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Mizrahi Tefahot Bank Ltd.

(the "Bank" or the "Company")

Outline of an Offer to Employees

Pursuant to Article 15b(1)(a) of the Securities Law, 5728-1968 and pursuant to the Securities Regulations (Details of an Outline of an Offer of Securities to Employees), 5760-2000, as well as the Securities Regulations (Private Offering of Securities in a Listed Company) 5760-2000 and the Sixth Addendum to the Securities Regulations (Periodic and Immediate Reports) 5730-1970

of

up to 100,000 registered option 1' warrants, unlisted for trade on the Tel-Aviv Stock Exchange Ltd (hereinafter: the "**TASE**"), which shall be granted to the Bank's Chief Executive Officer, Mr. Moshe Lari (hereinafter: the "**CEO**") (as stated below in Section 2.1.1a); each option 1' warrant is exercisable into one ordinary share of ILS 0.1 par value each of the Bank, subject to that which is stated and detailed below in Section 2.21 and subject to adjustments, as stated below in Section 2.20, pursuant to Options Plan 1' (hereinafter: "**Plan**" or "**Options Plan 1'**"), which was approved by the Bank's Board of Directors and Remuneration Committee, and subject to meeting the terms set out in Options Plan 1', as provided below in Chapter 2;

and of

up to 1,230,000 registered option A warrants, unlisted for trade on the TASE, which shall be granted to Bank officers who are not gatekeepers (as stated below in Section 2.1.1b); each option A warrant is exercisable into one ordinary share of ILS 0.1 par value each of the Bank, subject to that which is stated and detailed below in Section 2.21 and subject to adjustments, as stated below in Section 2.20, pursuant to Options Plan A (hereinafter: "**Plan**" or "**Options Plan A**"), which was approved by the Bank's Board of Directors and Remuneration Committee, and subject to meeting the terms set out in Options Plan A, as provided below in Chapter 2;

and of

up to 750,000 registered option B warrants, unlisted for trade on the TASE, which shall be granted to Bank officers who are gatekeepers (as stated below in Section 2.1.1c); each option B warrant is exercisable into one ordinary share of ILS 0.1 par value each of the Bank, subject to that which is stated below in Section 2.21 and subject to adjustments, as stated below in Section 2.20, pursuant to Options Plan B (hereinafter: “**Plan**” or “**Options Plan B**”), which was approved by the Bank’s Board of Directors and Remuneration Committee, and subject to meeting the terms set out in Options Plan B, as provided below in Chapter 2;

and of

up to 2,180,000 registered option C warrants, unlisted for trade on the TASE, which shall be granted to principal employees at the Bank and to principal employees at the Bank’s subsidiaries (as stated below in Section 2.1.1d); each option C warrant is exercisable into one ordinary share of ILS 0.1 par value each of the Bank, subject to that which is stated below in Section 2.21 and subject to adjustments, as stated below in Section 2.20, , pursuant to Options Plan C (hereinafter: “**Plan**” or “**Options Plan C**”), which was approved by the Bank’s Board of Directors and Remuneration Committee, and subject to meeting the terms set out in Options Plan C, as provided below in Chapter 2;

and of

up to 3,580,000 registered option D warrants, unlisted for trade on the TASE, which shall be granted to Bank managers who are employed under personal contracts and to additional managers at the Bank and at the Bank’s subsidiaries who were approved to be included in this group for the purposes of this outline (as stated below in Section 2.1.1e); each option D warrant is exercisable into one ordinary share of ILS 0.1 par value each of the Bank, subject to that which is stated below in Section 2.21 and subject to adjustments, as stated below in Section 2.20, pursuant to Options Plan D (hereinafter: the “**Plan**” or “**Options Plan D**”), which was approved by the Bank’s Board of Directors and Remuneration Committee, and subject to meeting the terms set out in Options Plan D, as provided below in Chapter 2;

and of

up to 6,700,000 registered option E warrants, unlisted for trade on the TASE, which shall be granted to Bank managers who are employed under collective agreements, as well as managers at the Bank’s subsidiaries who were approved to be included in this group for the purposes of this outline (as stated below in Section 2.1.1f.); each option E warrant is exercisable into one ordinary share of ILS 0.1 par value each of the Bank, subject to that which is stated below in Section 2.21 and subject to adjustments, as stated below in Section 2.20, pursuant to Options

Plan E (hereinafter: the “**Plan**” or “**Options Plan E**”), which was approved by the Bank’s Board of Directors and Remuneration Committee, and subject to meeting the terms set out in Options Plan E, as provided below in Chapter 2.

All of the abovementioned option plans shall be hereinafter referred to as the “**Plans**” or the “**Option Plans**”.

It is hereby clarified that no option warrants shall be granted, pursuant to any of the Plans, to directors at the Bank, including the Chairman of the Board of Directors of the Bank; nor will any option warrants be granted, pursuant to any of the Plans, to the Bank’s controlling shareholders or interested parties (except for the CEO, as aforesaid), or to whomever will become a controlling shareholder or an interested party at the Bank after these option warrants are granted to him, as provided below in Section 1.4.1.

It shall be emphasized that the quantity of option warrants that shall be issued according to Option Plans A through E, which the offerees shall be entitled to exercise, in practice, pursuant to the terms of each of the abovementioned Plans, shall be derived from the terms set out in the framework of each of the abovementioned Plans, all as provided below in Chapter 2.

Additionally, the allotment of the full quantity of exercise shares is strictly theoretical, since, in practice, the full quantity of exercise shares derived from the option warrants which the offerees are entitled to exercise, pursuant to the terms of each of the Option Plans, shall not be issued to the offerees, but only shares at a quantity reflecting the financial benefit sum incorporated in said option warrants, considering the closing rate cap, as provided below in Section 2.21.

Outline date: July 26, 2021

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Chapter 1 – Introduction

1.1 General

On July 26, 2021, after obtaining the approval of the Remuneration Committee on July 26, 2021, the Board of Directors resolved to approve the publication of this outline, including the approval of an offer of option warrants to be issued by the Bank, which will be granted to the CEO of the Bank, the other officers at the Bank (except for directors), and additional managers at the Bank and the Bank's subsidiaries, all in accordance with Article 15b(1)(a) of the Securities Law 5728-1968 (hereinafter: "**Securities Law**"), as detailed in this outline and in accordance with its terms.

1.1.1 Background

- a. (1) On December 18, 2019, the general meeting of the Bank's shareholders approved a remuneration policy for officers at the Bank, for the years 2020-2022, which was subsequently updated on December 24, 2020, as detailed in Appendix E of the immediate report published by the Bank on November 16, 2020 (reference no. 2020-01-114631).
- (2) Said remuneration policy established, *inter alia*, that the performance-based bonus to be granted to the Chief Executive Officer of the Bank, for any year, shall include a strictly cash bonus, which shall not exceed three (3) monthly salaries. Moreover, it was established that should it be decided that the performance-based bonus to be granted to Bank officers (who are not the Chief Executive Officer or directors) for any year shall also include a capital remuneration, then the Remuneration Committee and the Board of Directors may, at their discretion, determine that the performance-based bonus to be granted to the Chief Executive Officer for that year, in full or in part, shall include a capital remuneration, under the terms that will be determined in this regard by the Remuneration Committee and the Board of Directors, according to their discretion. This, *inter alia*, in accordance with the instructions established in the remuneration policy, with the necessary changes.

In this regard, it was established, *inter alia*, that the entitlement of any officer (including the Chief Executive Officer) to a

performance-based remuneration due to any year shall be contingent upon the Bank's total capital adequacy ratio and tier I capital ratio, according to the Bank's (consolidated) annual financial reports for that year, being no less than the minimal ratios stipulated in Bank of Israel's directives. Moreover, it was established that the Chief Executive Officer's entitlement to said capital remuneration shall be determined in accordance with the evaluation of the Chief Executive Officer's performance by the Remuneration Committee and the Board of Directors, at their discretion, subject to the remuneration cap allowed under the Remuneration for Officers of Financial Corporations Law (Special Approval and Disallowance of Expenses for Tax Purposes due to Extraordinary Remuneration) 5776-2016 (hereinafter: "**Senior Officers' Wage Law**").

Similar provisions were established in this matter in the service and employment terms of the Bank's CEO, Mr. Moshe Lari, in effect as of September 16, 2020 (which were provided in Appendix D to the immediate report published by the Bank on August 27, 2020, reference no. 2020-01-085165), which were approved by the Bank's general meeting on October 15, 2020 (hereinafter: the "**CEO's Terms of Service and Employment**"); Appendix D of said immediate report (regarding the CEO's Terms of Service and Employment) is included in this outline by way of reference.

- b. (1) Further to the approval of the Bank's new strategic plan for 2021-2025 (as detailed in the immediate report from April 27, 2021, reference no. 2021-01-071448), on July 6, 2021, the Bank's general meeting approved an updated remuneration policy for the officers at the Bank, which will be in effect until December 31, 2023 (hereinafter: the "**Updated Remuneration Policy**" or the "**Remuneration Policy**"); the Updated Remuneration Policy for Bank officers was adapted, *inter alia*, to the Senior Officers' Wage Law and the Supervisor of Banks' directives, and it was detailed in Appendix A to the immediate report published by the Bank on May 31, 2021, reference no. 2021-01-093369.

The Updated Remuneration Policy for officers is the product of combining provisions established through legislation and through the

remuneration directives published by the Bank of Israel, with the broad-based principles which the Bank's Board of Directors saw fit to adopt regarding remuneration for officers at the Bank, with attention to the Bank's new strategic plan as well as the customary officer employment terms at the Bank.

The principles regarding the total remuneration package to officers at the Bank, the Chief Executive Officer¹ among them, including the performance-based cash bonus and capital remuneration, which will be in effect until December 31, 2023, were determined under the Updated Remuneration Policy for Officers.

- (2) Further to the approval of the Updated Remuneration Policy for officers, as aforesaid, and having received the approval of the Remuneration Committee, the Board of Directors approved an updated remuneration plan for Bank officers who are subordinate to the Chief Executive Officer (hereinafter: "**Officer Remuneration Plan**"), which includes, *inter alia*, a cash bonus, all in accordance with the principles provided in the Updated Remuneration Policy for officers. Under said remuneration plan it was determined, *inter alia*, that subject to the approval of the Remuneration Committee and the Board of Directors, the performance-based remuneration to officers for the years 2021-2023 shall also include a capital remuneration, by way of offering option warrants (insofar as it may be decided to offer these) to the Bank officers who are subordinate to the Chief Executive Office, as well as other managers, under an outline of an offer to employees, in accordance with Article 15b(1)(a) of the Securities Law 5728-1968, and that the full outline shall be brought to the approval of the Bank's Remuneration Committee and Board of Directors.

- c. In addition, after accepting the recommendation of the Remuneration Committee, the Bank's Board of Directors approved an updated remuneration policy for all Bank employees (except for the officers to whom the Updated Remuneration Policy for Officers shall apply, as aforesaid), in which the principles regarding the total remuneration package to non-officer Bank

¹ It is hereby clarified that in the Updated Remuneration Policy, no change was made in regard to the cash bonus and capital remuneration to the Bank's CEO.

employees, including the performance-based cash bonus and capital remuneration, were determined.

Further to the foregoing, on July 26, 2021, having obtained the approval of the Remuneration Committee on July 26, 2021, the Bank's Board of Directors resolved to approve the publication of this outline, including the approval of an offering of option warrants to be issued by the Bank, all in accordance with Article 15b(1)(a) of the Securities Law, 5728-1968, as detailed below in this outline and per its terms.

1.1.2 Definitions

In this outline, the terms detailed below shall bear the definition stated alongside them, unless explicitly stated otherwise:

- a. The **"TASE"**: The Tel Aviv Stock Exchange Ltd;
- b. **"Directive 301A"**: Proper Conduct of Banking Business Directive No. 301A, in the matter of remuneration policies at banking corporations, given by the Supervisor of Banks;
- c. The **"CEO"**: The Chief Executive Officer of the Bank, Mr. Moshe Lari;
- d. The **"Trustee"**: Per its meaning in Section 2.3 below;
- e. The **"Offerees"** or the **"Offeree"**: Per their meaning in Section 1.1.3a below;
- f. The **"First Lot of Option Warrants"** or the **"First Lot"**: Per its meaning in Section 1.1.3b. below;
- g. The **"Additional Option Warrant Lots"**, the **"Additional Lots"** or **"Additional Lot"**: Per their meaning in Section 1.1.3b. below;
- h. **"subsidiary"**: a company fully owned by the Bank, directly or indirectly;
- i. **"Companies Law"**: the Companies Law, 5759-1999;
- j. **"Securities Law"**: the Securities Law, 5728-1968;
- k. **"Senior Officers' Wage Law"**: The Remuneration for Officers of Financial Corporations Law (Special Approval and Disallowance of Expenses for Tax Purposes due to Extraordinary Remuneration) 5776-2016.
- l. **"operational efficiency ratio"**: the ratio of the total operating and other expenses to the total amount of income (net interest income and non-interest income), before credit loss expenses, as published in the Bank's (consolidated) annual financial reports for the bonus year;

