

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

To: Israel Securities Authority www.isa.gov.il	To: Tel Aviv Stock Exchange Ltd www.tase.co.il	T460 (public)	Transmitted via MAGNA: May 31, 2021 Reference: 2021-01-093369
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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: *June 8, 2021*

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 *May 31, 2021*

it was resolved to *convene a meeting special meeting* _____

to be held on *Tuesday, July 6, 2021* at *15:00*

at the following address *7 Jabotinsky Street (13th 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:

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

The proposed resolution:

To approve the updated remuneration policy for officers at the bank, in the wording attached as Appendix A to the immediate report on the convening of the general meeting, which is attached herein, and shall be in effect until December 31, 2023 (hereinafter: "Updated Remuneration Policy").

The Updated Remuneration Policy is demarcated from the current remuneration policy for officers at the bank (for the years 2020-2022), which was approved by the general meeting of the bank on December 18, 2019 and updated on December 24, 2020.

Additional details:

For additional details, see Section 1 of the immediate report on the convening of the general meeting, which is attached.

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

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

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

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

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

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

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

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

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

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

- Subject change/Addition of a new subject to the agenda by court order

- Subject change/Addition of a new subject 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 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 the bank's controlling shareholders, nor have a personal interest in the approval of the updated remuneration policy, 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: full convening report isa.pdf

4. Attachments

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

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_____ 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 *July 13, 2021 at 15:00*, at the following address: *7 Jabotinsky Street, Ramat Gan, 13th 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:

	Signatory's Name	Position
1	<i>Racheli Friedman</i>	<i>Other Chief Legal Advisor</i>
2	<i>Ofer Horwitz</i>	<i>Other Bank Secretary & 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](#)

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

2020-01-114631

2020-01-140100

2021-01-071448

Securities of a Corporation Listed for

Form structure revision date: May 4, 2021

Trading on the Tel Aviv Stock Exchange

Abbreviated Name: Mizrahi Tefahot

Address: 7 Jabotinsky Street, Ramat
Gan, 52520

Tel: 03-
7559720

Fax: 03-7559923

E-Mail: mangment@umtb.co.il Company

<https://www.mizrahi-tefahot.co.il>

Website:

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:	Tel:	Fax:	E-Mail:
7 Jabotinsky Street, Ramat Gan, 52520	03-7559207	03-7559913	management@umtb.co.il

Mizrahi Tefahot Bank Ltd

Date: May 31, 2021

To
Israel Securities Authority
www.isa.gov.il

To
Tel Aviv Stock Exchange Ltd
www.tase.co.il

Re: Immediate report on the convening of a special general meeting of Mizrahi Tefahot Bank Ltd's shareholders

In accordance with the Companies Law, 5759-1999 (hereinafter: "**Companies Law**"); the Securities Regulations (Periodic and Immediate Reports) 5730-1970 (hereinafter: "**Periodic and Immediate Report Regulations**"); the Companies Regulations (Notice and Announcement of General Meeting and Class Meeting in Public Company and Addition of an Issue to the Agenda) 5760-2000; and in accordance with the Companies Regulations (Written Votes and Position Papers) 5766-2005 (hereinafter: "**Written Vote Regulations**"), and the Remuneration for Officers in Financial Corporations (Special Approval and Non-Deductibility of Expense for Tax Purposes Due to Special Remuneration) Law 5776-2016 (hereinafter: "**Senior Officers' Wage Law**"), Mizrahi Tefahot Bank Ltd (hereinafter: the "**Bank**" or the "**Company**") hereby announces the convening of a special general meeting (hereinafter: "**general meeting**") on Tuesday, July 6, 2021, at 15:00, at the Bank's offices, 7 Jabotinsky Street, Ramat Gan, 13th floor.

The issue on the agenda and a summary of the proposed resolution:

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

- 1.1 **Description of the nature of the issue:** Approval of an updated remuneration policy for officers at the Bank.
- 1.2 **Text of the proposed resolution:** To approve the updated remuneration policy for officers at the Bank, attached as Appendix A to this report, which shall be in effect until December 31, 2023.

The updated remuneration policy is demarcated from the current remuneration policy for officers at the bank (for the years 2020-2022), which was approved on December 18, 2019 and updated on December 24, 2020.

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

1.3.1 **Background**

On December 18, 2019, the Bank's general meeting approved a remuneration policy for officers at the Bank, for the years 2020-2022, which was updated on December 24, 2020 (hereinafter: "**Current**

Remuneration Policy”)¹. Further to the approval of the Bank’s new strategic plan for the years 2021-2025² (hereinafter: “**New Strategic Plan**”), on May 31, 2021, having received the recommendation of the Remuneration Committee from May 19, 2021, the Bank’s Board of Directors approved an updated remuneration policy for officers at the Bank, in the wording attached as Appendix A to this report, which shall be in effect until December 31, 2023 (hereinafter: “**Updated Remuneration Policy**” or “**Remuneration Policy**”).

1.3.2 **The determination manner of the Updated Remuneration Policy, its approval date and the information brought in this regard before the Remuneration Committee and the Board of Directors**

The recommendation of the Remuneration Committee and the Board of Directors’ decision to approve the Updated Remuneration Policy were received unanimously by all Remuneration Committee members who had attended the Remuneration Committee meeting on May 19, 2021; and all members of the Board of Directors who had attended the Board of Directors meeting on May 31, 2021.

- a. The following data, *inter alia*, were reviewed and examined by the Remuneration Committee and the Board of Directors at their meetings:
 - (1) The conditions of the Updated Remuneration Policy compared to those of the Current Remuneration Policy, with attention, *inter alia*, to the Bank’s New Strategic Plan;
 - (2) The expense for the lowest remuneration paid by the Bank to an employee of the Bank (including contract workers employed at the Bank) in the year prior to the date on which the Board of Directors approved the Updated Remuneration Policy;
 - (3) A comparison between the Updated Remuneration Policy and the remuneration policies at the other major banks in Israel;
 - (4) The position of the Bank’s management, as presented by the Bank’s CEO.

¹ The current remuneration policy was attached as Appendix E to the immediate report published by the Bank on November 16, 2020 (reference no. 2020-01-114631).

² In this regard, see the immediate reports published by the Bank on April 27, 2021 (reference nos. 2021-01-071448 and 2021-01-071457).

- b. The following documents and information, *inter alia*, were presented to the Remuneration Committee and the Board of Directors:
- (1) The Current Remuneration Policy for officers at the Bank, approved by the general meeting on December 18, 2019 and updated on December 24, 2020;
 - (2) Data in regard to the comparison between the Updated Remuneration Policy and the Current Remuneration Policy;
 - (3) Data in regard to the comparison between the Updated Remuneration Policy and the Remuneration Policy at the other major banks in Israel;
 - (4) The wage cost figures of employees of the Bank and subsidiaries fully controlled by the Bank, including the contract workers employed by them³, as well as figures regarding the cost of the average and median wage of these employees;
 - (5) Figures regarding the ratio between the total cost of officers' remuneration, according to the Updated Remuneration Policy, and the total cost of the remuneration of the rest of the employees of the Bank and subsidiaries fully controlled by the Bank (including the contract workers employed by them); as well as figures on the ratio between the cost of the total, maximal remuneration of the Board of Directors' chairman, the CEO and the rest of the officers under the Updated Remuneration Policy; and the cost of the average and median wage of the rest of the employees of the Bank and subsidiaries fully controlled by the Bank (including the contract workers employed by them)⁴;
 - (6) The Remuneration for Officers in Financial Corporations (Special Approval and Non-Deductibility of Expense for Tax Purposes Due to Special Remuneration) Law 5776-2016;

³ Except for employees of Union Bank of Israel Ltd and its subsidiaries (hereinafter: "**Union Bank**"), the (consolidated) financial reports of which were only included in the Bank's (consolidated) financial reports from the fourth quarter of 2020 (following the finalization of the tender offer to buy Union Bank's full share capital on September 30, 2020).

⁴ See footnote 3 above.

- (7) Proper Conduct of Banking Business Directive No. 301A in the matter of remuneration policies at banking corporations, released by the Supervisor of Banks (hereinafter: “**Directive 301A**”), as well as relevant articles from the Companies Law.
- c. The Updated Remuneration Policy was determined, *inter alia*, considering the following objectives:
- (1) The creation of an incentives structure for officers at the Bank, which maintains an proper balance between the fixed remuneration component and the variable remuneration component, and which promotes well-founded, effective risk management that does not encourage risk-taking beyond the Bank’s risk appetite, and allows for maintaining a strong capital core, all adjusted to the New Strategic Plan;
 - (2) The adjustment of the remuneration incentives granted to officers at the Bank to the Bank’s New Strategic Plan, the Bank’s long-term goals, the Bank’s results over time and the *de facto* contribution of the officers to the achievement of the Bank’s goals, as aforesaid;
 - (3) The preservation of the Bank’s senior echelon and securement, insofar as possible, of the Bank’s ability to recruit quality managers in the future, taking into account company-wide considerations, such as remuneration costs and the preferred remuneration differences between the Bank’s different echelons, the competitiveness of the banking sector, the size of the Bank, the scope of its operations and the character of its business.

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

1.3.3 It is hereby clarified that the Bank is not a public second-tier subsidiary, per its definition in Article 267A of the Companies Law.

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

1.4.1 The following members of the Remuneration Committee participated in the Remuneration Committee meeting at which the Updated Remuneration Policy was discussed, for the purpose of its

recommendation to the Bank's Board of Directors: Ms. Hanna Feuer (outside director); Mr. Gilad Rabinovich (outside director); Mr. Joseph Fellus (outside director); and Ms. Estery Giloz-Ran (outside director).

1.4.2 The following directors participated in the Board of Directors meeting at which the Updated Remuneration Policy was discussed: Mr. Moshe Vidman, chairman; Mr. Gilad Rabinovich (outside director); Ms. Hanna Feuer (outside director); Mr. Joseph Fellus (outside director); Mr. Ron Gazit; Mr. Avraham Zeldman; Mr. Jonathan Kaplan; Mr. Ilan Kremer; Mr. Eli Alroy; Mr. Joav Asher-Nachshon; and Ms. Estery Giloz-Ran (outside director).

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

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

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

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

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

- 1.6.1 The advancement of the Bank's objectives, the New Strategic Plan, the Bank's work plans and its policy from a long-term view;
- 1.6.2 The creation of proper incentives for the officers, considering, *inter alia*, the Bank's risk management policy, and with attention to the New Strategic Plan;
- 1.6.3 The preservation and advancement of the Bank's ability to recruit and preserve quality, outstanding managers, who form the strong basis of the Bank's management, its ongoing development and success over time;
- 1.6.4 The size of the Bank and the character of its operations;
- 1.6.5 The officer's contribution to the achievement of the Bank's goals and the maximization of its profits, from a long-term view and in

accordance with the position of the officer (in the matter of variable remuneration components).

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

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

- 1.7.1 The Updated Remuneration Policy is in line with the instructions established by the Senior Officers' Wage Law and Directive no. 301A; it is aimed at preserving officers at the Bank and allowing the recruitment of new officers with the appropriate experience and capabilities, despite the limitations imposed by the aforesaid law;
- 1.7.2 During the discussion on the Updated Remuneration Policy, the Remuneration Committee and Board of Directors examined the existing situation at the Bank and the remuneration policies at other major banks in Israel;
- 1.7.3 The composition of the remuneration was determined according to the position of the officers, distinguishing between officers who are gatekeepers and other officers;
- 1.7.4 The variable components of the Remuneration Policy – including how they are determined and their scope relative to the fixed component – were examined with attention to the officers' contribution to the achievement of the Bank's goals and the maximization of its profits, with attention, *inter alia*, to the New Strategic Plan, from a long-term view and in accordance with the position of the officer, while maintain the balance between goal achievement and risk management;
- 1.7.5 In view of the improved “operational efficiency ratio” set forth in the New Strategic Plan, the initial goal of the “operational efficiency ratio” was reduced from 62% at the most, to 60% at the most, in order to create a proper incentive for the officers to achieve the updated goal in accordance with the New Strategic Plan;
Moreover, the reduction of the “initial goal” (i.e. the rate established in regard to the entitlement to a cash bonus and a capital remuneration, in the event of fulfilling the “initial goal” of the “company-wide goals”) from 25% to 20% was likewise intended to incentivize officers to achieve Bank goals, as set forth in the New Strategic Plan.

