write-down elimination mechanism  30 Creditor ranking upon dissolution – instrument type instrument type instrument was not deleted upon dissolution – Union bank subordinated notes and deposits  30 Are there components which only comply with the definition of regulatory capital due to transitional provisions?  31 If Yes, indicate the components.  32 If Yes, indicate the components.  33 If there is a temporary write-down, after the Bank's Tier I capital ratio in Sea above the minimum ratio specified by the Supervisor of Bank's Tier I capital ratio in Sea above the minimum ratio specified by the Supervisor of Bank's Tier I capital ratio in Sea above the minimum ratio specified by the Supervisor of Bank's Tier I capital ratio in Sea above the minimum ratio specified by the Supervisor of Bank's Tier I capital ratio in Sea above the minimum ratio specified					Not applicable	Not applicable
If there is a temporary write-down, describe the write-down elimination mechanism   At Bank discretion, after the Bank's Tier I capital ratio rises above the minimum ratio specified by the Supervisor of Banks	33 If there is a mandatory write-down, is it permanent	Temporary	Temporary	Temporary	Not applicable	Not applicable
So Creditor ranking upon dissolution – instrument type immediately preceding this instrument in creditor ranking  Not applicable, unless the instrument was not deleted upon dissolution according to its terms and conditions. In such case, the rights pursuant to the note are subordinated to all other creditor rights assigned a lower redemption ranking and except for creditor rights pursuant to similar notes.  No  Are there components which only comply with the definition of regulatory capital due to transitional provisions?  Not applicable, unless the instrument was not deleted pursuant to terms and conditions thereof upon dissolution – Union bank subordinated notes and deposits  No  No  No  No  No  No  No  No  No  N	34 If there is a temporary write-down, describe the	Bank's Tier I capital ratio rises above the minimum ratio specified by the Supervisor of Banks	Bank's Tier I capital ratio rises above the minimum ratio specified by the Supervisor of Banks	Bank's Tier I capital ratio rises above the minimum ratio specified by the Supervisor of Banks		
definition of regulatory capital due to transitional provisions?  37 If Yes, indicate the components.  Not applicable  Not applicable  Not applicable  Not applicable  There is no condition for conversion into shares or deduction of the instrument if the Tier I capital ratio if the Tier I capital ratio	immediately preceding this instrument in creditor ranking	Not applicable, unless the instrument was not deleted upon dissolution according to its terms and conditions In such case, the rights pursuant to the note are subordinated to all other creditors, except for creditor rights assigned a lower redemption ranking and except for creditor rights pursuant to similar notes	Not applicable, unless the instrument was not deleted pursuant to terms and conditions thereof upon dissolution – Union bank subordinated notes and deposits	Not applicable, unless the instrument was not deleted pursuant to terms and conditions thereof upon dissolution – Union bank subordinated notes and deposits		Deposits and debentures
conversion into shares or conversion into shares or deduction of the instrument if the Tier I capital ratio	definition of regulatory capital due to transitional	No	No	No		Yes
38 Link to prospectus https://maya.tase.co.il/report https://maya.tase.co.il/report	37 If Yes, indicate the components.	Not applicable			conversion into shares or deduction of the instrument if the Tier I capital ratio should drop below 5%.	There is no condition for conversion into shares or deduction of the instrume if the Tier I capital ratio should drop below 5%.

- (1) The Bank would be required to convert the outstanding principal and interest balance of these capital notes into Bank ordinary shares upon certain occurrences as follows:
  - (a) The Bank's Tier I capital ratio to risk components, as reported on the Bank's financial statements, has dropped below 6% and has not returned to the aforementioned value or higher within 90 days from the issue date of said financial statements;
  - (b) According to the Bank's financial statements, the Bank' retained earnings balance has turned negative;
  - (c) The Bank's Independent Auditor, in an opinion or review report attached to the Bank's financial statements or interim financial statements, has drawn attention to Notes to the financial statements with regard to significant doubt as to continued existence of the Bank as a going concern.
- (2) The conversion rate for conversion of capital notes into Bank ordinary shares will be determined by the Trustee after 14 consecutive trading days, the first of which is the first trading day following the date on which the Bank's notice was delivered. The conversion rate will be determined based on the lowest conversion rate as follows, with the value of capital notes for conversion purposes calculated including principal, linkage differentials and accrued interest as of the date on which the Bank's notice was delivered:
  - (a) Shareholder equity per Bank share, less a 20% discount. Shareholder equity per share will be calculated based on the Bank's most recent financial statements issued prior to calculation of the conversion rate;
  - (b) The average closing price per Bank ordinary share on the Tel Aviv Stock Exchange on 14 consecutive trading days, the first of which is the first trading day following the date on which the Bank's notice was delivered.

Notwithstanding the foregoing, the calculated conversion rate shall not exceed a closing price of NIS 37.00 per share nor be less than a closing price of NIS 18.00 per share, with both these prices linked to the Consumer Price Index issued for September 2006 and adjusted to reflect price changes with respect to bonus share distribution, share split or reverse split, capital reduction and the benefit component with respect to each rights issuance made during the term of the capital notes.

Moshe Vidman

Chairman of the Board of Directors

Moshe Lari

President & CEO

**Doron Klauzner** Vice-president,

Chief Risks Officer

(CRO)