- m. **“core deposits ratio”**: the ratio of the total core deposits to the total deposits from the public. In this regard, the “core deposits” – deposits from households and private banking, small and micro businesses and medium businesses, according to supervisory operating segments;
- n. **“core deposits average ratio”**: the average of the core deposits as of March 31, June 30, September 30, and December 31, as published in the Bank’s quarterly or annual (consolidated) financial reports, as the case may be, for each bonus year;
- o. **“1’ Option Warrants”, “A Option Warrants”, “B Option Warrants”, “C Option Warrants”, “D Option Warrants”, “E Option Warrants”** and the **“option warrants”**: per their meaning in Section 2.1.1 below;
- p. **“option warrant inventories”**: the option warrant inventories, as provided below – “the 1’ Option Warrants inventory”; “the A Option Warrants inventory”; “the B Option Warrants inventory”; “the C Option Warrants inventory”; “the D Option Warrants inventory”; and “the E Option Warrants inventory”, per their meaning in Section 2.1.1 below;
- q. The **“updated remuneration policy”** or the **“remuneration policy”**: per its meaning in Section 1.1.b(1) above;
- r. **“date of the employment relations’ termination”**: the date on which the employment relations will come to an end, pursuant to the law;
- s. **“Annual Lot”**: Per its meaning in Section 2.10.1 below;
- t. **“Plans Administrator”**: Per the meaning in Section 2.8 below;
- u. **“branch, department or extension managers”**: this group includes manager of the Bank’s branches, departments or extensions and those who have the personal status of a branch, department or extension manager, as well as managers at subsidiaries who were established to be included in the group of branch, department or extension managers;
- v. **“managers at the Bank who are employed under personal contracts”**: this group includes the following Bank employees: deputy division managers, section managers, sector managers, deputy section managers, deputy sector managers, some deputy regional managers, business hub managers, some business center managers and also some of the managers employed under personal contracts with the status of department manager;

w. **“managers at the Bank who are employed under collective agreements”**: this group includes the following Bank employees: some deputy regional managers, some business center managers, as well as managers at Bank branches, departments or extensions;

x. **“the exercise shares”**: shares that will derive from the exercise of option warrants that will be issued per this outline;

y. **“personal status”**: the status of a Bank employee or a subsidiary employee, which corresponds to the ranking of a group of Bank or subsidiary employees, as applicable, all as established with regard to certain employees of the Bank or of a subsidiary, by the management of the Bank or the management of the subsidiary, as applicable;

z. **“adjustment bonus”**: a non-compete adjustment bonus;

aa. **“salary” or “monthly salary”**

1) With respect to an employee working under a personal contract - the monthly salary, including linkage differences (if and insofar as the salary is linked to the index);

2) With respect to an employee working under a collective agreement – the total sum of the fixed monthly payments in the employee’s wage;

It is hereby clarified that the term “salary” (with respect to all employees) does not include social benefits;

bb. **“officer”**: an officer, as defined in the Companies Law, other than a director at the Bank or the Bank’s Chief Executive Officer;

cc. **“exceptional cause”**: with respect to the termination of employer-employee relations – a cause or grounds for employment termination under exceptional circumstances, including, but not limited to, dishonesty towards the Bank or a subsidiary, insubordination, wilful misconduct, breach of fiduciary duty, disclosure of confidential information regarding the business of the Bank or a subsidiary, conduct that harms the business of the Bank or a subsidiary, or a material breach of the employment agreement or any other undertaking towards the Bank or a subsidiary;

- dd. **“principal employees”**:
- 1) At the Bank – as defined in Article 4 of Proper Conduct of Banking Business Directive No. 301A, except for Bank officers and except for a director at the Bank or the Bank’s Chief Executive Officer;
 - 2) At a subsidiary of the Bank – as defined in Article 4 of Proper Conduct of Banking Business Directive No. 301A;
- ee. **“extraordinary profits or losses”**: profits or losses deriving from one-time or extraordinary events, net of the tax implication recorded in respect thereof in the Bank’s annual (consolidated) financial reports for the bonus year; extraordinary profits or losses for the purpose of the Option Plans under this outline shall be defined as such by the Remuneration Committee and the Board of Directors, at the time of the authorization of the financial reports for the bonus year or near that time;
- ff. **“Income Tax Ordinance”**: The Income Tax Ordinance (New Version) 5721-1961;
- gg. **“gatekeeper”** – any of the following officers: chief legal advisor; chief internal auditor; chief accountant; chief risk manager and the Bank secretary;
- hh. **“return on equity rate”** – the return on equity rate on the net profit attributed to the shareholders, as published in the Bank’s annual (consolidated) financial reports for the bonus year, excluding extraordinary profits or losses;
- ii. **“bonus year”**: each of these calendar years – 2021, 2022 and 2023;
- jj. **“variable remuneration”**:
- 1) With respect to the CEO: a cash bonus, a capital remuneration, and the part of the adjustment bonus higher than the sum of three (3) monthly salaries, including social benefits;
 - 2) With respect to offerees who are officers: a cash bonus, a capital remuneration, a cash bonus under special circumstances, per its meaning in Section 8.2 of the Updated Remuneration Policy for Officers, a signing bonus, as detailed in Section 8.3 of the Updated Remuneration Policy for Officers, and the part of the adjustment bonus higher than the sum of three (3) monthly salaries; the contents of Sections 8.2 and 8.3 of the Updated Remuneration Policy for

Officers (attached as Appendix A to the immediate report which released by the Bank on May 31, 2021, reference no. 2021-01-093369) are included in this outline by way of reference.

- 3) With respect to other offerees: various types of cash bonuses (including the retirement bonus), as well as capital remuneration; and with respect to the CEO, an adjustment bonus in the sum of three (3) monthly salaries plus social provisions.

kk. **“fixed remuneration”:**

- 1) With respect to the CEO and the officers: the monthly salary including social benefits and other related benefits, an adjustment bonus at a sum of up to three (3) monthly salaries; and with respect to the CEO, an adjustment bonus in the sum of three (3) monthly salaries plus social provisions; other retirement-related payments, as customary for Bank employees, and with respect to gatekeepers, an additional fixed component for the gatekeepers, as detailed in Section 8.1 of the Updated Remuneration Policy; the contents of Section 8.1 of the Updated Remuneration Policy (attached as Appendix A to the immediate report released by the Bank on May 31, 2021, reference no. 2021-01-093369) is included in this outline by way of reference.
- 2) With respect to offerees who are not officers: the monthly salary including social benefits and other related benefits;

ll. **The “CEO’s Terms of Service and Employment”:** per their meaning above in Section 1.1.1a(2);

mm. **“Options Plan 1”**, **“Options Plan A”**, **“Options Plan B”**, **“Options Plan C”**, **“Options Plan D”** and **“Options Plan E”**, and the **“Option Plans”**: per their meaning below in Section 1.1.3a.;

nn. **“Outline Regulations”** – The Securities (Details of an Outline of an Offer of Securities to Employees) Regulations, 5760-2000;

oo. **“return on the Bank’s share relative to the benchmark index”** – the return on the Bank’s share (including dividends) net of the return of the benchmark index, for any bonus year;

In this regard:

- **“return on the Bank’s share (dividend included)”**:

The change rate in the coordinated rate of the Bank’s share on the final trading day at the TASE for the bonus year, vs. the coordinated rate of the Bank’s share on the final trading day at the TASE for the year prior to the bonus year.

- **“return on the benchmark index”**:

The weighted average of the change rate in the coordinated rates of the shares of the other four major banks on the final trading day at the TASE for the bonus year, vs. the coordinated rates of said banks on the final trading day at the TASE for the year prior to the bonus year;

The calculation will be done so that the weight of the change in the coordinated rate of each of the four aforementioned banks’ shares (out of the weighted average) shall be determined according to that bank’s market value on the final trading day at the TASE for the year prior to the bonus year.

- **“coordinated rate”** for any share: The coordinated closing rate of the share, as published by the TASE.

- **“other four major banks”**: Bank Leumi le-Israel Ltd, Bank Hapoalim Ltd, Israel Discount Bank Ltd and the First International Bank of Israel Ltd.

- **“market value”** of any bank: the total market value of that bank’s shares, calculated according to the share’s closing rate, as published by the TASE.

1.1.3 **The Option Plans**

- a. In its resolution from July 26, 2021 (as aforesaid above in Section 1.1), the Board of Directors decided, having received the Remuneration Committee’s approval, to approve the plans to issue option warrants to be granted to the Bank’s CEO, Bank officers and additional managers at the Bank and the Bank’s subsidiaries, all as provided in this outline and according to its terms:

- The first:** An options plan for the Bank’s CEO, as provided below in this outline (hereinafter: “**Plan**” or “**Options Plan 1**”);
- The second:** An options plan for Bank officers who are not gatekeepers, as provided below in this outline (hereinafter: “**Plan**” or “**Options Plan A**”);
- The third:** An options plan for Bank officers who are gatekeepers, as provided below in this outline (hereinafter: “**Plan**” or “**Options Plan B**”);
- The fourth:** An options plan for principal employees at the Bank and for principal employees at the Bank’s subsidiaries, as provided below in this outline (hereinafter: “**Plan**” or “**Options Plan C**”);
- The fifth:** An options plan for Bank managers who are employed under personal contracts, as well as other managers at the Bank and at the Bank’s subsidiaries who have been approved to be included in this group for the purposes of this outline, as provided below in this outline (hereinafter: “**Plan**” or “**Options Plan D**”);
- The sixth:** An options plan for Bank managers who are employed under the collective agreements, as well as managers at the Bank’s subsidiaries who were approved to be included in this group for the purposes of this outline, as provided below in this outline (hereinafter: “**Plan**” or “**Options Plan E**”).

The abovementioned option plans shall be hereinafter referred to, collectively, as the “**Plans**” or the “**Option Plans**”.

The offerees of the Option Plans, or any one thereof, shall be hereinafter referred to as the “**Offerees**” or the “**Offeree**”, respectively.

It is hereby clarified that no option warrants shall be granted, pursuant to any of the Plans, to directors at the Bank, including the Chairman of the Bank’s Board of Directors. Additionally, no option warrants shall be granted, pursuant to any of the Plans, to controlling shareholders or interested parties at the Bank (except for the Bank’s CEO, Mr. Moshe Lari, as aforesaid) or to whoever may become a controlling shareholder or an interested party at the

Bank, after the granting of said option warrants, all as provided below in Section 1.4.1.

- b. Under the decision provided above in Section 1.1.3a., after obtaining the approval of the Remuneration Committee, the Board of Directors approved the following:
- (1) The option warrant amounts provided below in Sections 2.1.1a.(1), 2.1.1b.(1), 2.1.1c.(1), 2.1.1d.(1), 2.1.1e.(1) and 2.1.1f.(1) will be used as inventories for the purposes of issuing and granting option warrants under the Option Plans, as detailed in said sections.
 - (2) At this stage, only the option warrants for 2021 will be issued and granted under this outline, in accordance with the Option Plans, as detailed below in Sections 2.1.1a.(2), 2.1.1b.(2), 2.1.1c.(2), 2.1.1d.(2), 2.1.1e.(2) and 2.1.1f.(2) (hereinafter: “**First Lot of Option Warrants**” or “**First Lot**”).
 - (3) In addition to the issuance and granting of the option warrants included in the First Lot, as aforesaid, the Bank will be entitled, under this outline, to issue and grant two (2) additional option warrant lots for the years 2022 and 2023, in accordance with the Option Plans, as detailed below in Sections 2.1.1a.(3), 2.1.1b.(3), 2.1.1c.(3), 2.1.1d.(3), 2.1.1e.(3) and 2.1.1f.(3) (hereinafter: the “**Additional Option Warrant Lots**”, the “**Additional Lots**” or “**Additional Lot**”); under this framework, the Bank will be entitled, under this outline, to issue and grant the Additional Option Warrant Lots or any part thereof to current or future employees of the Bank and employees of the Bank’s subsidiaries, at different times and in various amounts, in accordance with the instructions of the Plans, all subject to receiving the required legal authorizations (including the TASE’s authorization of the issuance of each of the Additional Lots or any part thereof); in addition to the aforesaid and subject to the instructions of the law, the Bank will be entitled to decide on the increase of the option warrant inventories, in order to allow for the issuance of additional option warrants under this outline.

It is hereby clarified that at this stage, the Bank has yet to decide on the issuance of option warrants that will be included in the Additional Option Warrant Lots. It is further clarified that the issuance of any of

the Additional Option Warrant Lots or any part thereof, out of the option warrant inventories, or an increase of the option warrant inventories, is pending the confirmation of the Bank's Remuneration Committee and Board of Directors, and subject to the publication of reports, as required by law.

- c. Insofar as the Bank may decide to issue option warrants that will be included in the Additional Option Warrant Lots, out of the option warrant inventories, as aforesaid, the Bank will notify each Offeree that shall be entitled to the option warrants of the offer and its terms, 21 days prior to the offering date of the option warrants, in the manner established in Regulation 8 of the Outline Regulations.
- d. It should be noted that the actual amount of Option Warrants that the Offerees will be entitled to exercise, according to the terms of each of the plans, shall be derived from the terms established in each of them, as detailed below in Chapter 2.

Additionally, the issue of the full quantity of exercise shares is merely theoretical, since, in practice, the full quantity of exercise shares derived from the option warrants which the Offerees are entitled to exercise shall not be issued to the Offerees, pursuant to the terms of each of the aforesaid Plans, but only shares at a quantity reflecting the financial benefit sum incorporated in said option warrants, considering the closing rate cap, as provided below in Section 2.21.

It is hereby clarified that option warrants to which an Offeree shall not be entitled pursuant to the terms set forth in this outline, shall expire and shall not entitle any right whatsoever.

- e. Any consideration, income or profit that shall be charged to the Offeree or received thereby (if and insofar as such exist) due to the offering pursuant to each of the Plans, including the issue of the exercise shares, the transfer thereof in his name or the sale thereof and all such as related thereto, shall not be deemed a portion of such employee's salary and shall not be taken into account for the purpose of the calculation of any social benefits or other rights or benefits or for all other intents and purposes (other than for the purpose of the deduction of taxes and other compulsory payments).
- f. The Option Plans or the issue of the option warrants pursuant thereto do not confer to the Offeree any right with regard to his continued employment at

the Bank, nor do they create a defined term work contract with any of the Offerees, nor do they impair or restrict in any manner the right of the Bank to terminate the employment of any Offeree at any time.

- g. The offering of the option warrants to the Offerees, pursuant to the Option Plans, shall be executed pursuant to the provisions of Article 15b(1)(a) of the Securities Law, in the scope of a remuneration plan for employees, in this outline, which includes the terms of all the Option Plans, per the Outline Regulations.

1.2 Permits and Approvals

1.2.1 The issue of option warrants included in the First Lot under the Option Plans is subject to obtaining the following approvals:

- a. The approvals of the Bank's Remuneration Committee and Board of Directors for the offering and issuance of option warrants included in the First Lot were granted on July 26, 2021 by the Remuneration Committee; and on July 26, 2021 by the Board of Directors;

It is hereby clarified that at this stage, the Remuneration Committee and the Board of Directors have yet to approve the issuance of option warrants that will be included in the Additional Option Warrant Lots.