- 1.7.6 It is the opinion of the Remuneration Committee and the Board of Directors that the “average core deposit ratio” index, which are the Bank’s stable deposits out of the deposit total (which replaces the “average ratio of deposits to credit” index) is a quality index that is better suited to monitoring the efficiency of the Bank’s liquidity and balance sheet management; moreover, the “average core deposit ratio” index serves as an efficient tool for the purpose of managing liquidity, subject to the Bank’s policy and risk appetite, optimally utilizing market conditions to improve the Bank’s profitability. Accordingly, the inclusion of the “average core deposit ratio” index in the “company-wide goals”, and determining 60% as the “initial goal” for this index, will create the proper incentive to achieve the goals set forth in the New Strategic Plan.
- 1.7.7 The Updated Remuneration Policy grants the Remuneration Committee and the Board of Directors the authority to give a signing bonus which shall not exceed three (3) monthly salaries to a new officer (who is not the CEO or a director) for his first year of employment at the Bank, in order to give to the Bank the appropriate tools and flexibility required to recruit new officers at the Bank, with the appropriate skills and experience.
- 1.7.8 The Remuneration Policy grants the Remuneration Committee and the Board of Directors reasonable room for discretion in determining officers' remuneration terms. The ratio between the remuneration terms of the officers and the rest of the Bank's employees is reasonable and does not negatively affect work relations at the Bank, *inter alia* due to the Bank's structure – in which officers constitute, in terms of quantity, a minimal part among all Bank employees; and in view of the difference between the positions and responsibilities of the officers and the rest of the Bank's employees.
- 1.7.9 The Remuneration Policy is appropriate for the Bank's results in recent years.
- 1.7.10 In the discussions of the Remuneration Committee and the Board of Directors, it was noted with respect to a possible remuneration in the Remuneration Policy for which the projected expense (according to standard accounting rules) is expected to exceed ILS 2.5 million *per annum*, that it is less than 35 times the lowest remuneration paid by the

Bank to a Bank employee (including contract workers employed at the Bank) in the year prior to the date on which the Board of Directors approved the Updated Remuneration Policy. Furthermore, the Remuneration Committee and Board of Directors were mindful of this fact, regarding a possible remuneration in the Remuneration Policy, the projected expense (according to standard accounting rules) for which is expected to exceed ILS 2.5 million *per annum*, that some of this remuneration will not be recognized as an expense for tax purposes. The Remuneration Committee and Board of Directors are of the opinion that the sum which will not be recognized as an expense for tax purposes, as aforesaid, is not significant to the Bank; and it was determined that this projected remuneration is in the Bank's favor.

1.8 **The principle changes between the Updated Remuneration Policy and the Current Remuneration Policy**

1.8.1 The cap sum on the monthly salary of officers who are not the CEO or a director was updated to ILS 95,000 and linked to the April 2021 CPI (in lieu of a total of ILS 86,135, which was linked to the November 2016 CPI). Consequently, the sums of the provisions derived from the sum of the monthly salary will be updated respectively.

It is hereby clarified that no change was made with respect to the addition of sums to the monthly salary cap, due to immaterial changes, as detailed in Section 5.1.1 of the Updated Remuneration Policy.

It is further clarified that in any case, the total annual remuneration (not including provision for severance pay and provision for pension according to law) of any of the officers (who are not the CEO or directors) shall not exceed the cap determined in Article 2(a) of the Senior Officers' Wage Law (as detailed in Section 7.4 of the Updated Remuneration Policy).

1.8.2 Updates made with respect to the "company-wide goals" (which are mentioned in Section 6.5 of the Updated Remuneration Policy):

a. As detailed above in Section 1.7, the "average ratio of deposits to loans" index has been replaced by the "average core deposit ratio" index; the weight of the "average core deposit ratio" index (out of the "company-wide goals") was determined as 12% (similar to the "average ratio of deposits to credit" index that preceded it) and the "initial goal" of the "average core deposit ratio" index was

determined as at least 60% (as detailed in Sections 6.5.2 and 6.5.5 of the Updated Remuneration Policy).

- b. In view of the improved “operational efficiency ratio” set forth in the New Strategic Plan, the initial goal of the “operational efficiency ratio” was reduced from 62% at the most (under the Current Remuneration Policy), to 60% at the most under the Updated Remuneration Policy (as detailed in Section 6.5.5 of the Remuneration Policy), in order to create a proper incentive for the officers to achieve the updated goal in accordance with the New Strategic Plan
- c. On March 8, 2021, the Israel Securities Authority published a call to index providers to propose an alternative to the Tel Aviv Bank-5 index, in which it invited index providers from Israel and abroad to submit proposals for the design of an index which will represent Israel’s banking activities and comply with the laws that apply to mutual funds.

In view of the aforesaid, the Remuneration Committee and the Board of Directors were granted (under the Updated Remuneration Policy) with the authority to determine, insofar as they may decide to do so, that the “benchmark index” (for the purpose of measuring the “Return on the Bank’s Share Relative to the Benchmark Index”) shall be an “other index” (per its definition in Section 2 of the Updated Remuneration Policy), including an index that will be designed by the Bank in lieu of the Tel Aviv Bank-5 index, all at the discretion of the Remuneration Committee and the Board of Directors (including with regard to determining the “initial goal” of the “Return on the Bank’s Share Relative to the Benchmark Index”) and under the conditions that they will determine.

It is hereby clarified that if the Remuneration Committee and the Board of Directors do not decide that the “benchmark index” shall be an “other index”, as aforesaid, then the “benchmark index” shall remain the “Tel Aviv Bank-5 index”, similar to that which the Current Remuneration Policy sets forth.

- d. Under the Updated Remuneration Policy, the “initial rate” (i.e. the rate determined with respect to the entitlement to a cash bonus and a capital remuneration, in the event of fulfilling the initial goal of

the “company-wide indices”) was reduced from 25% to 20% (as detailed in Section 6.5.4 of the Updated Remuneration Policy), which is also intended to incentivize officers to achieve the Bank’s goals, as established in the New Strategic Plan.

1.8.3 The sum of the “closing price cap”, which serves as the basis for the calculation of the financial benefit with respect to the performance-based capital remuneration (as detailed in Section 6.7.8 of the Updated Remuneration Policy) was updated (from a sum of ILS 160 to a sum of ILS 200).

1.8.4 The Updated Remuneration Policy grants the Remuneration Committee and the Board of Directors the authority to give a signing bonus which shall not exceed three (3) monthly salaries to a new officer (who is not the CEO or a director) for his first year of employment at the Bank, in order to give to the Bank the appropriate tools and flexibility required to recruit new officers at the Bank, with the appropriate skills and experience.

1.8.5 Details were included in the Updated Remuneration Policy regarding the entitlement of the Bank’s incumbent CEO to an adjustment bonus and a retirement bonus, in lieu of the description included in the Current Remuneration Policy regarding the entitlement of the Bank’s former CEO to an adjustment bonus and a retirement bonus (as detailed in Sections 9.2.3 and 9.3 of the Updated Remuneration Policy).

1.9 **The implementation manner of the Current Remuneration Policy**

1.9.1 Below are data on the principle remuneration components that were paid to the chairman of the Board of Directors, in effect, for the year 2020, compared to the caps determined in the Current Remuneration Policy:

Chairman of the Board of Directors		
	Cap determined in the Current Remuneration Policy	The maximal remuneration given, in effect, according to the employment terms, as well as the remuneration paid in effect

Fixed component (monthly salary)	ILS 189,660, linked to the Consumer Price Index	Under the terms of his employment, the chairman of the Board of Directors was given the full sum of the monthly salary; this sum was paid, in effect, for the year 2020.
An additional fixed remuneration component	A sum which will not exceed two (2) monthly salaries, <i>per annum</i> , to be paid insofar as the permitted remuneration cap (under the Senior Officers' Wage Law) will allow it.	<p>Under the terms of his employment, the chairman of the Board of Directors was given the additional fixed remuneration component, in full, and it was determined that this component will be paid insofar as the permitted remuneration cap (under the Senior Officers' Wage Law) will allow it.</p> <p>The sum paid in effect in the year 2020 to the chairman of the Board of Directors, for the additional fixed remuneration component, was ILS 385,008</p>

According to the Current Remuneration Policy, the chairman of the Board of Directors is not entitled to a performance-based remuneration, and such remuneration was not, in effect, given to him

1.9.2 Below are data on the principle remuneration components that were paid, in effect, to the former CEO of the Bank, Mr. Eldad Fresher (hereinafter: “**Former CEO**”), for his tenure as the CEO of the Bank in the year 2020 (from January 1, 2020 until September 15, 2020), compared to the caps determined in the Current Remuneration Policy:

Former CEO of the Bank – Mr. Eldad Fresher

	Cap determined in the Current Remuneration Policy	The maximal remuneration given, in effect, according to the employment terms, as well as the remuneration paid in effect
Fixed component (monthly salary)	ILS 238,000, linked to the Consumer Price Index	Under the terms of his employment, the Former CEO was given the full sum of the monthly salary; this sum was paid, in effect, for his tenure as the CEO of the Bank in the year 2020, including for the early notice period.
Performance-based remuneration (cash bonus and capital remuneration) – annual	The performance-based remuneration cap, <i>per annum</i> , is three (3) monthly salaries, subject to the remuneration cap permitted under the Senior Officers' Wage Law	<p>Under the Former CEO's terms of employment, it was determined that the Remuneration Committee and the Board of Directors may grant him a performance-based remuneration, in a sum not to exceed three (3) monthly salaries <i>per annum</i>, subject to the remuneration cap permitted under the Senior Officers' Wage Law.</p> <p>In effect, the Former CEO did not receive a cash bonus or a capital remuneration for his tenure as the CEO of the Bank in 2020 (from January 1, 2020 until September 15, 2020).</p>

<p>Adjustment bonus and retirement bonus</p>	<p>Adjustment bonus: Six (6) salaries, plus social benefits, accrued over the CEO's first two (2) tenure years.</p> <p>Retirement bonus⁵: A sum equal to 150% of the final monthly salary prior to October 12, 2016 (hereinafter: "End of the Transitory Period") multiplied by the number of his employment years at the Bank until the End of the Transitory Period.</p> <p>According to the Current Remuneration Policy, half of the adjustment bonus sum will be paid near the termination date of employer-employee relations, whereas the retirement bonus and half of the adjustment bonus sum will be paid, and averaged in part, as detailed in the Current Remuneration Policy⁶.</p>	<p>Under his terms of employment, the Former CEO was entitled to an adjustment bonus in the sum of six (6) salaries, plus social benefits⁷, as well as a retirement bonus in a sum equal to 150% of the final monthly salary prior to the End of the Transitory Period, multiplied by the number of his employment years at the Bank until the End of the Transitory Period⁸.</p> <p>Likewise, instructions were set forth in the employment terms regarding the payment of the adjustment bonus and retirement bonus, in accordance with the instructions set forth in this regard in the Current Remuneration Policy.</p> <p>In effect (as established in the employment terms and in accordance with the</p>
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⁵ Subject to Section 9.3.2 of the current remuneration policy.

⁶ In this regard, see Section 9.4 of the current remuneration policy.

⁷ In this regard, it is noted that Section 9.2 of the current remuneration policy, it was determined that the entitlement to the adjustment bonus shall be accrued over the CEO's first two (2) tenure years. Conversely, according to the Former CEO's terms of employment, he was entitled to an adjustment bonus regardless of his tenure period. However, in effect, the terms of entitlement to the adjustment bonus determined in the current remuneration policy with respect to the CEO were fulfilled with respect to the Former CEO.

⁸ Subject to the conditions set forth in Section 4.9.4 of Appendix C to the immediate report from December 2, 2019, reference no. 2019-01-105612.

		Current Remuneration Policy), near the termination date of employer-employee relations between the Former CEO and the Bank:
		(a) Half of the adjustment bonus sum was paid;
		(b) The retirement bonus and half of the adjustment bonus sum (hereinafter: “Variable Retirement Terms”) were paid, and averaged in part, as follows: (1) A first lot at 50% of the Variable Retirement Terms, was paid near the termination date of employer-employee relations. (2) The payment of the remainder of the Variable Retirement Terms was postponed and shall be paid in three equal annual quotas ⁹ .

1.9.3 Below are data on the principle remuneration components that were paid, in effect, to the incumbent CEO of the Bank, Mr. Moshe Lari (hereinafter in this section: **“CEO”**), for his tenure as the CEO of the Bank in the year 2020 (from September 16, 2020 until December 31,

⁹ Subject to the conditions set forth in this regard in Section 4.9.5 of Appendix C to the immediate report from December 2, 2019, reference no. 2019-01-105612.

2020), compared to the caps determined in the Current Remuneration Policy:

Incumbent CEO of the Bank – Mr. Moshe Lari		
	Cap determined in the Current Remuneration Policy	The maximal remuneration given, in effect, according to the employment terms, as well as the remuneration paid in effect
Fixed component (monthly salary)	ILS 238,000, linked to the Consumer Price Index	Under the terms of his employment, the CEO was given a monthly salary in the sum of ILS 230,000; this sum was paid, in effect, for his tenure as the CEO of the Bank in the year 2020 (from September 16, 2020 until December 31, 2020).
Performance-based remuneration (cash bonus and capital remuneration) – annual	The performance-based remuneration cap, <i>per annum</i> , is three (3) monthly salaries, subject to the remuneration cap permitted under the Senior Officers' Wage Law	Under the CEO's terms of employment, it was determined that the Remuneration Committee and the Board of Directors may grant him a performance-based remuneration, in a sum not to exceed three (3) monthly salaries <i>per annum</i> , subject to the remuneration cap permitted under the Senior Officers' Wage Law. In effect, the CEO was granted a cash bonus in the sum of ILS 49,680 for his tenure as the CEO of the

		Bank in 2020 (from September 16, 2020 until December 31, 2020). No capital remuneration was granted to the CEO for said period.
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1.10 **Agreements which are not in accordance with the Remuneration Policy**

1.10.1 The service and employment terms of the incumbent chairman of the Board of Directors, as of January 1, 2017 and onwards, were determined according to the Remuneration Policy that preceded the Current Remuneration Policy, and are also in accordance with the Current Remuneration Policy and the Updated Remuneration Policy, subject to that which is detailed below:

- a. (1) Under the chairman of the Board of Directors' 2012-2015 employment agreement, it was agreed that the Bank would acquire a loss of work capacity insurance for the chairman, and that the Bank's severance payments would come in lieu of the severance pay under Article 14 of the Severance Pay Law, 5723-1963 (the "**Severance Pay Law**"). However, as it became clear that a loss of work capacity insurance could not be purchased for the chairman because of his age, it was agreed under the former employment agreement (approved by the general meeting of the Bank's shareholders on March 8, 2016 and which preceded the chairman of the Board of Directors' current employment agreement) (hereinafter, in this section 1.10, the "**Former Employment Agreement**"), as well as under the chairman of the Board of Directors' current employment agreement (approved by the general meeting of the Bank's shareholders on February 14, 2017), that all of the Bank's severance payments, including their revenues, will come in lieu of severance pay, if such are due by the Severance Pay Law; and if these are not enough to cover severance pay under the Severance Pay Law, the retirement bonus which is to be paid to the chairman under the 2012-2015 employment agreement shall come in lieu of the severance pay; and if this too is insufficient, the bank

shall pay the missing balance to the chairman (until severance pay by law).

- (2) In this matter, it should be noted that section 9.2 of the Bank's Updated Remuneration Policy (as well as the Current Remuneration Policy and the one which preceded it) states, *inter alia*, that upon retirement, the Bank may release the severance pay monies accumulated for the officer in the provident/severance fund, and that Article 14 of the Severance Pay Law shall apply in this matter (i.e. the Bank's payments to provident/severance fund shall come in lieu of the full liability to severance pay, and the bank shall be exempt from Severance Pay in accordance with the instructions of the aforesaid Article 14).

However, as no loss of work capacity insurance can be purchased for the Chairman, as stated above, the arrangement specified in paragraph (a) above was established under the Former Employment Agreement and the current employment agreement, in the matter of Severance Pay under the Severance Pay Law.

- b. For the sake of good order, it should be noted that in section 9.2 of the Updated Remuneration Policy (as well as the Current Remuneration Policy), it was determined that the entitlement to the adjustment bonus will be accrued over the Chairman's first two (2) tenure years, as detailed in the aforesaid section; according to the 2012-2015 employment agreement, as well as the Former Employment Agreement and the current employment agreement, the chairman is entitled to an adjustment bonus regardless of his tenure. However, in effect, the adjustment bonus entitlement terms determined for the chairman (as detailed in section 9.2 of the Updated Remuneration Policy) are fulfilled regarding the Chairman of the Board of Directors.
- c. In the matter of the retirement bonus accrued and paid in the past to the chairman of the Board of Directors, see footnote no. 22 to the Updated Remuneration Policy, attached as Appendix A to this report.

1.10.2 The CEO's terms of service and employment, beginning on September 16, 2020, were determined in accordance with the Current Remuneration Policy and are also in line with the Updated Remuneration Policy, subject to that which is said below:

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

(1) In accordance with Section 9.2 of the Updated 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 averaged as detailed in Section 9.4 of the Updated Remuneration Policy.

In the matter at hand (and as detailed in Section 4.9.3a. of Appendix D to the immediate report published by the Bank on August 27, 2020, reference no. 2020-01-085165 (hereinafter: "**CEO's employment terms appendix**")), the CEO 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, shall be paid shortly after the time at which the employer-employee relations are terminated (and shall not be averaged); this, 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 the CEO is entitled due to his tenure as the CEO of

the Bank (as detailed in Section 4.9.3b. of the CEO's employment terms appendix), as well as the additional adjustment bonus sum (as detailed in Section 4.9.3e. of the CEO's employment terms appendix), insofar as the Remuneration Committee and the Board of Directors may approve it, shall fall under the instructions established in this regard in the Updated 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 the CEO's employment terms appendix.

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 Updated 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 Updated 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 Updated Remuneration Policy shall apply in this regard.

In the matter at hand, the CEO 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 the CEO's employment terms appendix; 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 relations¹⁰; i.e. the averaging instructions shall not apply to it, nor shall the rest of the conditions established in Section 9.4 of the Updated 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 in the Bank's financial reports prior to the End of the Transitory Period¹¹.

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

2. **The majority required to pass the resolution**

The majority required at the general meeting and at the deferred general meeting to approve the resolution on the agenda to approve the Updated Remuneration Policy, as aforesaid in Section 1.2, 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:

¹⁰ 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 25 to Section 9.3.2 of the updated remuneration policy).

¹¹ 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.

2.1 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 Updated Remuneration Policy, who are participating in the vote; abstaining votes will not be taken into account in the counting of the total votes of said shareholders;

2.2 The total opposing votes among the shareholders referred to above in Paragraph 2.1 does not exceed two percent (2%) of the total voting rights at the Bank.

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

A shareholder participating in the voting 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**, 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 Updated Remuneration Policy or not, as the matter may be, 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.

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

For details regarding the identity of the Bank's controlling shareholders and the rights which grant them control of the Bank, including their holdings of voting rights and the

Bank's issued and outstanding capital, as well as the voting agreements to which they are party, regarding the voting rights at the Bank, see 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 April 7, 2021 (reference no. 2021-01-058926) (hereinafter: "**Status Report**"). This mention constitutes inclusion via reference to all information specified in said notes of the Status Report.

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

4.1 The general meeting will convene on Tuesday, July 6, 2021, at 15:00, at the Bank's offices, 7 Jabotinsky St., Ramat-Gan, 13th floor (hereinafter: "**Bank's Offices**").

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 June 8, 2021 (hereinafter: "**Effective Date**").

4.2 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. Should a legal counting not be present for the general meeting at the end of half an hour from the time scheduled for the beginning of the meeting, the meeting shall be postponed to July 13, 2021 at 15:00 (hereinafter: "**First Deferred Meeting**"). At the First Deferred Meeting, the legal counting will be constituted upon the presence, in person or by proxy, of two shareholders with at least fifteen percent (15%) of the voting rights, within half an hour from the time scheduled for the beginning of the First Deferred Meeting. Should a legal counting not be present for the First Deferred Meeting at the end of half an hour from the time scheduled for the beginning of the meeting, the meeting shall be postponed by one calendar week, to that day, that time and that place (hereinafter: "**Second Deferred Meeting**"). At the Second Deferred Meeting, the legal counting will be constituted upon the presence, in person or by proxy, of two shareholders with whichever percent of voting rights they may have.

4.3 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 the resolution on the agenda of the general meeting.

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

- 4.5 4.5.1 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.
- 4.5.2 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.
- 4.6 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.
- 4.7 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 such a manner 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.

4.8 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:

4.8.1 The distribution site of the Israel Securities Authority:

<http://www.magna.isa.gov.il/>

4.8.2 The website of the Tel-Aviv Stock Exchange Ltd:

<http://maya.tase.co.il/>

4.9 A shareholder is entitled to approach the Bank directly to receive from it the text of the Voting Paper and position papers.

4.10 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.

4.11 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.

4.12 4.12.1 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.

4.12.2 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.

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

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

- 4.13.2 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.
- 4.14 Any shareholder at the Bank voting on the resolution 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), or an institutional investor (as defined in Regulation 1 of the Companies Regulations (Written Votes and Position Papers) 5766-2005) 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:
- 4.14.1 The voter's identity: last name and first name for an individual, corporation name and number for a corporation;
- 4.14.2 The amount of securities by power of which the vote was made;
- 4.14.3 Voting manner;
- 4.14.4 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;
- 4.14.5 Additional relations between the voter and the company, the controlling shareholder or a senior officer therein, and details of the nature of the relationship;
- 4.14.6 If the vote is by proxy, the above details shall also be made with regard to both the power of attorney grantor and agent.

5. **Adding an issue to the agenda and position papers**

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 this immediate report.

6. **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.

7. **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

May 31, 2021

Date

Via:	Racheli Friedman	Ofer Horwitz
	Chief Legal Advisor	Bank Secretary & Head of the
		Bank's Headquarters

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

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

1.1 On November 12, 2012, Amendment no. 20 to the Companies Law, 5759-1999 (hereinafter: “**Companies Law**” or “**Law**” and “**Amendment 20**”, as the matter may be) which first establishes the statutory principles of an officers’ Remuneration Policy that each public company must adopt, was published.

On November 19, 2013, the Bank of Israel published Proper Conduct of Banking Business Directive No. 301A in the matter of remuneration policies at banking corporations, as well as a modification to Proper Conduct of Banking Business Directive No. 301 in the matter of the Board of Directors, as updated from time to time (hereinafter: “**Remuneration Directives**”).

On April 12, 2016, the Remuneration for Officers in Financial Corporations (Special Approval and Non-Deductibility of Expense for Tax Purposes Due to Special Remuneration) Law 5776-2016 was published (hereinafter: “**Senior Officers’ Wage Law**”).