- b. The approval of the TASE to list for trade the shares which shall stem from the exercise of the Option Warrants included in the First Lot of Option Warrants, under each of the Option Plans;

Shortly after the publication of this outline, the Bank shall contact the TASE, requesting the listing for trade of the ordinary shares which shall stem from the exercise of the Option Warrants included in the First Lot of Option Warrants, under each of the Option Plans.

- c. As provided below in Section 2.24, the option warrants per this outline shall be issued according to the capital gains track, pursuant to the provisions of Article 102 of the Income Tax Ordinance. Consequently, the Bank shall contact the Income Tax Authority shortly after the publication of this outline, requesting the approval thereof for each of the Plans.

1.2.2 Insofar as the Bank may decide to issue option warrants that will be included in the Additional Option Warrant Lots under this outline, then any such additional issuance shall be subject to receiving approvals as provided above in Section 1.2.1.

1.3 Listing the exercise shares in a nominee company's name

Pursuant to the TASE Articles of Association, the exercise shares that shall be issued as a result of the exercise of the option warrants under this outline shall be listed under a nominee company's name.

1.4 Granting option warrants pursuant to this outline

1.4.1 The Bank may issue option warrants in the name of the trustee for the Offerees, pursuant to the terms of each of the Plans, under this outline, after obtaining all approvals required for this purpose, as aforesaid in Sections 1.2.1 or 1.2.2, as applicable.

It is hereby clarified that no option warrants shall be granted, pursuant to any of the Plans, to an Offeree who is a controlling shareholder at the Bank or who will become a controlling shareholder at the Bank, within the meaning thereof in Section 268 of the Companies Law, after the A Option Warrants are granted thereto pursuant to any of the Plans, even assuming that he would exercise all of them. Likewise, no Option Warrants will be granted under either of the Plans, to a director at the Bank or an Offeree who is an interested party at the Bank, per this term's definition in the Companies Law, or to whomsoever may become an interested party at the Bank having been given said Option Warrants, even assuming that he would exercise all of them; this, except with respect to granting option warrants to the Bank's CEO, Mr. Moshe Lari, as aforesaid, who is a Bank employee and who is not an interested party at the Bank by power of holding shares, nor shall he become an interested party at the Bank by power of holding shares after being given the aforesaid option warrants, even assuming that he would exercise all of them (in this regard, see also Section 3.1 below).

1.4.2 The period for granting option warrants to the Offerees pursuant to each of the Plans, under this outline, shall begin on the later of: (a) obtaining all the necessary approvals, as provided in Sections 1.2.1 or 1.2.2, as applicable; or (b) 14 business days from the date of filing this outline and after the lapse of the necessary periods under Article 102 of the Income Tax Ordinance; and shall end thirty-six (36) months from the publication date of this outline.

1.4.3 It is assumed that the option warrants included in the First Lot of Option Warrants under this outline shall be granted shortly after the publication thereof.

As detailed above in Section 1.1.3b(3), the Bank has not yet decided to issue option warrants that will be included in the Additional Lots of Option Warrants and the authorizations required for this purpose have yet to be received.

1.5 The power of the Israel Securities Authority

Pursuant to Regulation 9 of the Outline Regulations, the Securities Authority may, within fourteen business days from the date of filing this outline, to instruct the Bank to provide an explanation, details, notices and documents regarding this outline, as well as instruct the Bank to amend this outline within a date set forth thereby. If the Securities Authority instructs the amendment of this outline, it may instruct the postponement of the date of commencement of the period for granting the offered option warrants to a date that shall not be sooner than the lapse of three business days and no later than fourteen business days from the publication data of the amendment of this outline.

The amendment of this outline and the postponement of the date of commencement of the period for granting the offered option warrants shall be executed pursuant to the provisions of the Outline Regulations

Chapter 2 – Details of the offer and the securities

2.

2.1 Details of the securities

- 2.1.1 a. (1) Up to 100,000 registered 1' Option Warrants, unlisted for trade on the TASE (hereinafter: "**1' Option Warrants**"), to be used as inventory for the purpose of granting 1' Option Warrants to the CEO of the Bank (as stated below in this Section 2.1.1a.); each option 1' warrant is exercisable into one ordinary share of ILS 0.1 par value each of the Bank, subject to that which is stated and detailed below in Section 2.21 and subject to adjustments, as stated below in Section 2.20, pursuant to Options Plan 1' as approved by the Bank's Remuneration Committee and Board of Directors; and subject to meeting the terms set out in Options Plan 1', as provided below in this Chapter 2;
- It is hereby clarified that the amount of 1' Option Warrants, as provided above in this SS (1), will be used as an inventory of 1' Option Warrants (hereinafter: "**1' Option Warrants Inventory**"), out of which 1' Option Warrants will be issued, as detailed below.
- (2) Up to 18,468 1' Option Warrants (hereinafter: "**First Lot of 1' Option Warrants**") will be issued out of the 1' Option Warrants Inventory, and included in the First Lot of Option Warrants to be granted under Options Plan 1'
- (3) The balance of 1' Option Warrants (which will remain in the 1' Option Warrants Inventory after the issuance of the First Lot of 1' Option Warrants) shall serve as an inventory out of which the Bank will be entitled to issue 1' Option Warrants under the Additional Lots, insofar as it may decide to do so.
- b. (1) Up to 1,230,000 registered A Option Warrants, unlisted for trade on the TASE (hereinafter: "**A Option Warrants**"), to be used as inventory for the purpose of granting A Option Warrants to Bank officers who are not gatekeepers (as stated below in this Section 2.1.1b.); each option A warrant is exercisable into one ordinary share of ILS 0.1 par value each of the Bank, subject to that which is stated and detailed below in Section 2.21 and subject to adjustments, as stated below in Section 2.20, pursuant to Options Plan A as approved

by the Bank's Remuneration Committee and Board of Directors; and subject to meeting the terms set out in Options Plan A, as provided below in this Chapter 2;

It is hereby clarified that the amount of A Option Warrants, as provided above in this SS (1), will be used as an inventory of A Option Warrants (hereinafter: "**A Option Warrants Inventory**"), out of which A Option Warrants will be issued, as detailed below.

- (2) Up to 301,506 A Option Warrants (hereinafter: "**First Lot of A Option Warrants**") will be issued out of the A Option Warrants Inventory, and included in the First Lot of Option Warrants to be granted under Options Plan A.
- (3) The balance of A Option Warrants (which will remain in the A Option Warrants Inventory after the issuance of the First Lot of A Option Warrants) shall serve as an inventory out of which the Bank will be entitled to issue A Option Warrants under the Additional Lots, insofar as it may decide to do so.

- c. (1) Up to 750,000 registered B Option Warrants, unlisted for trade on the TASE (hereinafter: "**B Option Warrants**"), to be used as inventory for the purpose of granting B Option Warrants to Bank officers who are gatekeepers (as stated below in this Section 2.1.1c.); each option B warrant is exercisable into one ordinary share of ILS 0.1 par value each of the Bank, subject to that which is stated and detailed below in Section 2.21 and subject to adjustments, as stated below in Section 2.20, pursuant to Options Plan B as approved by the Bank's Remuneration Committee and Board of Directors; and subject to meeting the terms set out in Options Plan B, as provided below in this Chapter 2;

It is hereby clarified that the amount of B Option Warrants, as provided above in this SS (1), will be used as an inventory of B Option Warrants (hereinafter: "**B Option Warrants Inventory**"), out of which B Option Warrants will be issued, as detailed below.

- (2) Up to 173,509 B Option Warrants (hereinafter: "**First Lot of B Option Warrants**") will be issued out of the B Option Warrants

Inventory, and included in the First Lot of Option Warrants to be granted under Options Plan B.

- (3) The balance of B Option Warrants (which will remain in the B Option Warrants Inventory after the issuance of the First Lot of B Option Warrants) shall serve as an inventory out of which the Bank will be entitled to issue B Option Warrants under the Additional Lots, insofar as it may decide to do so.
- d. (1) Up to 2,180,000 registered C Option Warrants, unlisted for trade on the TASE (hereinafter: “**C Option Warrants**”), to be used as inventory for the purpose of granting C Option Warrants to principal employees at the Bank and to principal employees at the Bank’s subsidiaries (as stated below in this Section 2.1.1d.); each option C warrant is exercisable into one ordinary share of ILS 0.1 par value each of the Bank, subject to that which is stated and detailed below in Section 2.21 and subject to adjustments, as stated below in Section 2.20, pursuant to Options Plan C as approved by the Bank’s Remuneration Committee and Board of Directors; and subject to meeting the terms set out in Options Plan C, as provided below in this Chapter 2;

It is hereby clarified that the amount of C Option Warrants, as provided above in this SS (1), will be used as an inventory of C Option Warrants (hereinafter: “**C Option Warrants Inventory**”), out of which C Option Warrants will be issued, as detailed below.

- (2) Up to 493,250 C Option Warrants (hereinafter: “**First Lot of C Option Warrants**”) will be issued out of the C Option Warrants Inventory, and included in the First Lot of Option Warrants to be granted under Options Plan C.
 - (3) The balance of C Option Warrants (which will remain in the C Option Warrants Inventory after the issuance of the First Lot of C Option Warrants) shall serve as an inventory out of which the Bank will be entitled to issue C Option Warrants under the Additional Lots, insofar as it may decide to do so.
- e. (1) Up to 3,580,000 registered D Option Warrants, unlisted for trade on the TASE (hereinafter: “**D Option Warrants**”), to be used as

inventory for the purpose of granting D Option Warrants to Bank managers who are employed under personal contracts and to additional managers at the Bank and at the Bank's subsidiaries, approved for inclusion in this group for the purposes of this outline (as stated below in this Section 2.1.1e.); each option D warrant is exercisable into one ordinary share of ILS 0.1 par value each of the Bank, subject to that which is stated and detailed below in Section 2.21 and subject to adjustments, as stated below in Section 2.20, pursuant to Options Plan D as approved by the Bank's Remuneration Committee and Board of Directors; and subject to meeting the terms set out in Options Plan D, as provided below in this Chapter 2;

It is hereby clarified that the amount of D Option Warrants, as provided above in this SS (1), will be used as an inventory of D Option Warrants (hereinafter: "**D Option Warrants Inventory**"), out of which D Option Warrants will be issued, as detailed below.

- (2) Up to 811,300 D Option Warrants (hereinafter: "**First Lot of D Option Warrants**") will be issued out of the D Option Warrants Inventory, and included in the First Lot of Option Warrants to be granted under Options Plan D.
 - (3) The balance of D Option Warrants (which will remain in the D Option Warrants Inventory after the issuance of the First Lot of D Option Warrants) shall serve as an inventory out of which the Bank will be entitled to issue D Option Warrants under the Additional Lots, insofar as it may decide to do so.
- f. (1) Up to 6,700,000 registered E Option Warrants, unlisted for trade on the TASE (hereinafter: "**E Option Warrants**"), to be used as inventory for the purpose of granting E Option Warrants to Bank managers who are employed under collective agreements and to managers at the Bank's subsidiaries who were approved to be included in this group for the purposes of this Outline (as stated below in this Section 2.1.1f.); each option E warrant is exercisable into one ordinary share of ILS 0.1 par value each of the Bank, subject to that which is stated and detailed below in Section 2.21 and subject to adjustments, as stated below in Section 2.20, pursuant to Options Plan E as approved by the Bank's Remuneration Committee and Board of

Directors; and subject to meeting the terms set out in Options Plan E, as provided below in this Chapter 2;

It is hereby clarified that the amount of E Option Warrants, as provided above in this SS (1), will be used as an inventory of E Option Warrants (hereinafter: “**E Option Warrants Inventory**”), out of which E Option Warrants will be issued, as detailed below.

- (2) Up to 1,547,900 E Option Warrants (hereinafter: “**First Lot of E Option Warrants**”) will be issued out of the E Option Warrants Inventory, and included in the First Lot of Option Warrants to be granted under Options Plan E.
- (3) The balance of E Option Warrants (which will remain in the E Option Warrants Inventory after the issuance of the First Lot of E Option Warrants) shall serve as an inventory out of which the Bank will be entitled to issue E Option Warrants under the Additional Lots, insofar as it may decide to do so.

(Option warrants that shall be granted under this outline shall be hereinafter referred to as the “**Option Warrants**”).

The Offerees under each of the Plans shall be entitled to the Option Warrants offered pursuant to the Plan and to the exercise thereof, pursuant to the terms of said Plan and subject to meeting the terms and terms set forth therein, as provided below in Chapter 2.

- 2.1.2 a. The issue of the Option Warrants included in the First Lot under the Option Plans and subject to the terms set forth in each of them, shall be executed shortly after the date on which the last of the approvals required according to Section 1.2.1 above has been obtained, provided that it will fall after the lapse of 14 business days from the date of filing this outline and the lapse of the necessary periods under Article 102 of the Income Tax Ordinance, and within the period set forth in TASE’s approval, as provided above in Section 1.2.1b.
- b. Any issuance of Option Warrants included in the Additional Lots, under the Option Plans, insofar as it may be decided upon, will be done soon after the day on which the last of the authorizations required with respect to that issuance, according to Section 1.2.2 above, is received, provided that it will fall after the lapse of the necessary periods under Article 102 of the Income

Tax Ordinance, and within the period set forth in TASE's approval for that issuance, as provided above in Section 1.2.2.