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

~~On August 27, 2013, the general meeting of the Bank’s shareholders approved a Remuneration Policy for officers, which was updated on June 10, 2014; thereafter, on February 14, 2017, the general meeting of the Bank’s shareholders approved a Remuneration Policy for officers, complying with the provisions of the Senior Officers’ Wage Law and the Remuneration Directives (hereinafter: “**Previous Remuneration Policy**”). Further to the previous resolutions of the general meeting of the Bank’s shareholders, to approve the Remuneration Policy for officers at the Bank on December 18, 2019, the general meeting of the Bank’s shareholders approved a Remuneration Policy for officers for the years 2020-2022, which was updated on December 24, 2020 (hereinafter: “**Current Remuneration Policy**”). The Previous Remuneration~~

^(*) Approved at the Board of Directors meeting (no. 21/2019) on November 11, 2019 and at the Bank’s general meeting on December 18, 2019, and updated at the Board of Directors meeting (no. 28- (2020) on November 16, 2020 and at the Bank’s general meeting on December 24, 2020; and at the Board of Directors meeting (no. 11/2021), on May 31, 2021 and at the Bank’s general meeting on _____.

Policy was approved for a period of three (3) years, commencing on January 1, 2017. Further to this, on ^(**), the general meeting of the Bank's shareholders approved an Updated Remuneration Policy, which will be in effect until December 31, 2023 (hereinafter: "Updated Remuneration Policy" or "Remuneration Policy").

- 1.2 The Updated Remuneration Policy detailed in this document, ~~to begin on January 1, 2020,~~ is a product which combines the provisions of the law, the Senior Officers' Wage Law and the Remuneration Directives, with the broad principles that the Bank's Board of Directors, having adopted the recommendation of the Remuneration Committee; and in consideration of the Bank's strategic plan for the years 2021-2025 and the employment terms which are currently customary for officers at the Bank, saw fit to adopt in all that regards the remuneration of officers at the Bank.

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

- 1.3 The Bank's Board of Directors considers the establishment of an appropriate Remuneration Policy highly important, with respect to ensuring that the remuneration arrangements for officers at the Bank will be consistent with the Bank's risk management, the Bank's long-terms goals, the Bank's strategic plan and the officers' actual performance in the short, medium and long term, subject to the instructions and limitations of the Senior Officers' Wage Law. According

^(**) Date to be completed after the approval of the general meeting of the Bank's shareholders

to the aforesaid, the goals which the Bank's Board of Directors considered while formulating this policy document were as follows:

- 1.3.1 The creation of an incentives structure for officers at the Bank, which maintains an appropriate balance between the fixed remuneration component and the variable remuneration component, and which promotes a well-founded, effective risk management that does not encourage risk-taking beyond the Bank's risk appetite, and allows for maintaining a strong capital basis;
 - 1.3.2 The adjustment of the remuneration incentives granted to officers at the Bank to the Bank's strategic plan, the Bank's long-term goals, the Bank's results over time and the de facto contribution of the officers to the achievement of the Bank's goals, as aforesaid;
 - 1.3.3 The preservation of the Bank's senior echelon and securement, insofar as possible, of the Bank's ability to recruit quality managers in the future, taking into account company-wide considerations, such as remuneration costs and the preferable remuneration gaps between the Bank's different echelons, the competitiveness of the banking sector, the size of the bank, the scope of its operations and the character of its business.
- 1.4 The Remuneration Policy applies to the remuneration terms of all officers at the Bank, which at the time of this policy's adoption include:
- 1.4.1 The Chairman of the Board of Directors.
 - 1.4.2 The Chief Executive Officer (hereinafter: "CEO").
 - 1.4.3 Deputy CEOs.
 - 1.4.4 The Chief Internal Auditor.
 - 1.4.5 The Bank's Secretary.
 - 1.4.6 The Information Technology Manager.
 - 1.4.7 The members of the Board of Directors.
 - 1.4.8 The Board of Directors may determine, occasionally, that the Remuneration Policy shall also apply to senior employees at the Bank who are not officers under the Companies Law.
- 1.5 The officers' service or employment terms are either via fixed or variable remuneration, including exemption, insurance, undertaking of indemnification or indemnification under an indemnification permit, a retirement bonus (a bonus, a payment, a remuneration, a compensation or any other benefit granted to an officer in connection with the end of his employment at the Bank), and

any benefit, other payment or undertaking to pay as aforesaid, granted due to tenure or employment as aforesaid.

- 1.6 Naturally, the Remuneration Policy must be reviewed occasionally, whether due to significant changes at the Bank, including an update of the Bank's strategic plan; or due to significant changes in the macro-economic environment and what is customary in Israel with respect to the remuneration of officers in general, and in the banking system in particular; or whether because of a change in the Supervisor of Bank's directives. The Remuneration Committee will examine at least once a year whether there have been any significant changes as aforesaid, and in any case the committee and the Board of Directors will review the Remuneration Policy on its merits once every three (3) years, and the Remuneration Policy will be approved as required by Law.
- 1.7 To remove any doubt, it is clarified that this Remuneration Policy shall apply to the service and employment terms of officers at the Bank which will be approved as of the ~~implementation approval~~ date of this policy, as detailed in section 11 below and subject to that which is stated therein; and that this Remuneration Policy shall not harm the Bank's engagements and undertakings towards officers, in connection with their service and employment terms at the Bank, which exist at the time of the Remuneration Policy's approval date. Such engagements which were approved when ~~the any Previous Remuneration Policy previously approved by the Bank, or any Remuneration Policy preceding it,~~ was in effect, were approved according to the provisions of the relevant policy. Furthermore, this Remuneration Policy shall not harm the rights that have been accrued and/or shall be accrued for the officers due to periods prior to the approval date of this Remuneration Policy or due to periods after this date, regarding which agreements which preceded the Remuneration Policy apply. This policy document does not create for any officer, current or future, any legal rights towards the Bank; the rights and undertakings of an officer were established or will be established, as the case may be, according to the Bank decisions in this matter and the concrete engagement terms between him and the Bank, and according cognate law, insofar as it applies to them.

2. **Definitions**

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

<p>Variable remuneration</p>	<p>Performance-based remuneration, as detailed in section 6 below (hereinafter: “Performance-Based Remuneration”); a monetary bonus under special circumstances, as detailed in section 8.2 below; a signing bonus, as detailed in Section 8.3 below; part of a non-competition adjustment bonus (hereinafter: “Adjustment Bonus”) which is higher than the sum of three (3) monthly salaries, and with respect to the CEO, part of an Adjustment Bonus which is higher than the sum of three (3) salaries, including social provisions, as detailed in section 9.2.3 below, as the case may be; and retirement payments, as detailed in section 9.3 below.</p>
<p>Fixed remuneration</p>	<p>A monthly salary, social provisions and additional related benefits, as detailed in section 5 below, an additional fixed remuneration component , as detailed in section 7.2 below (with respect to the Chairman of the Board), an adjustment bonus at a sum of up to three (3) salaries and with respect to the CEO, an adjustment bonus at a sum of up to three (3) salaries plus social provisions as detailed in section 9 below, as the case may be, as well as other retirement payments as customary for the Bank’s employees, as detailed in section 9 below. With respect to gatekeepers, the fixed remuneration shall also include an additional fixed component for gatekeepers, as detailed in section 8.1 below.</p>
<p>Service and employment terms</p>	<p>The fixed remuneration and the variable remuneration of an officer (hereinafter: “Total Remuneration”), including exemption, insurance, undertaking of indemnification or indemnification under an indemnification permit.</p>
<p>Gatekeepers</p>	<p>Anyone of these: Chief Legal Advisor, Chief Internal Auditor, Chief Accountant, Chief Risk Manager and the Secretary of the Bank.</p>

Other officers	Non-gatekeeper officers (excluding the CEO and members of the Board of Directors).
Return on equity	The net profit yield attributed to the shareholders for equity, as published in the (consolidated) annual financial reports of the Bank for the relevant year, excluding extraordinary profits or losses.
Extraordinary profits or losses	Profits or losses derived from non-recurring or extraordinary events, adjusted for their tax effect in the (consolidated) annual financial reports of the Bank for the relevant year. For the purpose of the remuneration plan, extraordinary profits or losses shall be defined as such by the Remuneration Committee and the Board of Directors, when approving the financial reports for the relevant year.
Return on the Bank's Share Relative to the Benchmark Index	<p>The return on the Bank's share (including dividend) after deduction of <u>the return on benchmark index, as will be decided in this respect by the Remuneration Committee and the Board of Directors, at their discretion and under the conditions that they will determine.</u></p> <p><u>In this regard:</u></p> <p><u>"Benchmark index":</u> The TA Bank-5 Index, <u>or an other index as will be decided in this respect by the Remuneration Committee and the Board of Directors, at their discretion and under the conditions that they will determine.</u></p> <p><u>"The TA Banks-5 Index":</u> As it is defined in the directives of the Tel Aviv Stock Exchange Ltd., including in its regulations or in any provisions arising therefrom, for the measured period (including dividend) as it shall be provided from time to time.</p> <p><u>"Other index":</u> <u>An index that will be determined by the Bank's Remuneration Committee and Board of Directors (including in regard to the index's design and its calculation), or an index that may be</u></p>

	<u>published by some other body, with respect to the shares of banks in Israel; and said index may also include the shares of other bodies, all as may be decided in this respect by the Remuneration Committee and the Board of Directors, at their discretion and under the conditions that they will determine.</u>
Operational efficiency ratio	The total operating and other expenses in relation to the total amount of operating and financial income (net interest income and income which is not from interest), before provisions for credit losses, as published in the (consolidated) annual financial reports of the Bank for the relevant year.
<u>Core Deposits</u> to Loans Ratio	<u>The ratio of the total core deposits to the total deposits from the public.</u> <u>In this regard, “core deposits”:</u> <u>Deposits from households and private banking, small and micro businesses and medium businesses, according to supervisory operating segments.</u> The ratio of the total deposits from the public to the total loans to the public, after provisions for credit losses.
<u>Average Core Deposits</u> to Loans <u>Average Ratio</u>	An average of the <u>core deposits</u> to loans ratio as of March 31, June 30, September 30, and December 31, as published in the Bank’s quarterly or annual (consolidated) financial statements, as the case may be, for each calendar year.

3. **Fundamental considerations**

- 3.1 The Remuneration Policy was established by the Board of Directors, and a concrete remuneration of an officer which will be considered by the Bank will be determined in accordance with the purposes defined above and based on the fundamental considerations specified below:
- 3.1.1 Promotion of the Bank’s purposes, its strategic plan, its work plans and its policy, in long-term view;
- 3.1.2 The creation of appropriate incentives for the officers, considering, *inter alia*, the Bank’s risk management policy;

- 3.1.3 Maintenance and promotion of the Bank's ability to recruit and retain outstanding quality managers, who constitute the strong basis for the Bank's management, its further development and its success over time;
 - 3.1.4 The Bank's size and the nature of its activity;
 - 3.1.5 The officer's contribution to achieving the Bank's goals and to maximizing its profits, all in long-term view and in accordance with the officer's position (in respect of variable remuneration components);
- 3.2 Additional relevant data which will be considered when determining specific remuneration for an officer:
- 3.2.1 The education, qualifications, expertise, professional experience and achievements of the position candidate or serving officer will be taken into account;
 - 3.2.2 The officer's role, areas of responsibility and prior agreements will be taken into account (insofar as it is not a new officer);
 - 3.2.3 Relation to other officers at the Bank – when approving remuneration for an officer, the following data will be presented: (1) Remuneration for officers at a similar level at the Bank; (2) the salary of the previous officer at the same position (insofar as relevant); (3) the average and median salary of the Bank's employees and the contractor employees who are employed by the Bank (including, as aforesaid, employees in fully-owned subsidiaries), and the relation between each one of these and the remuneration offered to the officer. In this regard, the effect of the gap between the officer's terms of service and the salary terms of the other employees in the Bank on the working relations in the Bank will be examined;
 - 3.2.4 Comparison of the officer's remuneration to the remuneration of an officer in a similar position in the reference group, which is composed of the other four large banks in Israel, according to public figures, insofar as published by the said banks;
 - 3.2.5 The amount of the Chairman of the Board of Directors' fixed remuneration shall be determined relative to the remuneration manner of the rest of the Board of Directors' members, and considering, *inter alia*, the size of the Bank and the complexity of its activities, as well as the position scope of the Chairman of the Board of Directors.