- 2.1.3 a. **The dilution rate, assuming full exercise of all Option Warrants included in the First Lot:** Assuming full exercise of all 3,345,933 Option Warrants included in the First Lot of the Option Warrants offered under this outline; and assuming that the full amount of exercise shares deriving from the Option Warrants will not be issued to the Offerees, but rather merely shares in an amount reflecting the financial benefit sum incorporated in the Option Warrants included in the First Lot, which was calculated based on the closing rate cap determined for the First Lot (as stated below in Section 2.21.2a.(1)), the exercise shares will constitute approx. 0.38% of the Bank's issued capital and the voting rights thereat (immediately after the issuance); and assuming full dilution, approx. 0.28% of the Bank's issued capital and the voting rights thereat.
- b. **The dilution rate, assuming full exercise of all Option Warrants included in the Option Warrants inventories under this outline:** Assuming that all 14,540,000 Option Warrants included in the Option Warrants inventories under this outline are offered and exercised according to this outline, as provided above in Section 2.1.1 (without derogating from the authority of the appropriate organs at the Bank to confirm the increase of the option warrant inventories), and assuming that the full amount of exercise shares deriving from the Option Warrants will not be issued to the Offerees, but rather merely shares in an amount reflecting the financial benefit sum incorporated in the Option Warrants included in the option warrant inventories, the exercise shares will constitute:
- (1) Approx. 1.63% of the Bank's issued capital and the voting rights thereat (immediately after the issuance); and assuming full dilution, approx. 1.18% of the Bank's issued capital and the voting rights thereat. The financial benefit sum incorporated in all Option Warrants included in the option warrant inventories, as aforesaid, was calculated according to the exercise price of the Option Warrants included in the First Lot (as stated above in Section 2.9.2), and according to the closing rate cap determined for the First Lot (as stated below in Section 2.21.2a.(1)).

- (2) Approx. 2.52% of the Bank's issued capital and the voting rights thereat (immediately after the issuance); and assuming full dilution, approx. 1.84% of the Bank's issued capital and the voting rights thereat. For the purpose of said calculation, the financial benefit sum incorporated in all Option Warrants included in the option warrant inventories, as aforesaid, was calculated according to the exercise price of the Option Warrants included in the First Lot (as stated above in Section 2.9.2), and according to the closing rate cap, as detailed below:
- With respect to the Option Warrants included in the First Lot: According to the closing rate cap determined for the First Lot (as stated below in Section 2.21.2a.(1)).
 - With respect to the remainder of the Option Warrants included in the option warrant inventories: According to the maximum possible closing rate cap (as stated below in Section 2.21.2a.(2) and (3)).
- c. In this outline, “**full dilution**” – (a) assuming exercise of all the Option Warrants that are not listed for trade on the TASE, which were allotted for employees and officers of the Bank and its subsidiaries (which have not yet been exercised or have not yet expired), according to their terms, taking into account the financial benefit sum incorporated in said Option Warrants, which shall be calculated according to the closing rate cap, as set for them, if and insofar as it was set for them; and (b) assuming issue of the maximum quantity of shares that may be issued in the event that the deferred capital notes (Series “A”) issued by the Bank (which constitute the Tier II capital of the Bank) are converted into shares on the terms stipulated by the Bank, in this regard.
- d. It is hereby clarified that the Bank has yet to decide on the issuance of option warrants that will be included in the Additional Option Warrant Lots. Likewise, the amount of Option Warrants that an Offeree shall be entitled to exercise *de facto*, according to this outline's terms, shall be derived from meeting threshold terms, as well as the metrics and terms detailed below in this Chapter 2; and therefore, this amount may be lower than the maximum amount of Option Warrants that shall be issued under this outline.

e. It is noted that the dilution rates, as provided above in SS a. and b., were calculated on the basis of the “Status of Capital and Registers of Securities of the Corporation and the Changes Therein” report, released by the Bank on July 22, 2021 (Reference no. 2021-01-121371).

2.1.4 If, as a result of the provisions of any of the Plans, the Bank is required to issue share fractions, it shall not issue share fractions as aforesaid and the number of shares issued to the Offeree shall be rounded down to the nearest whole share.

2.2 Listing for Trade on the TASE

The Option Warrants that shall be offered to the Offerees pursuant to each of the Plans shall not be listed for trade on the TASE. The Exercise shares derived from the exercise of the Option Warrants shall be listed for trade on the TASE.

The Bank shall contact the TASE, shortly after the filing of this outline, requesting the listing for trade of the ordinary shares that shall be issued from the exercise of the Option Warrants included in the First Lot (in this regard, see also Section 1.2.1b. above).

Insofar as the Bank’s Board of Directors, after receiving the Remuneration Committee’s confirmation, may decide on the issuance of the Option Warrants included in the Additional Lots out of the option warrant inventories, then shortly after any such decision, the Bank will contact the TASE, requesting the listing for trade of the ordinary shares that shall be issued from the exercise of the Option Warrants offered under said decision (in this regard, see also Section 1.2.2 above).

2.3 Trustee arrangements

2.3.1 Pursuant to the provisions of Article 102 of the Income Tax Ordinance, the Bank shall issue all the Option Warrants, under each of the Plans, in the name of a trustee to be appointed by the Bank (hereinafter: “**Trustee**”), according to the terms of the capital gains track, via a Trustee; for further details regarding this taxation track, see Section 2.24 below.

2.3.2 The Exercise shares as well as other rights or shares that shall be issued to the Trustee for the Offerees, under each of the Plans, shall be held by the Trustee for a period no longer than five (5) years from the end of the exercise periods of the Option Warrants, under each of the Plans, as provided below in Sections 2.13.2 through 2.13.6; the plans administrator, as defined below in Section 2.8, shall instruct the Trustee with regard to the manner of transfer of the aforesaid shares and additional rights.

- 2.3.3 The Bank and the Trustee shall sign a trust agreement (hereinafter: “**Trust Agreement**”). Subject to the provisions of Section 2.3.2 above, the terms of the Trust Agreement shall be applicable to and will bind each Offeree, so long as the Trustee holds Option Warrants, Exercise shares, other shares or any rights for an Offeree, under each of the Plans.
- 2.3.4 The Bank may replace the Trustee at any time, at its discretion, subject to obtaining the approvals required pursuant to Article 102 of the Income Tax Ordinance.
- 2.3.5 During the period in which the Trustee shall hold the Exercise shares for the Offeree, the Offeree (and not the Trustee) shall be entitled to vote by the virtue thereof, as he deems fit.

2.4 Non-tradability or transferability of the Option Warrants

- 2.4.1 The Option Warrants granted pursuant to the terms of each of the Plans may not be transferred, assigned, pledged, charged or attached, except for a transfer to heirs, pursuant to the law. In the event of a transfer to heirs, as aforesaid, the terms and provisions of each of the Plans shall bind such heirs, for all intents and purposes.
- 2.4.2 To remove any doubt, it is hereby clarified that, subject to the provisions of each of the Plans, only the Offeree shall have rights with regard to the Option Warrants issued to the Trustee, for him, under each of the Plans, pursuant to the provisions and terms thereof, and each of the Plans shall not confer any rights to any other person.
- 2.4.3 The Trustee shall not transfer Option Warrants to any third party, other than in accordance with the terms of each of the Plans, as the case may be, pursuant to instructions received thereby from the plans administrator.

2.5 The Offerees

Subject to the provisions of each of the Plans, under this Outline, the Bank shall grant Option Warrants included in the First Lot of Option Warrants, as provided below:

- 2.5.1 Up to 18,468 1’ Option Warrants shall be given to the CEO² under Options Plan 1’;

² According to the CEO’s Terms of Service and Employment, the total of the performance-based bonus to be granted to the CEO for each bonus year shall not exceed three (3) monthly salaries (calculated based on the sum of the salary for December of the bonus year); moreover, it was established in this regard that the CEO’s total consideration in any bonus year (not including provision for compensation and provision for considerations, as required by law) shall not exceed the remuneration cap permitted under the Senior Officers’ Wage Law, including under Article 2(b) of said law and/or any other law, all as detailed in Section 2.3 of the CEO’s Terms of Service and Employment, included in this Outline by way of reference. In this regard, it is noted that the total maximum consideration which the Bank may pay to the CEO (subject to receiving the approvals required by law), according to Article 2(b) of the Senior Officers’ Wage Law (not including provision for compensation and provision for considerations, as required by law) on the date of this Outline’s approval is approx. ILS 3,533 K a year.

- 2.5.2 Up to 301,506 A Option Warrants shall be granted under Options Plan A, to up to six (6) officers at the Bank who are not gatekeepers.
- 2.5.3 Up to 173,509 B Option Warrants shall be granted under Options Plan B, to up to five (5) officers at the Bank who are gatekeepers;
- 2.5.4 Up to 493,250 C Option Warrants shall be granted under Options Plan C, to up to 16 principal Bank employees and up to 17 principal employees at the Bank's subsidiaries;
- 2.5.5 Up to 811,300 D Option Warrants shall be granted under Options Plan D, to up to 60 Bank managers who are employed under personal contracts, as well as up to 24 more managers at the Bank and at the Bank's subsidiaries who have been approved to be included in this group for the purposes of this Outline;
- 2.5.6 Up to 1,547,900 E Option Warrants shall be granted under Options Plan E, to up to 264 Bank managers who are employed under collective agreements, and to up to 24 managers at the Bank's subsidiaries who have been approved to be included in this group for the purposes of this Outline.

As detailed above in Section 1.1.3b.(3), the Bank has yet to decide on the issuance of option warrants included in the Additional Option Warrant Lots.

2.6 The Offerees' undertakings

As a condition for the grant of Option Warrants pursuant to each of the Plans, an Offeree is required to sign authorization and undertaking letters (hereinafter: "**Undertaking Letters**") that shall include, *inter alia*, the following principal provisions:

- 2.6.1 An Offeree's statement of his consent to accept the Option Warrants offered to him pursuant to any of the Plans and his consent to all the terms contained in said Plan and in the granting letter, within the meaning thereof below in Section 2.7.3, including the Offeree's undertaking (except for an Offeree to Options Plan E) to remise the equity-based compensation granted to him according to the terms of this outline, as well as his consent to bear all the tax liabilities and other compulsory payments deriving from the offer and issue of the Option Warrants, the exercise thereof or the sale of the Exercise shares, including his consent and the his authorization of the Bank to deduct tax at source (including, insofar as necessary – from the number of Option Warrants or Exercise shares) of any tax applicable;

In the matter of the CEO's terms of entitlement to said Option Warrants, see Section 2.12.1b. below.

- 2.6.2 An Offeree's undertaking in connection with receipt of a benefit in the framework of Article 102 of the Income Tax Ordinance, including his undertaking to comply with the provisions of Article 102 of the Income Tax Ordinance and the provisions of the regulations, rules and circulars issued by virtue thereof, including the provisions regarding the tax track chosen by the Bank, and the Offeree's undertaking to comply with the Trust Agreement;
- 2.6.3 An Offeree's undertaking to comply with all the provisions of the Israeli law in connection with the prohibition on the use of inside information about the Bank;
- 2.6.4 An Offeree's undertaking not to create private hedging arrangements cancelling the effect of risk sensitivity incorporated in his remuneration, including in the Option Warrants granted to him under this outline; in this scope, but without derogating from the generality of the foregoing, the Offeree shall undertake to abstain from pledging his rights in Option Plans granted to him under this outline, and to also abstain from performing any action that might be deemed a derivative action in the Bank's shares, including short sale of the Bank's shares or an engagement that can create protection from a decline in the price of the Bank's share or can create profit from such decline;
- 2.6.5 An Offeree's undertaking to comply with the Bank's directives and procedures in connection with the Plans' management, including the procedure with regard to issue of the Option Warrants, exercise of the Option Warrants, sale of the Exercise shares, and all the other actions required for the purpose of the Plans' operation.

2.7 The granting of Option Warrants and a granting letter

- 2.7.1 The granting of Option Warrants to the Offeree, under each of the Plans, shall be executed without receiving any payment from the Offeree.
- 2.7.2 The granting of Option Warrants to the Offeree, under each of the Plans, shall only be executed after receiving the Undertaking Letters in the Bank's offices, with said letters signed by the Offeree.
- 2.7.3 The granting of the Option Warrants shall be executed by a granting letter that shall be furnished to each Offeree (hereinafter: the "**Granting Letter**"), in the form set forth by the Bank.

2.8 The plans administrator

The plans administrator for Option Plans A, B, C, D and E is the Chief Executive Officer of the Bank, as he may be from time to time; the administrator of Options Plan 1' is the

Remuneration Committee (each of these shall be called hereinafter: the “**Plans Administrator**”).

Subject to the provisions of the law, including the provisions of the Companies Law, the Bank’s articles of association and any other resolution of the Bank’s Board of Directors, the Plans Administrator shall be authorized to enact all the powers and authorities for the purpose of the management of each of the Plans and the interpretation thereof, provided that the Plans Administrator’s resolution shall be in respect of certain Offerees, and shall not be an overarching resolution in respect of all the Offerees or in respect of any group of Offerees under each of the aforesaid Plans (hereinafter: the “**overarching resolution**”); an overarching resolution is under the power of the Board of Directors, having obtained the Remuneration Committee’s approval, subject to the provisions of any law. In accordance with the foregoing, the Plans Administrator may, inter alia:

- 2.8.1 resolve whether the termination of employment relations (pursuant to Section 2.15 below) resulted from an “exceptional cause”, within the meaning thereof Section 1.1.2bb. above;
- 2.8.2 interpret each provision included in each of the Plans and perform any action that shall be required as a result of such interpretation, and:
 - a. stipulate procedures and (technical) provisions for the purpose of executing each of the aforesaid Plans, including, with regard to the issue of the Option Warrants, the manner of exercise of Option Warrants and the sale of the Exercise shares under each of the aforesaid Plans;
 - b. interpret any prior stipulation of the Plans Administrator.

The Plans Administrator shall report to the Bank’s Board of Directors, from time to time, as to the use made thereby of the powers conferred thereupon under this section.

Without derogating from the aforesaid, the Bank’s Board of Directors shall be authorized, after obtaining the approval of the Remuneration Committee, to enact all powers and authorities specified above in Section 2.8, including with regard to decisions involving a specific group of Offerees or all Offerees under any of the Plans.

In addition, and subject to the provisions of the law, the Bank’s Board of Directors shall be authorized, after obtaining the approval of the Remuneration Committee, to enact all powers and authorities and make any decision regarding the granting of Option Warrants to the Bank’s CEO, under this Outline.

2.9 The consideration of the offered securities and the exercise price

- 2.9.1 The Option Warrants shall be offered to the Offeree for no consideration.
- 2.9.2 a. The Exercise Price of each of the Option Warrants included in the First Lot, which shall be issued under each of the Plans, is ILS 99.36, plus CPI linkage differences, commencing from the known CPI as of the date on which the Board of Directors approved the issue of the First Lot of Option Warrants (hereinafter: “**Date of the Board of Directors’ Approval of the Issuance of the First Lot of Option Warrants**”) and up to the known CPI on the Exercise Date (within the meaning thereof in Section 2.21.1 below) of an Option Warrant included in the First Lot by the Offeree under each of the Plans (hereinafter: the “**Exercise Price of an Option Warrant included in the First Lot**”).
- b. The Exercise Price of an Option Warrant included in the First Lot is determined according to the average of the closing rate of the Bank’s ordinary share on the TASE during the thirty (30) trading days prior to the Date of the Board of Directors’ Approval of the Issuance of the First Lot of Option Warrants.
- 2.9.3 Insofar as the Bank may decide to issue option warrants included in the Additional Option Warrant Lots, then the exercise price of each of the Option Warrants to be included in each Additional Lot of Option Warrants shall be determined according to the average of the Bank’s ordinary shares closing rates on the TASE during the thirty (30) days prior to the date on which the Board of Directors (having received the approval of the Remuneration Committee) will approve the issuance of said Option Warrants, plus CPI linkage differences, commencing from the known CPI as of the date on which the Board of Directors approved the issuance of said Option Warrants (hereinafter: “**Date of the Board of Directors’ Approval of the Issuance of Option Warrants to be included in an Additional Lot**”) and up to the known CPI on the Exercise Date (within the meaning thereof in Section 2.21.1 below) of the Option Warrant included in each of the Plans by the Offeree (hereinafter: the “**Exercise Price of an Option Warrant included in an Additional Lot**”).

The Exercise Price of an Option Warrant included in the First Lot or the The Exercise Price of an Option Warrant that will be included in an Additional Lot shall hereinafter be called the “**Exercise Price**”.

2.9.4 It is hereby clarified that on the Exercise Date, an Offeree shall not be required to pay the Exercise Price, and the Exercise Price shall only be used for the purpose of stipulating the financial benefit sum and the quantity of the Exercise shares that shall be issued to the Offeree in practice, as provided below in Section 2.21.

2.10 The issue of the option warrants

- 2.10.1 a. (1) The total amount of 1' Option Warrants included in the First Lot, to be issued for the year 2021 in the name of the Trustee for the CEO, according to Options Plan 1', shall be up to 18,468 Option Warrants.
- (2) As aforesaid in Section 1.1.3b(3), the Bank may issue 1' Option Warrants out of the 1' Option Warrant inventory, for the years 2022 and 2023, subject to the Remuneration Committee and Board of Directors' decision that the performance-based remuneration that will be granted to officers at the Bank (who are neither the Chief Executive Officer nor directors) for that bonus year (i.e. for the year 2022 or the year 2023, as applicable) shall also include a capital remuneration (as aforesaid in Section 1.1.1a.(2)).
- (3) The total amount of 1' Option Warrants that will be included in each Additional Lot of Option Warrants to be granted to the CEO, insofar as it may be decided to grant it, shall be determined so that the value of all said Option Warrants is calculated for the day on which the Board of Directors approves their issuance.
- b. (1) The total amount of A Option Warrants included in the First Lot, to be issued for the year 2021 in the name of the Trustee for officers who are not gatekeepers, according to Options Plan A, shall be up to 301,506 Option Warrants.
- (2) The total amount of B Option Warrants included in the First Lot, to be issued for the year 2021 in the name of the Trustee for officers who are gatekeepers, according to Options Plan B, shall be up to 173,509 Option Warrants.
- (3) As aforesaid in Section 1.1.3b(3), the Bank may issue A Option Warrants and B Option Warrants out of the A Option Warrant inventory or B Option Warrant inventory, as applicable, for each of the years 2022 and 2023.

- (4) The total amount of A Option Warrants or B Option Warrants, as applicable, that will be included in each Additional Lot of Option Warrants to be granted to an officer, insofar as it may be decided to grant it, shall be determined so that the value of all said Option Warrants is calculated for the day on which the Board of Directors approves their issuance.
- c.
 - (1) The total amount of C, D and E Option Warrants included in the First Lot, to be issued for the year 2021 in the name of the Trustee for the Offerees, according to each of the Option Plans C, D and E, as applicable, shall be as provided above in Sections 2.5.4 through 2.5.6.
 - (2) As aforesaid in Section 1.1.3b(3), the Bank may issue C, D and E Option Warrants under this Outline, out of the C, D and E Option Warrant inventories, respectively, for each of the years 2022 and 2023.
- d. As provided above in Section 1.4.3, the Bank has yet to decide on the issuance of option warrants that will be included in the Additional Option Warrant Lots, and the authorizations required for this purpose have yet to be received.
- e. The Option Warrants included in the First Lot or the Option Warrants included in each of the Additional Lots, insofar as it may be decided to grant them, shall be called hereinafter: the “**Annual Lot**”.
- 2.10.2 a. As aforesaid, all Option Warrants that shall be granted to the Offerees under each of the Plans shall be issued in the Trustee’s name for the Offerees.
- b. The issue date of Option Warrants shall be deemed the date on which the Bank gives written notice to the Trustee that the Option Warrants have been issued in his name, for an Offeree, in accordance with the provisions of any of the Plans (hereinafter: the “**Issue Date**”).

The Issue Date shall be provided in the Granting Letter given to the Offeree, as provided above in Section 2.7.
- c. The Bank shall issue Option Warrants in the Trustee’s name, for an Offeree, only if the Offeree is an employee of the Bank or an employee of the Bank’s subsidiary on the Issue Date.
- d. The following is hereby clarified:

- (1) All the option warrants issued in the Trustee's name pursuant to the terms of this outline shall not grant any right whatsoever, for all intents and purposes, so long as all the terms stipulated for such purpose in this outline have not been fulfilled;
- (2) All the option warrants issued in the Trustee's name pursuant to the terms of this outline, to which the Offeree is not entitled pursuant to the terms of this outline, shall expire and shall not grant any right whatsoever, for all intents and purposes;
- (3) The Option Warrants' exercise into shares for the Offeree shall be executed by the Trustee, only if all the terms stipulated for such purpose in this outline are fulfilled; discretion in respect of the Option Warrants' exercise shall be vested in the Offeree.

2.11 The prerequisite for entitlement to the option warrants

An Offeree's entitlement to Option Warrants granted under this Outline for any bonus year is contingent upon the Bank's total capital adequacy and core capital adequacy ratios, according to the Bank's (consolidated) annual financial reports for the bonus year, not being less than the minimal ratios stipulated in Bank of Israel's directives (hereinafter: the "**Prerequisite**").

It is hereby clarified that if the above-provided Prerequisite is not fulfilled according to the Bank's (consolidated) annual financial reports for any bonus year, an Offeree shall not be entitled to the Option Warrants granted to him by either of the Plans, for that bonus year.

It is further clarified that Option Warrants to which the Offeree shall not be entitled pursuant to the terms of any of the Plans shall expire and shall not grant any right whatsoever.

2.12 Terms of the entitlement to the option warrants

2.12.1 The CEO's terms of entitlement to 1' Option Warrants

- a. The 1' Option Warrants that shall be issued in the Trustee's name to the CEO, according to this Outline and subject to its terms, constitute a part of the CEO's variable remuneration, as detailed below.
- b. The CEO's entitlement to the 1' Option Warrants included in any Annual Lot shall be determined at the end of that year, according to the discretion of the Remuneration Committee and Board of Directors, in accordance with their evaluation of the CEO's performance, as determined in the CEO's Terms of Service and Employment.

2.12.2 **Offerees who are Bank officers – terms of entitlement to A Option Warrants or B Option Warrants**

- a. A Option Warrants that shall be issued in the Trustee’s name for Offerees who are non-gatekeeper officers, as well as B Option Warrants that shall be issued in the Trustee’s name for Offerees who are gatekeeper officers, according to this Outline and subject to its terms, constitute part of these officers’ variable remuneration, as detailed below.

An officer’s entitlement to the A Option Warrants or B Option Warrants included in any Annual Lot shall be determined on the basis of four (4) criteria constituting measurable “company-wide goals” (hereinafter: the “**Quantitative Metrics**”), as well as one qualitative criterion; the qualitative criterion is based on the supervisor’s evaluation in relation to the officer’s achievement of personal goals, which shall be defined below, as aforesaid, in Section 2.12.9 (hereinafter: the “**Qualitative Metric**” or the “**Personal Goals Metric**”).

- b. (1) The total weight of the Quantitative Metrics shall be at a rate of 55% of the Annual Lot of A Option Warrants; and at a rate of 43% of the Annual Lot of B Option Warrants.
- (2) The total weight of the Personal Goals Metric shall be at a rate of 45% of the Annual Lot of A Option Warrants and be at a rate of 57% of the Annual Lot of B Option Warrants.
- c. The weight of each one of the Quantitative Metrics, out of all the Quantitative Metrics, shall be as follows:

ROE rate	Return on the Bank’s share relative to the Benchmark Index	Operational efficiency ratio	Average ratio of core deposits
60%	14%	14%	12%

- d. In accordance with the aforesaid, the weight of each metric out of the Annual Lot of A Option Warrants or out of the Annual Lot of B Option Warrants shall be as follows:

	Quantitative Metrics	Qualitative Metric	Total

	ROE rate	Return on the Bank's share relative to the Benchmark Index	Operational efficiency ratio	Average ratio of core deposits	Personal goals	
The metric's weight (in %) out of the Annual Lot of A Option Warrants	33.00%	7.70%	7.70%	6.60%	45%	100%
The metric's weight (in %) out of the Annual Lot of B Option Warrants	25.80%	6.02%	6.02%	5.16%	57%	100%

2.12.3 **Offerees who are not Bank officers – terms of entitlement to C Option Warrants, D Option Warrants and E Option Warrants**

- a. The entitlement of Offerees who are not officers at the Bank to C Option Warrants, D Option Warrants or E Option Warrants for any bonus year shall be determined on the basis of the four criteria that constitute company-wide goals – i.e. the Quantitative Metrics provided in Section 2.12.2 above; it is hereby clarified that the entitlement of an Offeree (who is not an officer at the Bank) to C Option Warrants or to D Option Warrants, as aforesaid, shall be determined according to the Quantitative Metrics, as provided in SS b. below, and shall not be determined according to the Qualitative Metric. Likewise, the entitlement of an Offeree (who is not an officer at the Bank) to E Option Warrants shall be determined according to the Quantitative

Metrics, as provided in SS b. below, as well as the quality rank that will be determined for him, as detailed below in Section 2.12.10.

- b. The weight of each one of the Quantitative Metrics out of the Annual Lot of Option Warrants that will be granted to an Offeree who is not an officer at the Bank shall be as follows:

	Quantitative Metrics				Total
	ROE rate	Return on the Bank's share relative to the Benchmark Index	Operational efficiency ratio	Average ratio of core deposits	
The metric's weight (in %) out of the Annual Lot of C, D or E Option Warrants	60%	14%	14%	12%	100%

2.12.4 **Quantitative Metrics – General**

For the purpose of calculating any Offeree's entitlement to any Annual Lot under Option Plans A, B, C, D and E, the following goals have been set for each quantitative metric: a starting goal, a target goal, and a maximum goal; an Offeree's entitlement to the Annual Lot (of A, B, C, D or E Option Warrants) for any bonus year shall be determined on the basis of these goals' fulfilment, as detailed below:

- a. Achievement of the starting goal in any bonus year shall entitle each Offeree to 20% of the metric's weight out of the Annual Lot of Option Warrants;
- b. Achievement of the target goal in any bonus year shall entitle each Offeree to 100% of the metric's weight out of the Annual Lot of Option Warrants;
- c. Achievement of a goal between the starting goal and the target goal shall entitle each Offeree to a proportionate part, which shall be calculated in the range between 20% to 100% of the metric's weight out of the Annual Lot of Option Warrants (as detailed below in Sections 2.12.5c., 2.12.6c., 2.12.7c. and 2.12.8c);

- d. Achievement of the maximum goal in any bonus year shall entitle each Offeree to 120% of the metric's weight out of the Annual Lot of Option Warrants;
- e. Achievement of a goal between the target goal and the maximum goal shall entitle each Offeree to a proportionate part, which shall be calculated linearly in the range between 100% to 120% of the weight of the metric out of the Annual Lot of Option Warrants (as provided below in Sections 2.12.5c, 2.12.6c., 2.12.7c., and 2.12.8c.).
- f. It is hereby clarified that the achievement of a goal exceeding the maximum goal in any bonus year shall entitle each Offeree to 120% of the weight of the metric out of the Annual Lot of Option Warrants.
- g. The following is hereby clarified:
 - (1) The number of Option Warrants to which an officer shall be entitled for any bonus year, in respect of all Quantitative Metrics, shall not exceed 55% for an officer who is not a gatekeeper, or 43% for a gatekeeper, out of the amount of Option Warrants included in the Annual Lot of Option Warrants granted to the officer for that bonus year.

Likewise, the number of Option Warrants to which an officer shall be entitled for any bonus year, in respect of all Quantitative Metrics plus the Qualitative Metric, shall not exceed 100% of the amount of Option Warrants included in the Annual Lot of Option Warrants granted to the officer for that bonus year.
 - (2) The number of Option Warrants to which an Offeree who is not an officer shall be entitled for any bonus year, in respect of all Quantitative Metrics, shall not exceed 100% of the amount of Option Warrants included in the Annual Lot of Option Warrants granted to the Offeree for that bonus year.
- h. To remove any doubt, it is hereby clarified that if the Bank does not achieve the starting goal set for any quantitative metric in any bonus year, then the Offeree shall not be entitled to any part of the weight of such metric out of the Annual Lot of Option Warrants for that bonus year.