4. **Comprehensive remuneration package**

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

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

4.3 The ratio between the fixed and variable remunerations:

The Remuneration Committee and the Board of Directors discussed the ratio between the fixed and variable remunerations, taking into account the maximum variable remuneration¹ according to this Remuneration Policy and the purposes thereof. In this respect, the Remuneration Committee and the Board of Directors have resolved that the maximum variable remuneration shall not exceed 85% of the fixed remuneration, and, with regard to the gatekeepers, 55% of the fixed remuneration.

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

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

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

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

remuneration of the other Bank employees, as well as the ratio between the cost of the maximum total remuneration pursuant to the Remuneration Policy of the Chairman of the Board of Directors, the CEO, and the rest of the officers, and the average and median salaries of the other Bank employees. The Remuneration Committee and the Board of Directors are of the opinion that the ratios presented to them were reasonable and do not harm the working relations at the Bank, *inter alia*, due to the structure of the Bank, in which the officers constitute, quantity-wise, a minimal part of all of the Bank's employees, and due to the differences between the roles and responsibility areas of the officers and the other Bank employees. The Remuneration Committee and the Board of Directors also stated that such ratios reflect the customary remuneration gaps in the Israeli banking system. The ratios between the total maximum remuneration cost of the officers under this Remuneration Policy and the total average/median remuneration of the rest of the Bank's employees and the contractor employees employed by the Bank (including, as aforesaid, employees of wholly-owned subsidiaries²), in ~~2018~~2020, (hereinafter, in this Section 4.4: "**Bank's Employees**") are as follows:

Officer	Ratio between the cost of the officer's maximum monthly remuneration and the cost of the average monthly remuneration of the Bank's employees	Ratio between the cost of the officer's maximum monthly remuneration and the cost of the median monthly remuneration of the Bank's employees
CEO	12.5 <u>13.7</u>	15.6 <u>17.7</u>
Chairman of the Board	10 <u>10.9</u>	12.5 <u>14.1</u>
Deputy CEO (other than gatekeepers)	7.7 <u>8.7</u>	9.5 <u>11.2</u>
Gatekeepers	6.3 <u>8.2</u>	7.9 <u>10.6</u>

Notes to the table:

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

² Except for employees of Union Bank of Israel Ltd and its subsidiaries (hereinafter: "Union Bank"), the (consolidated) financial reports of which were only included in the Bank's (consolidated) financial reports from the fourth quarter of 2020 (following the finalization of the tender offer to buy Union Bank's full share capital on September 30, 2020).

It is noted in this respect that in ~~2018~~2020, the ratio between the actual cost of the average monthly remuneration of the incumbent CEO, due to his tenure as CEO of the Bank in 2020 (from September 16, 2020 and until December 31, 2020) and the cost of the average monthly remuneration of the Bank's Employees is ~~9.7~~12, and the ratio to the median monthly salary of the Bank's Employees is ~~12.4~~15.4.

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

It is noted in this respect that in ~~2018~~2020 the ratio between the actual cost of the average monthly remuneration of Deputy CEOs or gatekeepers (excluding the Bank's secretary, whose remuneration cost is lower than that of the other gatekeepers) and the cost of the average monthly remuneration of the Bank's Employees is ~~5.6~~7.6 and ~~5.9~~7.4, respectively; and the ratio to the median monthly salary of the Bank's Employees is ~~7.9~~8 and ~~7.3~~9.6, respectively.

- (4) The average or median overall remuneration for the rest of the Bank Employees was calculated according to the monthly average of the annual figures of the overall remuneration of the Bank's Employees for ~~2018~~2020, including monetary bonuses and option warrants paid/granted for ~~2018~~2020. The remuneration of employees who were employed part-time, or during a part of ~~2018~~2020 only, was calculated as to reflect the remuneration for a full-time annual position.

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

5. **Fixed remuneration**

5.1 5.1.1 Salary

The salary of the Bank's officers shall not be higher than the caps below³, plus sums in respect of immaterial changes, as provided in section 5.8 below:

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

³ Subject to that which is stated in section 5.1.3 below.

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

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

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

The monthly salary of an officer who is not a CEO or a director shall not exceed a total of ILS ~~86,135~~95,000.

The above sums are linked to the Consumer Price Index (hereinafter: "CPI") for October 2019, as published on November 15, 2019, in respect of the CEO; ~~and~~ for November 2016, as published on December 15, 2016 in respect of the Chairman of the Board; and for April 2021, as published on May 14, 2021, in respect of officers who are neither the CEO nor directors⁴.

5.1.2 Linkage to the CPI

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

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

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

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

5.2.1 Car

The Bank may provide the officers with a company car, which will be accessorized in accordance with the Bank's procedures, for the purpose of fulfilling their duties, and may bear all expenses in connection with

⁴ In the event of a CPI decline, the wage cap will not be reduced accordingly.

the use and maintenance thereof, and will gross up any tax which will be imposed on the officer in respect of the provision of the car.

5.2.2 Telephone

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

5.2.3 Annual leave

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

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

5.2.4 Convalescence pay

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

5.2.5 Sick leave

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

5.2.6 Social benefits

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

5.3 Adjustment bonus

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

5.4 Severance pay

Officers who are the Bank’s employees are entitled, upon retirement, to the release of all accrued severance pay/provident fund monies, as determined in section 9.2.2 below. Such monies shall be considered a portion of the fixed remuneration.

5.5 Insurance

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

5.5.2 Without derogating from the aforesaid in section 5.5.1 above, in accordance with Regulation 1B1 of the Companies Regulations (Relief in Transactions with Interested Parties) 5766-2006 (hereinafter: "**Relief Regulations**"), the Bank shall be entitled to become engaged in a policy to insure the liability of directors and other officers, as stated above (hereinafter: "**Insurance Policies**") during the period of the Remuneration Policy⁵, under the conditions detailed below:

- a. An engagement in an insurance policy, as stated above, may be made via extending the policy or its renewal or the purchase of a different policy.
- b. The insurer's liability limit according to the insurance policy shall be no less than 120 Million US dollars (hereinafter: "**Dollars**")

⁵ Including an engagement during the Remuneration Policy's period in a policy which terminates after the end of the Remuneration Policy's period.

and shall not exceed a total of 200 Million Dollars for one event and 400 Million Dollars, in total, for the insurance period.

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

- c. The Bank may contact the Bank's subsidiaries and propose that they participate in the insurance policy and bear their share of the premium, as it will be determined in this matter by the Remuneration Committee and the Bank's Board of Directors. If any of the subsidiaries does not become engaged in the insurance policy, then the Bank's share of the premium sum shall increase up to the premium's full sum.
- d. The Bank's engagement in an insurance policy, as aforesaid, will be subject to the approval of the Remuneration Committee and the Bank's Board of Directors, and shall not require the approval of the general meeting. During the engagement's approval, as aforesaid, the Remuneration Committee and the Board of Directors shall confirm that the engagement is under market conditions and that it will not materially affect the Bank's profitability, its property or undertakings materially.

5.6 Exemption and indemnification

- 5.6.1 Subject to the instructions of the law, the Bank may exempt an officer of his liability, in full or in part, due to damage pursuant to a breach of the duty of prudence towards the Bank, per the instructions established in the Bank's Articles of Association in this matter.
- 5.6.2 Subject to the instructions of the law, the Bank may provide an advance undertaking for indemnification to an officer at the Bank and/or an officer at a company in which the Bank holds shares, directly or indirectly, at some rate (hereinafter: "**Held Company**"). The maximum indemnification sum shall be per the instructions established in the Bank's Articles of Association in this matter.
- 5.6.3 Without derogating from the aforesaid, the Bank may indemnify an officer at the Bank and/or an officer at a Held Company, *post factum*, in the widest manner possible under law.

5.7 Miscellaneous

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

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

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

5.8 Immaterial changes in service and employment terms

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

5.8.2 The Chief Executive Officer: According to the instructions of Article 272(d) of the Companies Law, it is hereby established that the total immaterial changes in the service and employment terms of the CEO, which shall be made after the service and employment terms were recently approved by the Bank's authorized organs (other than changes resulting from the linkage of the salary to the CPI) shall not exceed an accrued rate of 15% of a sum equal to the cost of the annual remuneration of the CEO, as approved by the Bank's authorized organs (hereinafter in this section: "**Immaterial Quantitative Change**"). If and insofar as the change does not relate to a quantitative value, the significance will be reviewed according to the quality and nature of the issue. An Immaterial Quantitative Change or a non-quantitative change which the Remuneration Committee and the Board of Directors have deemed immaterial may be approved the Remuneration Committee and the Board of Directors alone.

5.8.3 Officer serving under the Chief Executive Officer: According to Regulation 1b3 of the Relief Regulations and despite that which is stated in Articles 272 (c) and (d) of the Companies Law, an immaterial

change in the service and employment terms of an Officer serving under the Bank’s CEO shall not require the approval of the Remuneration Committee or the Board of Directors, if the CEO of the Bank has approved it, and the service and employment terms are in line with the Bank’s Remuneration Policy.

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

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

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

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

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

6.1.1 The Bank may grant officers (who are not directors) performance-based monetary bonuses and equity-based remunerations (hereinafter: “**Performance-Based Remuneration**”) **for the years 2021 to 2023**, as detailed below:

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

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

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

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

- 6.1.3 a. The Performance-Based Remuneration which will be granted to the CEO shall only include a monetary bonus, which shall be granted at the discretion of the Remuneration Committee and the Board of Directors, as provided in section 6.5.1 below. Notwithstanding the aforesaid, should it be decided that the Performance-Based Remuneration which will be granted to officers at the Bank (who are not the CEO or directors) for a certain year shall also include an equity-based remuneration, then the Remuneration Committee and the Board of Directors shall be entitled to decide, at their discretion, that the Performance-Based Remuneration which will be granted to the CEO for that year will

include, exclusively or partially, equity-based remuneration, on such terms and conditions as determined in this respect by the Remuneration Committee and the Board of Directors, at their discretion, according, *inter alia*, to the provisions of Section 6.7 below *mutatis mutandis*;

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

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

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

6.2 Prerequisites for the Performance-Based Remuneration

The entitlement to a Performance-Based Remuneration in respect of a certain year of any of the Bank's officers shall be subject to the total capital adequacy ratio and tier-1 capital ratio of the Bank, according to the (consolidated) annual financial reports of the Bank for that year, shall not be lower than the minimum ratios which were established or will be established in this matter in the Bank of Israel's directives.

- 6.3 Despite the aforesaid, in a year in which the prerequisite provided in section 6.2 above is not fulfilled, the Remuneration Committee and the Board of Directors shall be entitled, at their discretion and under special circumstances, to grant a special monetary bonus equal to up to two salaries to the officers, all or some.

- 6.4 The Board of Directors is given discretion to reduce the Performance-Based Remuneration, or any component thereof, and even to determine that no Performance-Based Remuneration shall be paid for a certain year.