2.12.5 **The return on equity rate**

- a. The weight of the return on equity rate metric out of the Annual Lot of Option Warrants is as follows:
 - (1) With respect to the Annual Lot of A Option Warrants: 33%;
 - (2) With respect to the Annual Lot of B Option Warrants: 25.8%;
 - (3) With respect to the Annual Lot of C Option Warrants, D Option Warrants or E Option Warrants: 60%;

- b. The goals set in the framework of the Options Plan, for the purpose of the “return on equity rate” metric, are as follows:

Starting goal: 9%;

Target goal: 10.5% in 2021; 11% in 2022; and 12.5% in 2023;

Maximum goal: 11% in 2021; 11.5% in 2022; and 13% in 2023.

- c. The part of the Annual Lot to which an Offeree shall be entitled in respect of the return on equity rate metric (hereinafter in this section: “**metric**”) shall be calculated as follows:
 - (1) If the return on equity rate for the bonus year is less than 9%, the Offeree shall not be entitled to any part of the Annual Lot in respect of the metric;
 - (2) If the return on equity rate for the bonus year is between 9% and 9.5%, the Offeree shall be entitled to a proportionate part of the metric’s weight out of the Annual Lot, which shall be calculated linearly as follows: for 2021, a proportionate part of the range between 20% and 40%; for 2022, a proportionate part of the range between 20% and 35%; and for 2023, a proportionate part of the range between 20% and 30%;
 - (3) If the return on equity rate for the bonus year is between 9.5% and 10%, the Offeree shall be entitled to a proportionate part of the metric’s weight out of the Annual Lot, which shall be calculated linearly as follows: for 2021, a proportionate part of the range between 40% and 70%; for 2022, a proportionate part of the range between 35% and 60%; and for 2023, a proportionate part of the range between 30% and 45%;

- (4) If the return on equity rate for the bonus year is between 10% and 10.5%, the Offeree shall be entitled to a proportionate part of the metric's weight out of the Annual Lot, which shall be calculated linearly as follows: for 2021, a proportionate part of the range between 70% and 100%; for 2022, a proportionate part of the range between 60% and 80%; and for 2023, a proportionate part of the range between 45% and 60%;
- (5) If the return on equity rate for the bonus year is between 10.5% and 11%, the Offeree shall be entitled to a proportionate part of the metric's weight out of the Annual Lot, which shall be calculated linearly as follows: for 2021, a proportionate part of the range between 100% and 120%; for 2022, a proportionate part of the range between 80% and 100%; and for 2023, a proportionate part of the range between 60% and 75%;
- (6) If the return on equity rate for the bonus year is between 11% and 11.5%, the Offeree shall be entitled to a proportionate part of the metric's weight out of the Annual Lot, as follows: 120% for 2021; for 2022, a proportionate part of the range between 100% and 120% (calculated linearly); and for 2023, a proportionate part of the range between 75% and 90% (calculated linearly);
- (7) If the return on equity rate for the bonus year is between 11.5% and 12%, the Offeree shall be entitled to a proportionate part of the metric's weight out of the Annual Lot, as follows: 120% for 2021; 120% for 2022; and for 2023, a proportionate part of the range between 90% and 95% (calculated linearly);
- (8) If the return on equity rate for the bonus year is between 12% and 12.5%, the Offeree shall be entitled to a proportionate part of the metric's weight out of the Annual Lot, as follows: 120% for 2021; 120% for 2022; and for 2023, a proportionate part of the range between 95% and 100% (calculated linearly);
- (9) If the return on equity rate for the bonus year is between 12.5% and 13%, the Offeree shall be entitled to a proportionate part of the metric's weight out of the Annual Lot, as follows: 120% for 2021;

120% for 2022; and for 2023, a proportionate part of the range between 100% and 120% (calculated linearly);

2.12.6 **Return on the Bank's share relative to the benchmark index**

a. The weight of the return on the Bank's share relative to the benchmark index, out of the Annual Lot of Option Warrants, is as follows:

- (1) With respect to the Annual Lot of A Option Warrants: 7.7%;
- (2) With respect to the Annual Lot of B Option Warrants: 6.02%;
- (3) With respect to the Annual Lot of C Option Warrants, D Option Warrants or E Option Warrants: 14%;

b. The goals set in the framework of the Options Plan, for the purpose of the "return on the Bank's share relative to the benchmark index" metric, are as follows:

Starting goal: "-6%";

Target goal: "+1%";

Maximum goal: "+3%".

c. The part of the Annual Lot that an Offeree shall be entitled to in respect of the return on the Bank's share relative to the benchmark index (hereinafter, in this section: "**index**") shall be calculated as follows:

- (1) If the annual return on the Bank's share (including dividend) (hereinafter: "**return on the Bank's share**") for the bonus year is more than 6% lower than the yield of the Benchmark index (i.e., the return on the Bank's share relative to the benchmark index falls short by more than -6%), the Offeree shall not be entitled to any part of the Annual Lot in respect of the index.
- (2) If the return on the Bank's share for the bonus year is 5% to 6% lower than the yield of the Benchmark index (i.e., the return on the Bank's share relative to the benchmark index falls short by between -6% to -5%), the Offeree shall be entitled to a proportionate part of the metric's weight from the Annual Lot, which shall be calculated linearly in the range between 20% to 30%.
- (3) If the return on the Bank's share for the bonus year is 4% to 5% lower than the yield of the Benchmark index (i.e., the return on the Bank's

share relative to the benchmark index falls short by between -5% to -4%), the Offeree shall be entitled to a proportionate part of the metric's weight from the Annual Lot, which shall be calculated linearly in the range between 30% to 50%.

- (4) If the return on the Bank's share for the bonus year is between 4% less than the yield of the Benchmark index and 1% more than the yield of the Benchmark index (i.e., the return on the Bank's share relative to the benchmark index is between a short yield of -4% and an excess yield of 1%), the Offeree shall be entitled to a proportionate part of the metric's weight from the Annual Lot, which shall be calculated linearly in the range between 50% to 100%.
- (5) If the return on the Bank's share for the bonus year is 1% to 3% higher than the yield of the Benchmark index (that is to say, the return on the Bank's share relative to the benchmark index is an excess yield of between 1% to 3%), the Offeree shall be entitled to a proportionate part of the metric's weight from the Annual Lot, which shall be calculated linearly in the range between 100% to 120%.

2.12.7 **Operational efficiency ratio**

- a. The weight of the operational efficiency ratio metric, out of the Annual Lot of Option Warrants, is as follows:
 - (1) With respect to the Annual Lot of A Option Warrants: 7.70%;
 - (2) With respect to the Annual Lot of B Option Warrants: 6.02%;
 - (3) With respect to the Annual Lot of C Option Warrants, D Option Warrants or E Option Warrants: 14%;
- b. The goals set for the purpose of the operational efficiency ratio metric are as follows:

Starting goal: 60%;

Target goal: 58% in 2021; 56% in 2022; and 54% in 2023;

Maximum goal: 56% in 2021; 54% in 2022; and 50% in 2023.
- c. The part of the Annual Lot that each Offeree shall be entitled to in respect of the operational efficiency ratio metric (hereinafter, in this section: "**metric**") shall be calculated as follows:

- (1) If the operational efficiency ratio for the bonus year is higher than 60%, the Offeree shall not be entitled to any part of the Annual Lot in respect of the metric.
- (2) If the operational efficiency ratio for the bonus year is between 60% and 59%, the Offeree shall be entitled to a proportionate part of the metric's weight from the Annual Lot, which shall be calculated linearly as provided below: for 2021, a proportionate part from the range between 20% and 45%; for 2022, a proportionate part from the range between 20% and 35%; and for 2023, a proportionate part from the range between 20% and 30%.
- (3) If the operational efficiency ratio for the bonus year is between 59% and 58%, the Offeree shall be entitled to a proportionate part of the metric's weight from the Annual Lot, which shall be calculated linearly as provided below: for 2021, a proportionate part from the range between 45% and 100%; for 2022, a proportionate part from the range between 35% and 55%; and for 2023, a proportionate part from the range between 30% and 40%.
- (4) If the operational efficiency ratio for the bonus year is between 58% and 57%, the Offeree shall be entitled to a proportionate part of the metric's weight from the Annual Lot, which shall be calculated linearly as provided below: for 2021, a proportionate part from the range between 100% and 110%; for 2022, a proportionate part from the range between 55% and 75%; and for 2023, a proportionate part from the range between 40% and 50%.
- (5) If the operational efficiency ratio for the bonus year is between 57% and 56%, the Offeree shall be entitled to a proportionate part of the metric's weight from the Annual Lot, which shall be calculated linearly as provided below: for 2021, a proportionate part from the range between 110% and 120%; for 2022, a proportionate part from the range between 75% and 100%; and for 2023, a proportionate part from the range between 50% and 60%.
- (6) If the operational efficiency ratio for the bonus year is between 56% and 55%, the Offeree shall be entitled to a proportionate part of the metric's weight from the Annual Lot, as provided below: 120% for 2021; for 2022, a proportionate part from the range between 100%

and 110% (calculated linearly); and for 2023, a proportionate part from the range between 60% and 80% (calculated linearly).

- (7) If the operational efficiency ratio for the bonus year is between 55% and 54%, the Offeree shall be entitled to a proportionate part of the metric's weight from the Annual Lot, as provided below: 120% for 2021; for 2022, a proportionate part from the range between 110% and 120% (calculated linearly); and for 2023, a proportionate part from the range between 80% and 100% (calculated linearly).
- (8) If the operational efficiency ratio for the bonus year is between 54% and 53%, the Offeree shall be entitled to a proportionate part of the metric's weight from the Annual Lot, as provided below: 120% for 2021; 120% for 2022; and for 2023, a proportionate part from the range between 100% and 105% (calculated linearly).
- (9) If the operational efficiency ratio for the bonus year is between 53% and 52%, the Offeree shall be entitled to a proportionate part of the metric's weight from the Annual Lot, as provided below: 120% for 2021; 120% for 2022; and for 2023, a proportionate part from the range between 105% and 110% (calculated linearly).
- (10) If the operational efficiency ratio for the bonus year is between 52% and 51%, the Offeree shall be entitled to a proportionate part of the metric's weight from the Annual Lot, as provided below: 120% for 2021; 120% for 2022; and for 2023, a proportionate part from the range between 110% and 115% (calculated linearly).
- (11) If the operational efficiency ratio for the bonus year is between 51% and 50%, the Offeree shall be entitled to a proportionate part of the metric's weight from the Annual Lot, as provided below: 120% for 2021; 120% for 2022; and for 2023, a proportionate part from the range between 115% and 120% (calculated linearly).

2.12.8 **Core deposits average ratio**

- a. The weight of the core deposits average ratio metric, out of the Annual Lot of Option Warrants, is as follows:
 - (1) With respect to the Annual Lot of A Option Warrants: 6.60%;
 - (2) With respect to the Annual Lot of B Option Warrants: 5.16%;

- (3) With respect to the Annual Lot of C Option Warrants, D Option Warrants or E Option Warrants: 12%;
- b. The goals set for the purpose of the core deposits average ratio metric are as follows:
- Starting goal: 60%;
- Target goal: 65%;
- Maximum goal: the range between 70%.
- c. The part of the Annual Lot that an Offeree shall be entitled to in respect of the core deposits average ratio (hereinafter, in this section: “metric”) shall be calculated as follows:
- (1) If the core deposits average ratio for the bonus year is lower than 60%, the Offeree shall not be entitled to any part of the Annual Lot in respect of the metric.
- (2) If the core deposits average ratio for the bonus year is between 60% and 61%, the Offeree shall be entitled to a proportionate part of the metric’s weight from the Annual Lot, which shall be calculated linearly in the range between 20% and 30%.
- (3) If the core deposits average ratio for the bonus year is between 61% and 62%, the Offeree shall be entitled to a proportionate part of the metric’s weight from the Annual Lot, which shall be calculated linearly in the range between 30% and 40%.
- (4) If the core deposits average ratio for the bonus year is between 62% and 63%, the Offeree shall be entitled to a proportionate part of the metric’s weight from the Annual Lot, which shall be calculated linearly in the range between 40% and 60%.
- (5) If the core deposits average ratio for the bonus year is between 63% and 64%, the Offeree shall be entitled to a proportionate part of the metric’s weight from the Annual Lot, which shall be calculated linearly in the range between 60% and 80%.
- (6) If the core deposits average ratio for the bonus year is between 64% and 65%, the Offeree shall be entitled to a proportionate part of the

metric's weight from the Annual Lot, which shall be calculated linearly in the range between 80% and 100%.

- (7) If the core deposits average ratio for the bonus year is between 65% and 70%, the Offeree shall be entitled to a proportionate part of the metric's weight from the Annual Lot, which shall be calculated linearly in the range between 100% and 120%.

2.12.9 **Bank officers – the qualitative metrics**

- a. The Chief Executive Officer shall define in advance, with respect to each Bank officer, "personal goals" with respect to each bonus year; the goals will include, *inter alia*, goals relating to risk management and compliance, as well as goals relating to the officer's personal contribution to the achievement of the Bank's various goals.

The aforesaid defined personal goals shall be brought to the approval of the Bank's Remuneration Committee and Board of Directors.

- b. At the end of each bonus year, the Chief Executive Officer shall examine each Bank officer's fulfilment of the personal goals established for him, in advance, with respect to that bonus year, and approved in advance by the Remuneration Committee and Board of Directors.

The decisions of the Chief Executive Officer, as aforesaid, with respect to each of the officers, shall be brought to the approval of the Remuneration Committee and Board of Directors.

- c. Despite the aforesaid in subsections a. and b. above, the definition of the personal goals of the internal auditor, as well as the decisions in the matter of the fulfilment of said personal goals, as aforesaid in subsections a. and b. above, shall be done by the Audit Committee, after receiving the recommendation of the Chairman of the Board of Directors, and shall be brought to the approval of the Remuneration Committee and the Board of Directors.