6.5 Terms of the Performance-Based Remuneration

- 6.5.1 The scope of the annual Performance-Based Remuneration which will be granted to each one of the officers for a certain year will be determined based on the weighted calculation of the following
-

components (the rates provided in the following tables are calculated out of the maximum monetary bonus or the maximum equity-based remuneration, as the case may be):

Performance-Based Remuneration ⁵						
	Monetary Bonus			Equity-Based Remuneration		
	“Company-wide” goals	Supervisor’s discretion ⁶	Individual goals	“Company-wide” goals	Supervisor’s discretion ⁷	Individual goals
The CEO	-	100% no more than 3 monthly salaries	-	-	100% No more than 3 monthly salaries	-
Gatekeepers	17%	60% (No more than 3 monthly salaries)	23%	43%	-	57%
Other officers	30%	44% (No more than 3 monthly salaries)	26%	55%	-	45%

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

Return on equity	Return on the Bank’s share relative to the Benchmark Index	Operational Efficiency Ratio	Average ratio of <u>core deposits to loansratio</u>
60%	14%	14%	12%

6.5.3

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

⁶It is hereby clarified that the total Monetary Bonus, together with the value of the Equity-Based Remuneration, that will be granted to an officer for any particular year, shall not exceed (in the aggregate) 100% of the Performance-Based Remuneration Cap to that officer for that year.

⁷“**Supervisor**” – for the purpose of this section, shall be the Remuneration Committee and the Board of Directors with respect to the CEO; the Audit Committee, pursuant to the recommendation of the Chairman of the Board of Directors, with respect to the Internal Auditor; and the CEO with respect to the rest of the officers.

⁸ see Footnote ~~67~~ above.

pertaining to the officer’s personal contribution to the achievement of the Bank’s various goals.

6.5.4 It is clarified that with respect to the return on equity goals, return on the Bank’s share relative to the Benchmark Index, operational efficiency ratio, and ~~average core deposits to loans average~~ ratio (hereinafter: “**Company-Wide Goals**”), the Remuneration Committee and the Board of Directors will establish levels, the meeting of which shall grant entitlement to Performance-Based Remuneration at a graduated amount. For each such index, the Remuneration Committee and the Board of Directors will determine an initial goal (as specified in the table in Section 6.5.5 below) as well as a target goal and a maximum goal shall be determined, and the entitlement to the monetary bonus and equity-based remuneration shall be conditioned upon meeting said goals, as follows: (a) Meeting the initial goal shall entitle the officers to up to ~~20%~~~~25%~~ (hereinafter: “**Initial Rate**”) of the index weight out of the annual monetary bonus and equity-based remuneration cap; (b) Meeting the target goal shall entitle the officers to 100% of the index weight out of the annual monetary bonus and equity-based remuneration cap; (c) Meeting the maximum goal shall entitle the officers to 120% of the index weight out of the annual monetary bonus and equity-based remuneration cap; An index result that falls between the initial goal and the target goal shall entitle the officers to the relative share between the Initial Rate and 100% of the index weight, according to the remuneration program (as to be approved by the Remuneration Committee and the Board of Directors), and in a manner which is not necessarily linear. An index result that falls between the target goal and the maximum goal shall entitle the officers to the relative share between the 100-120% of the index weight, in a linear calculation. **In any case, the total variable remuneration shall not exceed 100% of the cap that was established⁹.**

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

	Return on equity	Return on the Bank’s share relative to the	Operational Efficiency ratio	Average core ratio of
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⁹Except in extraordinary cases, as detailed in section 4.3 above.

		benchmark index		deposits to loans ratio
Initial goal	No less than 9%	<p><u>If the “benchmark index” is the Tel Aviv Bank-5 index, the initial goal shall be no less than “-6%”¹⁰.</u></p> <p><u>If the “benchmark index” is an “other index”, the initial goal shall be the rate determined in this regard by the Remuneration Committee and the Board of Directors</u></p>	Maximum 60% 62%	<p>No less than 85% or no more than 115%¹¹</p> <p><u>Minimum 60%</u></p>

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

¹⁰I.e., if the “benchmark index” is the Tel Aviv Bank-5 index, the initial goal for “return on the Bank's share relative to the benchmark index” shall be determined such that the annual return on the Bank's share shall not be more than 6% lower than the return on the “Tel Aviv Bank-5 Index”, (i.e., the return on the Bank's share relative to the ~~benchmark~~ Tel Aviv Bank-5 index shall be a negative return of no more than -6% (minus 6%)).

~~¹¹i.e., the initial goal for “average ratio of deposits to loans” shall be determined at a rate that shall not be lower than 85% and not exceed 115%.~~

calendar year. Such payment shall be made on the payment date of the Performance-Based Remuneration to all of the Bank's officers.

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

6.6 Spread of the monetary bonus

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

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

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

6.6.2 A Deferred Monetary Bonus will be linked to the CPI, according to the increase rate of the CPI known on the pay date of the Deferred Monetary Bonus, compared with the known CPI on the approval of the (consolidated) financial reports of the year for which the aforesaid Deferred Monetary Bonus is granted (it is hereby clarified that the above linkage shall not lead to a reduction of the Deferred Monetary Bonus).

- 6.6.3 a. The payment of any Deferred Monetary Bonus, as provided above, shall be conditional to that during the calendar year which precedes the payment date of the aforesaid Deferred Monetary Bonus, the total capital adequacy ratio and tier-1 capital ratio of the Bank, according to the (consolidated) annual financial reports of the Bank for that year, were no lower than the minimum ratios which were established in this matter in the Bank of Israel’s directives (hereinafter: “**Minimum Ratios**”) during the calendar year which precedes the payment date of the aforesaid Deferred Monetary Bonus.
- b. (1) If the Bank had deviated from the Minimum Ratios in the calendar year prior to any Deferred Monetary Bonus payment date, then the payment of the aforesaid Deferred Monetary Bonus shall be postponed by 12 months (hereinafter: “**Deferred Payment Date**”);
- (2) In the event that the deviation from the Minimum Ratios continues in the calendar year that precedes the Deferred Payment Date, then the aforesaid Deferred Monetary Bonus shall be cancelled and shall not be paid to the officers¹².
- c. Despite the aforesaid in section b(2) above, if the Bank’s deviation does not exceed 10% of the Minimum Ratios, the Remuneration Committee and the Board of Directors shall be entitled, at their

¹²It is hereby clarified that in the event that any Deferred Monetary Bonus is not paid, as aforesaid, the rest of the Deferred Monetary Bonuses shall not be cancelled, and shall be subject to compliance with the term provide above, at the relevant dates.

discretion and under special circumstances, to decide to pay the aforesaid Deferred Monetary Bonus to the officers.

6.6.4 It is clarified that if the total variable remuneration for any calendar year does not exceed 40% of the relevant officer's fixed remuneration for that year¹³, then the full Spread Remuneration for that year shall be paid shortly after the publication of That Year's Financial Reports.

6.7 Long-term equity-based remuneration

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

- 6.7.1 The equity-based remuneration may include options for the Bank's shares (hereinafter: "**Securities**"); the Bank shall be entitled to grant Securities to the officers, without payment of any sort from the officer upon their vesting or granting or exercise date, as the case may be. The Securities shall be granted (insofar as permitted by law) pursuant to the provisions of Article 102 of the Income Tax Ordinance, according to the "Capital Gains track".
- 6.7.2 The allocation of the total equity-based remuneration for each one of the years ~~2020~~2021 through ~~2022~~2023 (hereinafter: "**Annual Quota**"), insofar as it will be made, will be done shortly after the date in which the required approvals for the allocation are obtained, by means of a Securities trustee. The Annual Quotas may all be allocated on one date in advance, or on different dates (in this context, each Annual Quota of any or all of the officers, may be allocated on a different date), per the decision in this matter of the Remuneration Committee and the Board of Directors.
- 6.7.3 The quantity of Securities to be included in each Annual Quota shall be calculated based on the value of the Securities on the approval date of the relevant allocation by the Board of Directors in this matter.
- 6.7.4 Each Annual Quota shall be divided to three (3) equal portions (hereinafter: "**Deferred Portions**"); the vesting date of the first Deferred Portion of each Annual Quota shall occur close to the lapse of one year from the date of approval of the (consolidated) financial reports for the year in respect thereof the Annual Quota has been

¹³Calculated before deferral.

granted (the “**First Deferred Vesting Date**”). The vesting dates of the two other Deferred Portions of each Annual Quota shall occur in the lapse of one year and two years, respectively, from the First Deferred Vesting Date.

- 6.7.5 a. In addition to the entitlement terms, as provided in section 6 above, the vesting of each deferred portion shall be conditional to that in the calendar year that precedes the vesting date of that Deferred Portion, the total capital adequacy ratio and tier-1 capital ratio of the Bank, according to the (consolidated) annual financial reports of the Bank for that calendar year, shall be no lower than the minimum ratios according to the Bank of Israel’s directives (hereinafter: “**Minimum Ratios**”) in the calendar year that precedes the vesting date of that Deferred Portion.
- b. (1) If the Bank had deviated from the Minimum Ratios in the calendar year prior to the vesting date of any Deferred Portion, then the vesting date of the aforesaid Deferred Portion shall be postponed by 12 months (hereinafter: “**Deferred Vesting Date**”);
- (2) In the event that the deviation from the Minimum Ratios continues in the calendar year that precedes the Deferred Vesting Date, then the aforesaid Deferred Portion shall be cancelled and shall not bestow any right¹⁴.
- c. Despite the aforesaid in section b(2) above, if the Bank’s deviation does not exceed 10% of the Minimum Ratios, the Remuneration Committee and the Board of Directors shall be entitled, at their discretion and under special circumstances, that the aforesaid Deferred Portion not be cancelled, but rather vest according to the terms of the remuneration program, as shall be approved by the Remuneration Committee and the Board of Directors.
- 6.7.6 Subject to the terms provided in section 6.7.5 above, each of the Deferred Portions of an Annual Quota shall be exercisable from the vesting date determined in respect thereof, for a period that shall not exceed three (3) years; it is clarified that different exercise periods may be determined with respect to different officers, as shall be decided in

¹⁴It is hereby clarified that in the event that any Deferred Portion is cancelled (and does not bestow any right), as aforesaid, the rest of the Deferred Portions shall not be cancelled, and shall be subject to compliance with the term provide above, at the relevant dates

this respect by the Remuneration Committee and the Board of Directors.

6.7.7 Despite the aforesaid, in the event that the variable remuneration for an officer due to any calendar year does not exceed 40% of the officer's fixed remuneration for that year¹⁵, then the full Annual Quota for that year may vest from the date of publication of the That Year's Financial Reports, as shall be decided in this respect by the Remuneration Committee and the Board of Directors (in addition to the monetary bonus which will be paid on the same date, in cash, for that year).

6.7.8 In the event of the allocation of option warrants, the exercise price of the options, which will be determined in each allocation shall not be lower than the average price of an ordinary share of the Bank on the stock exchange during the 30 trading days that preceded the date of approval of the relevant allocation by the Board of Directors, unless the Remuneration Committee and the Board of Directors decide that the volatility of the share price requires calculating the average over a longer period of time; the exercise price shall be linked to the CPI, from the index known on the date on which the Board of Directors approves the relevant allotment until the index known on the exercise date (hereinafter in this Section: "**Exercise Price**").

It is clarified that on the exercise date, officers shall not be required to pay the Exercise Price, and the Exercise Prices serves only to determine the amount of the financial benefit and the number of exercise shares to be allocated *de facto*, which will be calculated according to the difference between the TASE closing price of an ordinary share of the Bank on the trading day preceding the exercise date, or the Maximum Closing Price (as defined below), the lower of the two, and the Exercise Price (subject to adjustments); all in accordance with the terms and conditions determined in this respect by the Remuneration Committee and the Board of Directors.

In this context, the "**Maximum Closing Price**" – up to ILS ~~460200~~ plus index-linked differentials, from the index known on the date on which the Board of Directors approves the relevant allotment until the index known on the exercise date; it is clarified that different Maximum Closing Prices may be determined in respect of different

¹⁵Calculated before deferral

officers, as shall be decided in this respect by the Remuneration Committee and the Board of Directors.

- 6.7.9 Upon the granting of an equity-based remuneration, the rate of dilution which will result from the allocation of the Securities will also be taken into account.
 - 6.7.10 The equity-based remuneration may be subject, insofar as it is relevant, to adjustments, including adjustments for dividend, bonus shares, changes in equity (consolidation and division), issuing of rights, a structural change of the Bank, a merger, as well as a sale of the Bank's assets or the Bank's issued capital, and so on.
 - 6.7.11 In the discussion regarding the granting of equity-based remuneration, the economic value of the Securities which were allocated in the past to the officer, if any, and whose vesting period has not yet terminated, will be taken into account.
- 6.8 It is clarified that an officer who will retire from the Bank upon reaching retirement age or thereafter, an officer who retired from the Bank not by his own initiative (not upon reaching retirement age or thereafter, and not under circumstances which entitle the Bank the right to lay him off while denying severance pay, and not under extraordinary circumstances that shall be determined by the Remuneration Committee and the Board of Directors for this matter) and an officer who retired from the Bank of his own initiative after completing at least five years of employment in the Bank, shall be entitled to the balance of the variable equity-based remuneration the entitlement thereto arose in respect of previous years in which the officer has been employed in the Bank, all this at the dates and conditions which are provided in section 6 above (as if he continued to serve as an officer in the Bank).
- 6.9 The officer will return, including by way of setoff, any variable remuneration granted thereto, pursuant to the terms, the manner and the way that shall be determined by the Remuneration Committee and the Board of Directors for this matter, if paid to him based on data which transpired to be erroneous and was re-presented in the Bank's consolidated financial statements during the three (3) years following the year in respect of which the variable payment has been granted thereto, and by no later than after the lapse of three (3) years from the termination date of the officer's employment in the Bank.

6.10 6.10.1 Without derogating from the aforesaid, all variable remuneration shall be granted and paid subject to the condition that it be remissible should any of the following criteria be met¹⁶:

- a. The officer took part in behavior which caused extraordinary damage to the Bank, including: illegal activities, a breach of the trust duty, intentional violation or ignoring in gross negligence the Bank's policies, rules and procedures. For the purpose of this section, "**extraordinary damage**": a material monetary expenditure due to fines or sanctions imposed upon the Bank by certified authorities under the law, or according to a peremptory ruling, a final arbitral award, a settlement agreement, *et cetera*, which is at a sum that exceeds 10% of the Bank's equity at the time of the extraordinary damage's occurrence.

It is clarified that the expense due to the extraordinary damage, if applicable, will be calculated after the deduction of sums that have been paid or are expected to be paid to the Bank by third parties to repair its damages, and taking into account the recognition of tax losses.

- b. Fraud or intentional impropriety by an officer, due to which data were discovered as incorrect and represented in the Bank's financial reports.
- c. Circumstances which allow the Bank to dismiss an officer without severance pay, according to the applicable law; it is hereby clarified that this subsection c does not derogate from that which is provided in subsection a above.

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

¹⁶It is clarified that in the matter of the remission instructions, the transitory instructions established by the Supervisor of Banks will apply. In this matter, see also section 1.7 above.

6.10.2 The variable remuneration shall be remissible for a period of five (5) years after it is granted (with the remission period including the period of the variable component's deferral, insofar as it may be deferred). Despite the aforesaid, the remission period shall be extended by two additional years for the officer when all of the following conditions are met:

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

- 6.10.3
- a. Should the Remuneration Committee and the Board of Directors confirm that the remission criteria, as provided in section 6.10.1 above, have occurred, the Remuneration Committee and the Board of Directors shall determine the remission sum, being mindful, *inter alia*, of all considerations relevant to the matter at hand, including how much the officer contributed to the extraordinary damage to the Bank, the scope of the officer's responsibility and the scope of his involvement in the issue which caused the activation of the remission mechanism. The scope of the extraordinary damage to the Bank and its implications, the timing of the occurrence of the events and circumstances which caused the extraordinary damage to the Bank, *et cetera*.
 - b. The remission sum, as provided in subsection a. above, shall not exceed the difference between the variable (net, after tax deduction) remuneration that was paid to the officer for the period during which the circumstances provided in section 6.10.1 above

occurred, and the variable (net, after tax deduction) remuneration that would have been paid to the officer if the monetary expense caused to the Bank by the above circumstances would have been attributed to this period (while attributing part of the expense, insofar as it may be attributed, to each year of the years in which the circumstances took place; and where lacking the ability to attribute it, a linear spread of the expense over the period years).

- 6.10.4 The resolution of the Remuneration Committee and the Board of Directors, as provided above, will be made after the officer has been granted a reasonable opportunity to voice his stance before the committee and the Board of Directors.
- 6.10.5 The Bank will take all reasonable means, including legal means, to remise the determined remission sum, subject to any law.
- 6.10.6 Despite the aforesaid, when the total variable remuneration which was granted to an officer for a calendar year did not exceed 1/6 of the fixed remuneration that year, it is not necessary to activate the remission mechanism provided above in respect of it, regarding the variable remuneration for that calendar year.
- 6.11 Instructions will be established, under which officers at the Bank shall not create private hedging arrangements which would nullify the impacts of risk sensitivity inherent in their remuneration.

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

- 7.1 The total maximum remuneration which the Bank may pay (subject to receiving the authorizations required by law) to the CEO or to the Chairman of the Board of Directors, according to Article 2(b) of the Senior Officers' Wage Law, at the time of this Remuneration Policy's approval by the Remuneration Committee and the Board of Directors, is approx. ILS ~~3,4563,533~~ thousand *per annum*¹⁷.

¹⁷A. In this matter, it should be noted that the lowest remuneration, per the cost of a full-time position, which the Bank paid directly or indirectly to an employee of the Bank, including an employee of a manpower contractor that the Bank is his *de facto* employer, and a service contractor's employee who is employed as a service provider at the Bank, in the year preceding the date of approval of this Remuneration Policy by the Board of Directors, with respect to Article 2(b) of the Senior Officers' Salary Law, was approx. ILS ~~98,737,100,966~~ (not including provision to severance and pension, by law). In this matter, "Manpower contractor", "Service contractor" and "*de facto* employer" are per their meaning in the Senior Officers' Salary Law.

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

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

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

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

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

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

7.4 The total annual remuneration (not including provision for severance pay and provision for pension according to law) of any of the officers (who are not the CEO or directors) shall not, in any case, exceed the Permitted Remuneration Cap determined in Article 2(a) of the Senior Officers' Wage Law; if and insofar as an officer's annual remuneration, as provided above, for any year, exceeds the Permitted Remuneration Cap (hereinafter in this section: "**Excess**"), the Excess sum will first be reduced from the monetary bonus sum to which the officer will be entitled (insofar as he may be entitled) for that year (and insofar as a balance will remain, it will be reduced off the officer's fixed remuneration for that year).

7.5 It is hereby clarified that in the event that the expense due to a salary cost which the Bank bore, directly or indirectly, in a tax year for an officer, would exceed the “payment cap”, per its meaning in Article 4 of the Senior Officers’ Wage Law, part of the remuneration of the officer will not be recognized as a tax-deductible expense for the Bank, under the instructions of Article 4 of the aforesaid law.

8. 8.1 **Additional fixed component for gatekeepers**

In addition to the aforesaid, the Gatekeepers (excluding the secretary of the Bank) shall be entitled to an additional fixed component, which is not performance-based, which shall not exceed two (2) salaries per annum. This component shall be deemed a portion of the fixed compensation component of the Gatekeepers.

The additional fixed component for gatekeepers will be given each year, provided that the officer was employed at the Bank at the date on which the said component was granted.

8.2 **Monetary bonus under special circumstances**

In addition to that which is provided in this Remuneration Policy and despite the limitations established therein, the Remuneration Committee and the Board of Directors shall be entitled to grant, from time to time, a special monetary bonus for a certain year, to an officer at the Bank (one or more) who is neither the CEO nor a director, which shall not exceed four (4) monthly salaries; this, subject to the instructions of the law, including the remuneration cap determined in Article 2(a) of the Senior Officers’ Wage Law.

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

8.3 **Signing bonus**

In addition to that which is provided in this Remuneration Policy and despite the limitations established therein, the Remuneration Committee and the Board of Directors shall be entitled to grant a signing bonus which shall not exceed three (3) monthly salaries to a new officer (who is not the CEO or a director) for his first year of employment at the Bank, at the discretion of the Remuneration Committee and the Board of Directors, having received the recommendation of

the Chief Executive Officer, and due to reasons that will be specified by them.
All subject to the instructions of the law, and the remuneration cap determined
in Article 2(a) of the Senior Officers' Wage Law.

9. **Agreement period and retirement terms**

- 9.1 The period of the employment agreement will be either fixed or non-fixed, with a termination possibility for each one of the parties for any reason, by a notice which shall not be longer than six (6) months. The Bank shall have the right not to use the advance notice period, provided that it pay to the officer the redemption of such portion of the advance notice in which the Bank has waived his employment, plus Social Provisions.
- 9.2 In case of retirement not under circumstances which grant the Bank the right to deny severance pay from the officer, the Bank shall be entitled to grant the officer all or part of the following rights:
- 9.2.1 Paid advance notice period, as aforesaid;
- 9.2.2 Release of severance pay monies which accrued for the officer in provident funds, severance pay funds (arrangement according to Article 14 of Severance Pay Law), and the advanced study fund;
- 9.2.3 An adjustment bonus which will be calculated as follows¹⁸:
- a. Chairman: Up to 3 salary months. The bonus will be accrued over the first two years of the Chairman's tenure (a month at the commencement of his work, another month after a year, and one additional month after another year) and shall be paid to the Chairman at the end of his service, according to the seniority with which he served¹⁹:
- (1) Up to one year's seniority – one salary.
- (2) One to two years' seniority – 2 salaries.
- (3) More than two years' seniority – 3 salaries.
- b. CEO: Up to 6 salary months including social provisions. The bonus will be accrued over the first two years of the CEO's tenure (two months at the commencement of his work, another two months after a year, and two additional months after another year)

¹⁸Except for officers serving at the time of this policy's approval, who according to their service terms are entitled to the full adjustment bonus. In this matter, it should be noted that in practice, the entitlement terms provided in section 9.2.3.c(3) below apply to them.

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

and shall be paid to the CEO at the end of his service, per the seniority under which he served²⁰:

- (1) Up to one year's seniority – 2 salaries.
- (2) One to two years' seniority – 4 salaries.
- (3) More than two years' seniority – 6 salaries.

c. An officer who is neither the CEO nor a director: Up to 6 salary months. The bonus will be accrued over the first two years of the officer's tenure (two months at the commencement of his work, another two months after a year, and two additional months after another year) and shall be paid to the officer at the end of his service, per the seniority under which he served:

- (1) Up to one year's seniority – 2 salaries.
- (2) One to two years' seniority – 4 salaries.
- (3) More than two years' seniority – 6 salaries.

It is clarified that the adjustment bonus to an officer, at a sum of three (3) monthly salaries, and with respect to the CEO, three (3) monthly salaries including social provisions (as provided in section 5.2.6 above), will be considered part of the fixed remuneration. The portion of an officer's adjustment bonus which is higher than three (3) monthly salaries, and with respect to the CEO, the portion higher than three (3) monthly salaries including social provisions, will be considered part of the variable remuneration for that officer and paid as provided in section 9.4 below²¹.

9.3 Retirement bonus

9.3.1 The incumbent CEO at the approval date of this Remuneration Policy is entitled to a retirement bonus, according to his terms of employment prior to his appointment as the CEO of the Bank, at a sum equal to 150% of the monthly salary for December 2016, multiplied by his employment years at the Bank up to the end of 2016, as specified in Section 4.9.4 of Appendix D to the immediate report published by the

²⁰~~According to the service and employment terms approved for The CEO serving at the time of this remuneration policy's approval, the CEO is entitled to an adjustment bonus according to his terms of service and employment, as specified in Section 4.9.3 of Appendix D to the immediate report published by the Bank on August 27, 2020 (reference no. 2020-01-085165) as aforesaid, regardless of his tenure period. In this matter, it should be noted that in practice, the entitlement terms provided in section 9.2.3.b.(3) above apply to him.~~

²¹In this matter, see section 1.7 above. Additionally, in regard to the payment of the adjustment bonus to the incumbent CEO, see also footnote no. 20 above.