- d. The part of the Annual Lot of A Option Warrants or B Option Warrants, as applicable, to which an officer shall be entitled in respect of the "Personal Goals" Metric shall be determined according to the Chief Executive Officer's decisions (or those of the Audit Committee, having received the recommendation of the Chairman of the Board of Directors, with respect to

the internal auditor), as they are approved by the Remuneration Committee and the Board of Directors, as detailed above.

e. It is hereby clarified that:

- (1) The number of Option Warrants to which an officer shall be entitled for any bonus year, in respect of the “personal goal” metric, shall not exceed 45% for an officer who is not a gatekeeper, or 57% for a gatekeeper, out of the amount of Option Warrants included in the Annual Lot of Option Warrants granted to the officer for that bonus year.
- (2) The entitlement of an Offeree who is not an officer for Option Warrants in any bonus year shall be determined solely according to the Quantitative Metrics and shall not be determined according to any Qualitative Metric, subject to that which is stated below in Section 2.12.10.

2.12.10 **Managers employed at the Bank under collective agreements – quality rank**

- a. In this outline: “**quality rank**” – is a quality rank which is determined, from time to time, by the Bank’s management, for each employee in the group of Bank managers who are employed under collective agreements; the quality ranks are arranged based on a scale determined for this matter, such that the highest quality rank is the best, whereas the lowest quality rank indicates the lowest contribution of the Offeree to the fulfillment of his duties or to the Bank (hereinafter: “**lowest quality rank**”).
- b. Notwithstanding the aforesaid in this outline, if the quality rank determined for an Offeree included in the group of Bank managers who are employed under collective agreements, in respect of any bonus year, shall be the lowest quality rank, such an Offeree shall not be entitled to E Option Warrants, included in the Annual Lot of Option Warrants granted thereto in respect of said bonus year (this even if the Offeree is entitled to Option Warrants, pursuant to the metrics provided in Section 2.12 above); in such case, all Option Warrants included in the Annual Lot granted to the Offeree in respect of that bonus year shall expire and shall not grant any right whatsoever.

2.12.11 **The total entitlement to Option Warrants A through E in a bonus year**

It is hereby clarified that an Offeree’s total entitlement to Option Warrants A through E in any bonus year, in respect of all Quantitative Metrics – and for an officer,

including the Qualitative Metric - shall not exceed a rate of 100% of the quantity of Option Warrants included in the Annual Lot of Option Warrants granted to the Offeree in respect of that bonus year.

In accordance therewith, insofar as the quantity of Option Warrants to which an Offeree is entitled, as aforesaid, in respect of any bonus year (based on the above calculations) exceeds a rate of 100% of the quantity of Option Warrants included in the Annual Lot of Option Warrants granted to the Offeree in respect of that bonus year, the quantity of Option Warrants to which such Offeree shall be entitled in respect of that bonus year shall be reduced, such that it shall not exceed the quantity of Option Warrants included in that Annual Lot.

2.12.12 **Determination of entitlement to Option Warrants A through E in a bonus year**

The entitlement of an Offeree (except for the CEO) to the Option Warrants included in any Annual Lot shall be calculated shortly after publication of the Bank's financial reports for the bonus year in respect of which the Annual Lot is granted, in accordance with the provisions and metrics detailed in Section 2.12 above, as applicable; in accordance with the aforesaid calculation, the adjusted Annual Lot, within the meaning thereof in Section 2.13.1 below, shall be determined for that bonus year

It is hereby clarified that any Option Warrant to which an Offeree shall not be entitled pursuant to the terms of this outline shall expire and shall not grant any right whatsoever.

2.12.13 **Determination of entitlement to 1' Option Warrants in a bonus year**

At the end of each bonus year, the Remuneration Committee and the Board of Directors shall evaluate the CEO's performance; the CEO's entitlement to 1' Option Warrants included in any Annual Lot shall be determined at the discretion of Remuneration Committee and the Board of Directors, in accordance with their aforesaid evaluation.

It is hereby clarified that any Option Warrant to which the CEO shall not be entitled pursuant to the terms of this outline shall expire and shall not grant any right whatsoever.

2.13 Option Warrants' vesting dates and exercise periods

2.13.1 Definitions

In this Outline:

The “deferred part” – every third (1/3) of any adjusted Annual Lot to be granted to an Offeree, the vesting date of which is provided below in Section 2.13.3;

The “vesting date” – the date on which the exercise period of the Option Warrants shall commence, as provided below in Sections 2.13.2, 2.13.3 and 2.13.6.

The “adjusted Annual Lot” – the part of any Annual Lot to which an Offeree (except for the CEO) shall be entitled, pursuant to the metrics provided in Section 2.12 above, as applicable; and the part of any Annual Lot to which the CEO shall be entitled, as provided above in Section 2.12.13.

The “exercise period” – each of the periods during which Option Warrants offered under this outline may be exercised.

2.13.2 The vesting date and exercise period of 1' Option Warrants

Subject to the terms detailed in this outline, 1' Option Warrants included in the Annual Lot for 2021 will be exercisable as of the end of two (2) years from the issuance date of said option warrants³ and until eighteen (18) months have passed from said vesting date.

Insofar as the Bank may decide to issue an Additional Lot of 1' Option Warrants to the CEO for 2022 or 2023 (subject to the terms provided in this Outline), then the adjusted Annual Lot for each of the said bonus years will be exercisable as of the end of two (2) years from the issuance date of said option warrants and until eighteen (18) months have passed from said vesting date⁴.

It is hereby clarified that the CEO shall be entitled to exercise the Option Warrants, as aforesaid, subject to the blocking period and the rest of the provisions established under Article 102 of the Income Tax Ordinance, as stated below in Section 2.24.

³ This, *inter alia*, since the total variable remuneration that may be granted to the CEO's for each bonus year, in accordance with his terms of service, cannot in any case exceed 40% of the CEO's total fixed remuneration; therefore, there is no obligation under the directives of the Bank of Israel to postpone the vesting date of 1' Option Warrants. It should be noted that a similar provision was established in this regard in Section 2.13.5 below, with respect to Option Warrants A through C that will be issued to officers and principal employees for each bonus year.

⁴ See Footnote no. 3 above.

2.13.3 **The vesting dates and exercise periods of A Option Warrants, B Option Warrants and C Option Warrants**

Subject to the terms detailed in this outline, including the terms provided below in Section 2.13.4, the Option Warrants included in the adjusted Annual Lot of A Option Warrants, B Option Warrants and C Option Warrants will be exercisable on the following dates:

- a. The adjusted Annual Lot for 2021 shall be exercisable in three (3) equal parts, as follows:
 - (1) A third (1/3) of the adjusted Annual Lot will be exercisable as of the end of two (2) years from the issuance date of said option warrants and until eighteen (18) months have passed from said vesting date.
 - (2) A third (1/3) of the adjusted Annual Lot will be exercisable as of April 1, 2024 and until eighteen (18) months have passed from said vesting date.
 - (3) A third (1/3) of the adjusted Annual Lot will be exercisable as of April 1, 2025 and until eighteen (18) months have passed from said vesting date.
- b. Insofar as the Bank may decide to issue an Additional Lot of Option Warrants under this Outline for the year 2022, the adjusted Annual Lot for 2022 shall be exercisable in three (3) equal parts, as follows:
 - (1) A third (1/3) of the adjusted Annual Lot will be exercisable as of the end of two (2) years from the issuance date of said option warrants and until eighteen (18) months have passed from said vesting date.
 - (2) A third (1/3) of the adjusted Annual Lot will be exercisable as of April 1, 2025 and until eighteen (18) months have passed from said vesting date.
 - (3) A third (1/3) of the adjusted Annual Lot will be exercisable as of April 1, 2026 and until eighteen (18) months have passed from said vesting date.
- c. Insofar as the Bank may decide to issue an Additional Lot of Option Warrants under this Outline for the year 2023, the adjusted Annual Lot for 2023 shall be exercisable in three (3) equal parts, as follows:

- (1) A third (1/3) of the adjusted Annual Lot will be exercisable as of the end of two (2) years from the issuance date of said option warrants and until eighteen (18) months have passed from said vesting date.
- (2) A third (1/3) of the adjusted Annual Lot will be exercisable as of April 1, 2026 and until eighteen (18) months have passed from said vesting date.
- (3) A third (1/3) of the adjusted Annual Lot will be exercisable as of April 1, 2027 and until eighteen (18) months have passed from said vesting date.

It is hereby clarified that the Offeree shall be entitled to exercise the Option Warrants, as aforesaid, subject to the blocking period and the rest of the provisions established under Article 102 of the Income Tax Ordinance, as stated below in Section 2.24.

2.13.4 **Terms for the exercise of the deferred parts of the adjusted Annual Lots of A Option Warrants, B Option Warrants and C Option Warrants**

- a. An Offeree's right to exercise any deferred part of A Option Warrants, B Option Warrants or C Option Warrants, during the exercise periods, as provided in Section 2.13.3 above, shall be contingent as provided below:
 - (1) If, in the calendar year prior to the vesting date of any deferred part, the capital adequacy ratio and the Tier I capital ratio of the Bank, according to the Bank's (consolidated) financial reports for that year, were less than the minimal ratios established for this purpose in the Bank of Israel's directives (hereinafter, in this section: "**Minimal Ratios**"), then the vesting date of the aforesaid deferred part shall be postponed by 12 months (hereinafter, in this section: "**Postponed Vesting Date**") and the Offeree shall be entitled to exercise the aforesaid deferred part until eighteen (18) months have passed from the Postponed Vesting Date.
 - (2) In the event that the Bank's deviation from the Minimal Ratios persists in the calendar year prior to the Postponed Vesting Date, the aforesaid deferred part shall be cancelled and shall not grant any right whatsoever.
- b. Despite the aforesaid in subsection a.(2) above, if the Bank's aforesaid deviation did not exceed 10% of the Minimal Ratios, then the Remuneration Committee and the Board of Directors shall be entitled to decide, at their

discretion and under special circumstances, that the aforesaid deferred part shall not expire and shall vest and be exercisable under this outline's terms.

c. The following is hereby clarified:

- (1) All Option Warrants that an Offeree shall not be entitled to exercise, as aforesaid, shall expire and shall not grant any right whatsoever, for all intents and purposes.
- (2) In the event that any deferred part is cancelled (and does not grant any right whatsoever) as aforesaid, the rest of the deferred parts shall not be cancelled and shall be subject to compliance with the aforesaid condition, at their relevant dates.

2.13.5 **Early vesting dates for A Option Warrants, B Option Warrants and C Option Warrants**

Despite the aforesaid in Sections 2.13.3 and 2.13.4, if the total variable remuneration⁵ to which an Offeree shall be entitled for any bonus year does not exceed 40% of that Offeree's total fixed pay for that bonus year⁶, then the entirety of the Option Warrants included in the adjusted Annual Lot of A Option Warrants, B Option Warrants or C Option Warrants for that bonus year shall vest at the end of two (2) years from the issuance date of said option warrants (hereinafter in this section: "**vesting date**"), and the Offeree shall be entitled to exercise the aforesaid Option Warrants (subject to the blocking period and the rest of the provisions established under Article 102 of the Income Tax Ordinance, as stated below in Section 2.24) as of the vesting date and until eighteen (18) months have passed from the vesting date.

2.13.6 **The vesting dates and exercise periods of D Option Warrants and E Option Warrants**

The adjusted Annual Lot of D Option Warrants or E Option Warrants (to be issued according to Options Plan D or Options Plan E, respectively), to which an Offeree shall be entitled per the provisions of Sections 2.11 and 2.12 above, will be exercisable, subject to the terms of the aforesaid plans, from

- (a) The adjusted Annual Lot for 2021 will be exercisable as of the end of two (2) years from the issuance date of the Option Warrants included in said lot; and

⁵ For this purpose, the value of the option warrants included in the adjusted Annual Lot for any bonus year shall be calculated according to their value on the day on which the Board of Directors approves their issue per this outline.

⁶ Calculated before deferral.

until twenty-four (24) months have passed from the vesting date of said Option Warrants;

- (b) Insofar as the Bank may decide to issue D Option Warrants or E Option Warrants for 2022 or 2023, then the adjusted Annual Lot for each of these years will be exercisable as of the end of two (2) years from the issuance date of the Option Warrants included in said lot; and until twenty-four (24) months have passed from the vesting date of said Option Warrants.

2.13.7 **Expiry of option warrants**

Each Option Warrant that is not exercised during the exercise period stipulated in respect thereof under this outline shall expire and shall not grant any right whatsoever, at 17:00 hours (Israel time) on the final day of the exercise period (unless it expired prior thereto, in accordance with the terms of any one of the Option Plans).

2.14 **Termination of employment relations between the CEO and the Bank**

Despite the aforesaid in this Outline, the provisions set forth below in this Section 2.14 shall apply in the event of the termination of employment relations between the CEO and the Bank:

- 2.14.1 If the employer-employee relations between the CEO and the Bank terminate by reason of exceptional cause, then all Option Warrants granted to the CEO according to this Outline, which have yet to be exercised, shall expire on the date of the termination of employer-employee relations between the CEO and the Bank, or on the date on which the letter of termination is delivered to the CEO, whichever earliest, even if the Option Warrants have vested and even if the CEO shall be entitled to exercise them under the terms established in this Outline.
- 2.14.2 If the employer-employee relations between the CEO and the Bank terminate as a result of death (G-d forbid), the Option Warrants to which the CEO is entitled, pursuant to the terms of this outline, may be exercised by the CEO's heirs or the administrators of his estate, pursuant to the terms stipulated in this outline and subject to its terms.
- 2.14.3 If the employer-employee relations between the CEO and the Bank terminate, except by reason of exceptional cause, during any bonus year, the CEO shall be entitled to a proportionate part of the adjusted Annual Lot for that bonus year (subject to the terms of Options Plan 1') for his *de facto* employment period in said bonus period (i.e. until the termination date of employer-employee relations).

As aforesaid, the CEO's entitlement shall be conditional upon the CEO having worked for at least six (6) months, *de facto*, during that bonus year, before the termination date of employer-employee relations between the CEO and the Bank; it is hereby clarified that if the CEO has not worked for at least six (6) months, *de facto*, during said bonus year, the CEO shall not be entitled to exercise the Option Warrants issued for him due to that bonus year.