~~Bank on August 27, 2020 (reference no. 2020-01-085165). The CEO is entitled to a retirement bonus accrued for the period until the End of the Transitory Period (i.e. until October 12, 2016) at a sum equal to 150% of the CEO's last monthly salary prior to the End of the Transitory Period, multiplied by the CEO's employment years at the Bank until the End of the Transitory Period.~~

An officer who is neither a CEO nor a director²² is entitled to a retirement bonus accrued over the period until December 31, 2016, at a sum equal to 150% of the monthly salary for December 2016, multiplied by his employment years at the Bank up to the end of 2016.

9.3.2 The entitlement of the officers, as provided above (excluding the Chairman) is subject to the Remuneration Committee and the Board of Directors' decision that no circumstances have occurred due to which the retirement bonus should be reduced²³.

It should be noted that the cost of the retirement bonuses accrued for the officers, who are employees at the Bank, until the End of the Transitory Period, was fully provided in the Bank's financial reports prior to the End of the Transitory Period²⁴.

As provided above, the retirement bonuses shall be considered variable remuneration, and paid to the aforesaid officers according to their terms, at the end of the employer-employee relations between them and the Bank, and the instructions established in section 9.4 below²⁵ will apply with regard to the aforesaid officers (excluding the Chairman).

9.4 The spread of the retirement payments and adjustment mechanisms

²²In the service terms of the Chairman of the Board of Directors that were approved on January 25, 2016 by the Bank's general meeting, it was established that the Bank would pay the Chairman the retirement bonus to which the Chairman is entitled under the Chairman's employment agreement for the period commencing on December 1, 2012 and until November 30, 2015, at a sum equal to 150% of the Chairman's last monthly salary, according to the aforesaid agreement, multiplied by employment years according to the aforesaid agreement (three years); this, without reduction and spread instructions. Due to his current service period (from December 1, 2015), the Chairman is not entitled to a retirement bonus.

²³In this matter, see section 8.3 of the remuneration policy which was approved by the general meeting on June 10, 2014 (immediate report dated May 4, 2014, ref. no. 2014-01-056838);

²⁴It is hereby clarified that for the purpose of calculating the total remuneration which the Bank may pay under the Senior Officers' Salary Law, including under Article 2(b) of the aforesaid law, the cost due to retirement bonuses provided as aforesaid shall not be taken into account.

²⁵With respect to the rights of officers, who are not directors, who served at the Bank before June 3, 2013, to retirement bonuses, the Bank will act according to the transitory instructions established in this matter in the remuneration directives or according to the Supervisor of Banks' approval; in this matter, see that which is provided in section 1.7 above.

9.4.1 Subject to that which is provided in section 9.2 above, any payment due to retirement arrangements which is paid to the officer and which is not considered part of the fixed remuneration (hereinafter: “**Excess Retirement Sum**”), shall be paid as follows: 50% of the Excess Retirement Sum shall be paid close to the time of retirement and 50% of the Excess Retirement Sum shall be paid to the officer, in equal portions, after 12, 24 and 36 months have passed from the time of his retirement from the Bank (hereinafter: “**Deferred Retirement Bonus**”).

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

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

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

9.4.3 In the event that employment is terminated due to death, disability or disease, the spread arrangements established in sections 9.4.1 and 9.4.2 above shall not apply.

9.4.4 It is hereby clarified that the remission instructions per sections 6.9 and 6.10 above shall also apply to the Excess Retirement Sum.

9.4.5 It shall be established in the officers' employment terms that for a period of six (6) months from the termination of work relations between the officer and the Bank, the officer shall not work under or for any institution which competes with the Bank's activities, and the Bank shall not pay any sums to an officer due to this non-competition instruction, beyond that which is provided above.

10. **Directors' service terms**

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

10.2 Despite the aforesaid in section 10.1 above, a director which the Bank's Board of Directors evaluates as an "expert director", per the definition in the Honorarium Rules, will be entitled to an annual honorarium and a meeting participation honorarium payment which shall not exceed the "maximum amount" for an expert director.

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

11.1 This Remuneration Policy shall be valid ~~until December 31, 2023 for a period of three (3) years commencing on January 1, 2020.~~

11.2 As provided in section 1.7 above, this Remuneration Policy shall apply to the service and employment terms of officers at the Bank that will be approved ~~as of the commencement~~ starting from the approval date of this policy, without derogating from rights granted prior to the aforesaid date.

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 “**Company**” or the “**Bank**”).
2. The type of general meeting and the time and place thereof: A special general meeting of all of the Bank’s shareholders (hereinafter: the “**general meeting**”). The general meeting shall convene on Tuesday, July 6, 2021, at 15:00, at the Bank’s offices, 7 Jabotinsky Street, 13th floor, Ramat Gan. In the absence of a legal counting, the meeting shall be deferred to Tuesday, July 13, 2021, at the same time and place. In regard to the legal counting at the general meeting and the first deferred meeting, as aforesaid (insofar as one may take place), and in regard to the date and legal counting at a second deferred meeting (insofar as one may take place), see Section 4.2 of the immediate report published by the Bank on May 31, 2021, to which this voting paper is appended (hereinafter: “**immediate report**”).
3. Details of the issue on the agenda (as detailed in the immediate report) which can be voted on through the voting paper:
Approval of an Updated Remuneration Policy for officers at the Bank
 - 3.1 Description of the nature of the issue: Approval of an Updated Remuneration Policy for officers at the Bank.
 - 3.2 The proposed resolution: To approve the Updated Remuneration Policy for officers at the Bank, attached as **Appendix A** to the immediate report, which shall be in effect until December 31, 2023 (hereinafter: “**Updated Remuneration Policy**” or “**Remuneration Policy**”).
The Updated Remuneration Policy is demarcated from the Current Remuneration Policy for officers at the bank (for the years 2020-2022), which was approved by the general meeting of the Bank on December 18, 2019 and updated on December 24, 2020.
 - 3.3 The principle facts required to understand the matter and additional details
 - 3.3.1 On December 18, 2019, the Bank’s general meeting approved a Remuneration Policy for officers at the Bank, for the years 2020-

2022, which was updated on December 24, 2020 (hereinafter: “**Current Remuneration Policy**”)¹.

3.3.2 Further to the approval of the Bank’s New Strategic Plan for the years 2021-2025² (hereinafter: “**New Strategic Plan**”), on May 31, 2021, having received the recommendation of the Remuneration Committee from May 19, 2021, the Bank’s Board of Directors approved an Updated Remuneration Policy for officers at the Bank, in the wording attached as Appendix A to the immediate report, which shall be in effect until December 31, 2023.

For details regarding the determination manner of the Updated Remuneration Policy, the date of its approval and the information brought in this regard before the Remuneration Committee and the Board of Directors, including the targets under the consideration of which, the Updated Remuneration Policy was determined, see Section 1.3.2 of the immediate report.

3.3.3 For details regarding the identity of the members of the Remuneration Committee and the members of the Board of Directors who had participated in the meetings, see Section 1.4 of the immediate report.

3.3.4 For details regarding directors who may have a personal interest in the approval of the resolution regarding the Remuneration Policy, see Section 1.5 of the immediate report.

3.3.5 For details regarding the considerations taken into account by the Remuneration Committee and the Board of Directors for the purpose of approving the Remuneration Policy, see Section 1.6 of the immediate report.

3.3.6 For details regarding the reasons of the Remuneration Committee and the Board of Directors for the approval of the Remuneration Policy, see Section 1.7 of the immediate report.

3.3.7 For details regarding the principle differences between the Updated Remuneration Policy and the Current Remuneration Policy, see Section 1.8 of the immediate report.

¹ The current remuneration policy was attached as Appendix E to the immediate report published by the Bank on November 16, 2020 (reference no. 2020-01-114631).

²In this regard, see the immediate reports published by the Bank on April 27, 2021 (reference nos. 2021-01-071448 and 2021-01-071457).

3.3.8 For details regarding the implementation of the Current Remuneration Policy and data regarding the remuneration components paid to the Chairman of the Board of Directors for the year 2020; to the former CEO of the Bank for his tenure as CEO of the Bank in the year 2020 (from January 1, 2020 until September 15, 2020); and to the incumbent CEO of the Bank, for his tenure as CEO of the Bank in the year 2020 (from September 16, 2020 until December 31, 2020), see Section 1.9 of the immediate report.

4. The majority required to pass the resolution at the general meeting, to approve the Updated Remuneration Policy

The majority required at the general meeting and at the deferred general meeting to approve the resolution on the agenda to approve the Updated Remuneration Policy, is an ordinary majority of the shareholders present at the general meeting, who are entitled to vote and voting thereat, provided that one of the following is fulfilled:

- 4.1 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 Updated Remuneration Policy, who are participating in the vote; abstaining votes will not be taken into account in the counting of the total votes of said shareholders;
- 4.2 The total opposing votes among the shareholders referred to above in Paragraph 4.1 does not exceed two percent (2%) of the total voting rights at the Bank.

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

A shareholder participating in the voting, with regard to the resolution to approve the Updated Remuneration Policy 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 be a controlling shareholder at the Bank or anyone on his behalf, or whether he has a personal interest in the approval of the Updated Remuneration Policy, as the case may be, 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.

5. Place and time during which the full text of the proposed resolutions may be perused:
The immediate report released by the Bank 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>
- 12.1 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:
12,769,526.

The quantity of shares constituting 5% of the total voting rights at the Bank, which are not held by the controlling shareholder, is: 7,423,049.

15. Any shareholder at the Bank voting at the general meeting on the resolution to approve the Updated Remuneration Policy 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), or an institutional investor (as defined in Regulation 1 of the Companies Regulations (Written Votes and Position Papers) 5766-2005) 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: **Mizrahi Tefahot Bank Ltd.** (hereinafter: “**Company**” or “**Bank**”)

Company Address (for delivery of voting papers): Mr. Ofer Horwitz, Bank Secretary and head of the Bank’s headquarters, Mizrahi Tefahot Bank Ltd., 7 Jabotinsky Street, 13th floor, Ramat-Gan 52520.

Company No.: 520000522

Meeting Date: July 6, 2021 at 15:00

Meeting Type: Special

Effective Date: June 8, 2021

(Hereunto to be filled by the Company).

Shareholder Details

Shareholder’s name: _____

Identity no.: _____

If the shareholder does not have an Israeli identification card:

Passport no.: _____

Issuing country: _____

Valid until: _____

If the shareholder is a corporation:

Corporation no.: _____

Country of incorporation: _____

Manner of voting

Number of issue on the agenda, as detailed in the immediate report regarding the convening of the meeting	Manner of voting ¹			In the matter of approving a transaction pursuant to Articles 255 and 272 through 275 to the Companies Law that the majority required for its approval is not an ordinary majority, or a Remuneration Policy according to Article 267a - are you a controlling shareholder or have a personal interest in the resolution's approval ² ?	
	For	Against	Abstain	Yes*	No
1.2 (Approval of the Remuneration Policy)					

Are you an interested party³, a senior officer⁴, or a financial institution⁵?

YES _____ NO _____

Date

Signature

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

*** Please detail.**

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

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

³ “Interested party” per this term's definition in Article 1 of the Securities Law 5728-1968;

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

⁵ “Financial institution” per this term's definition in the Regulation 1 of the Companies Regulations (Written Votes and Position Papers) 5766-2005).

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

Details

Below are details in connection with my having a personal interest in the approval of the Updated Remuneration Policy for officers at the Bank (as detailed in Section 1.2 of the immediate report and in Section 3.2 of the voting paper):