2.14.4 It is hereby clarified that if the employer-employee relations between the CEO and the Bank are terminated, except by reason of exceptional cause, the entitlement of the CEO to exercise option warrants to which the CEO is entitled under the terms set forth in this Outline shall not be infringed due to the vesting date of said Option Warrants⁷ having not yet been reached; accordingly, in such case, subject to the aforesaid in Section 2.14.3, the CEO shall be entitled to exercise said Option Warrants per the dates and terms set forth in this Outline.

2.14.5 Exercisable Option Warrants, as aforesaid, which are not exercised by the end of the period set forth for their exercise under the terms established in this Outline shall expire and grant no right whatsoever.

2.15 Commencement of employment relations or termination of employment relations between an Offeree (except for the CEO) and the Bank

Notwithstanding the aforesaid in this outline, the provisions stipulated below in this Section 2.15 shall apply in the event of a commencement of employment relations or a termination of employment relations between an Offeree, except for the CEO (hereinafter in this Section 2.15: the "Offeree") and the Bank.

2.15.1 a. If the employer-employee relations between the Offeree and the Bank or a subsidiary of the Bank, as applicable, commenced during any bonus year, the Offeree shall be entitled to the adjusted Annual Lot for that bonus year (subject to the terms of the Options Plan) provided that the Offeree has, *de facto*, worked (i.e. employer-employee relations have existed) for at least six (6) months in the bonus year and until the end of that bonus year;

b. If the employer-employee relations between the Offeree and the Bank or a subsidiary of the Bank, as applicable, commenced before the beginning of any

⁷ This is since in the event of a termination of employer-employee relations between the CEO and the Bank (whether the termination is not initiated by the CEO and whether due to willful retirement), the terms provided below in Sections 2.15.2b. or 2.15.2c. shall be fulfilled with respect to the CEO, which apply in the matter of officers' entitlement to option warrants, the vesting date of which has yet to be reached at the time at which the employer-employee relations between themselves and the Bank are terminated.

bonus year but end during the bonus year, except by reason of exceptional cause, the Offeree shall be entitled to a proportionate part of the adjusted Annual Lot for that bonus year (subject to the terms of the Options Plan) for the period in which he worked *de facto*, during that bonus year (i.e, until the date of the employer-employee relations' termination), provided that Offeree has, *de facto*, worked for at least six (6) months in that bonus year until the termination of the employer-employee relations between the Offeree and the Bank or a subsidiary of the Bank, as applicable.

It is hereby clarified that if the terms provided above in SS a or b are not fulfilled with respect to the Offeree, as applicable, the Offeree shall not be entitled to the Option Warrants granted to him for that bonus year.

- c. Despite the aforesaid in subsection a or b above, the CEO shall be entitled to shorten the period of six (6) months mentioned above in subsection a or b, with respect to Offerees under each of the Option Plans C, D and E, provided that this period is no shorter than three (3) months.
- d. The calculation of the entitlement to Option Warrants, as aforesaid, shall be performed as provided above in Section 2.12.11.
- e. Option Warrants issued under the Trustee's name for an Offeree, according to this outline, which the Offeree is not entitled to exercise according to this Section 2.15.1, shall expire on the termination date of employee-employer relations between the Offeree and the Bank or the Bank's subsidiary, and shall not grant any right.

2.15.2 Notwithstanding the aforesaid in Sections 2.13.3 through 2.13.5, if employments relations are terminated between a Bank officer and the Bank, the officer's entitlement to exercise Option Warrants to which he is entitled under this outline (including according to Sections 2.12 and 2.13 above), the vesting date of which has not yet occurred on the date of the employment relations' termination, shall be contingent upon the employment relations between a Bank officer and the Bank not terminating by reason exceptional cause, and upon the fulfilment of one or more of the following terms with regard to the officer:

- a. The employment relations between the officer and the Bank terminated upon the officer reaching retirement age or thereafter;
- b. The employment relations between the officer and the Bank were not terminated by the officer's own initiative;

- c. The officer retired willingly, having completed at least five (5) years of employment at the Bank before the employer-employee relations between the officer and the Bank were terminated.

It is hereby clarified that if one or more of the abovementioned terms has not been fulfilled with regard to the Bank officer, the officer shall not be entitled to exercise Option Warrants, the vesting date of which had not yet occurred on the date of the employment relations' termination; such Option Warrants shall expire on the date of the employment relations' termination between the officer and the Bank and shall not grant any right whatsoever.

- 2.15.3 It is hereby clarified that the termination of employer-employee relations between the Offeree and the Bank or a subsidiary of the Bank, as applicable, in any bonus year, except by reason of exceptional cause, shall not hurt the Offeree's entitlement to Option Warrants for previous bonus years; and the Offeree shall be entitled to exercise the Option Warrants to which he is entitled (which have not yet been exercised and have not yet expired) under this Outline and subject to its terms, provided that the terms established above in Section 2.15.2 have been fulfilled with respect to a Bank officer.
- 2.15.4 Notwithstanding the aforesaid in this Outline, if the employer-employee relations between the Offeree and the Bank or a subsidiary of the Bank, as applicable, terminate by reason of exceptional cause, then all Option Warrants issued according to this Outline, which have yet to be exercised, shall expire on the date of the termination of employer-employee relations between the Offeree and the Bank, or a subsidiary of the Bank, as the case may be; or on the date on which the letter of termination is delivered to the Offeree, whichever earliest, even if the Option Warrants have vested and even if the Offeree shall be entitled to exercise them under the terms established in this Outline.
- 2.15.5 If the employer-employee relations between the Offeree and the Bank or a subsidiary of the Bank, as applicable, terminate in any bonus year, as a result of death (G-d forbid), the Option Warrants to which the Offeree is entitled, pursuant to the terms of this outline, may be exercised by the Offeree's heirs or the executors of his estate, pursuant to the terms stipulated in this outline and subject to its terms; and provided that with respect to a Bank officer, the terms established above in Section 2.15.2 are also fulfilled.
- 2.15.6 It is hereby clarified that Option Warrants exercisable as aforesaid, which are not exercised by the end of the period stipulated for the exercise thereof in accordance

with the terms stipulated in this outline shall expire and shall not grant any right whatsoever.

2.16 Change of employment

Subject to the provisions of Article 102 of the Income Tax Ordinance and to obtaining the required approvals from the tax authorities (insofar as required), the rights of an Offeree (except for the CEO) to Option Warrants under this outline or to the exercise thereof shall not expire solely due to the Offeree changing from a Bank employee to an employee of the Bank's subsidiary, or changing from an employee of the Bank's subsidiary to a Bank employee or to an employee at another subsidiary of the Bank.

In this section, "**subsidiary**" – including Yahav Bank for Government Employees Ltd.

2.17 The Board of Directors' power to reduce the quantity of option warrants

The Board of Directors may, for special reasons, reduce the quantity of Option Warrants to which the Offerees, all or some, are entitled to for any bonus year, and even determine that said Offerees shall not be entitled to all or some of the Option Warrants issued in respect of any bonus year, for the purpose of maintaining the Bank's stability.

2.18 Option Warrants' expiration and restitution of financial benefit

2.18.1 If it transpires that an Offeree's entitlement to Option Warrants was determined on the basis of figures that turned out to be mistaken and were restated in the Bank's (consolidated) financial reports during the three (3) years following the end of the bonus year in respect of which the Option Warrants were issued, but no later than the end of three (3) years from the date of the employment relations' termination between the Offeree and the Bank or a subsidiary of the Bank, as applicable: (hereinafter: "**Option Warrants that the entitlement thereto was determined on the basis of mistaken figures**"), the following provisions shall apply:

- a. The Option Warrants that the entitlement thereto was determined on the basis of mistaken figures that have not yet been exercised shall expire and shall not grant any right whatsoever;
- b. The Offeree shall return the sum of the financial benefit, as defined below in Section 2.21, to the Bank, within sixty (60) days, in respect of the Option Warrants that the entitlement thereto was determined on the basis of mistaken figures and that have been exercised thereby.

2.18.2 Without derogating from the aforesaid in Section 2.18.1, the restitution provisions for variable remuneration (including, *inter alia*, the 1' Option Warrants, as well as

the A, B and C Option Warrants, to be granted under this outline) established in Section 6.10 of the updated remuneration policy for officers⁸ (attached as Appendix A to the immediate report published by the Bank on May 31, 2021, reference no. 2021-01-093369) are included in this Outline by way of reference to said section, and shall apply to the CEO and an officer at the Bank, as well as a principal employee at the Bank or at the Bank's subsidiary, subject to the transitional provisions established in this matter by the Supervisor of Banks, as stated in the notes to Section 6.10 of the updated remuneration policy.

2.19 Inapplicability of certain provisions on D and E option warrants that have been issued pursuant to Option Plans D and E

2.19.1 It is hereby clarified that the aforesaid in Section 2.18.2 shall not apply with respect to D Option Warrants that have been issued pursuant to Options Plan D.

2.19.2 The aforesaid in Sections 2.17 and 2.18 shall not apply to E Option Warrants that have been issued pursuant to Options Plan E.

2.20 Provisions for the offerees' protection during the period of the Option Plans

2.20.1 Should the Bank distribute a cash dividend, for which the effective date of distribution, as defined in the TASE Rules (hereinafter: "**effective date**"), falls after the date of the Board of Directors' approval to issue Option Warrants under this outline, but prior to the Option Warrants' exercise or expiry, on the "ex date", as defined in the TASE Rules (hereinafter: "**ex date**"), the exercise price of any Option Warrant not yet exercised or that has not yet expired, as the case may be, shall be reduced by the gross amount of the dividend per share that was distributed as aforesaid.

2.20.2 Should the Bank distribute bonus shares, for which effective date of distribution falls after the date of the Board of Directors' approval to issue Option Warrants under this outline, but prior to the Option Warrants' exercise or expiry, the number of shares to which the Offeree shall be entitled on the Option Warrants' exercise shall increase by the number of shares to which the Offeree would have been entitled as bonus shares, had he exercised the Option Warrants prior to the effective date of distribution for the bonus shares. The exercise price of any Option Warrant shall not change as a result

⁸ In this regard, it is noted that no change was made to the wording of Section 6.10 of the updated remuneration policy, compared to the wording of said section according to the previous remuneration policy for officers, which was in effect on the approval date of the CEO's Terms of Service and Employment.

of the increase in the number of exercise shares to which the Offeree is entitled in consequence of the distribution of bonus shares, as aforesaid.

It is hereby clarified that the number of exercise shares to which the Offeree is entitled to shall only be adjusted in the event of a distribution of bonus shares, as provided above in this section, but not in the event of any other issues (including issues to interested parties); it is also expressed that the Offeree's right to the Bank's securities in the event of a distribution of bonus shares, as aforesaid, shall only apply from the exercise date of the Option Warrants and only in relation to the Option Warrants actually exercised by the Offeree.

- 2.20.3 Should the Bank offer its shareholders, by way of rights, rights to purchase any securities, for which effective date of distribution falls after the date of the Board of Directors' approval to issue Option Warrants under this outline, but prior to the Option Warrants' exercise or expiry, the Bank shall act so that the rights shall also be offered on the same terms, *mutatis mutandis*, to the Offeree, as though he exercised said Option Warrants prior to the date determining the right to participate in said rights' issue. The quantity of exercise shares shall not be increased as a result of said rights' issue.
- 2.20.4 In the event of splitting or consolidation of the Bank's share capital, the Bank shall make the changes or adjustments required for the purpose of preventing the dilution of or increase in the Offeree's rights, with regard to the number of exercise shares that shall be received on exercise of the Option Warrants not yet exercised by the Offeree and that have not yet expired, and with regard to the exercise price of each Option Warrant, as the case may be.
- 2.20.5 In the event of a change in the Bank's structure (hereinafter: "**change of structure**") or the Bank's merger with or into another company, by way of a share swap, cash purchase or in any other way (hereinafter: "**merger**") or sale of all of the Bank's assets or the Bank's issued capital or the decisive majority of the Bank's assets, to any third party (hereinafter: "**sale**"), the Remuneration Committee and the Board of Directors may, *inter alia*, at their sole discretion, act in one or more of the manners detailed below:
- a. Accelerate the Option Warrants' vesting date or the date of the exercise period's conclusion, all at the sole discretion of the Remuneration Committee and the Board of Directors; or

- b. Determine that an Option Warrant issued pursuant to the Plan shall be replaced by or converted into an alternative Option Warrant that shall be issued by the Bank or another Option Warrant that shall be issued by the new company, after the merger or sale, all at the sole discretion of the Remuneration Committee and the Board of Directors; or
- c. Determine that an option warrant issued pursuant to the Plan shall be adopted by the new company, such that it may be exercised into a share of the new company, subject to the adjustments and changes stipulated by the Board of Directors in such regard, all at the sole discretion the Remuneration Committee and the Board of Directors; or
- d. Determine that an Option Warrant issued pursuant to the Plan shall be cancelled or returned to the Bank and the Bank shall pay the Offeree who returns the Option Warrant, as aforesaid, financial remuneration for such Option Warrant's cancellation or return, as aforesaid, all at the sole discretion of the Remuneration Committee and the Board of Directors; or
- e. Perform any act, adjustment or change in connection with an Option Warrant issued pursuant to the Plan, and its terms, insofar as required in the circumstances of the case, all at the sole discretion of the Remuneration Committee and the Board of Directors.

For the purpose of the provisions of this section, the term “**new company**” shall refer to a company with which a merger is effected or a sale transaction executed or to a company which steps in lieu of the Bank after a change of structure, as the case may be.

2.20.6 If as a result of any of the adjustments provided in this Section 2.20 above, the Bank is required to issue share fractions, the Bank shall not issue share fractions, as aforesaid, and the number of shares issued for the Offeree shall be rounded down to the nearest whole share.

2.20.7 The adjustments required pursuant to this this Section 2.20, as aforesaid, shall be calculated and approved by an external accountant who shall be chosen by the Bank's Remuneration Committee.

2.21 The option warrants' exercise process

The exercise of the Option Warrants pursuant to each of the Plans shall not take place on the effective date for the distribution of bonus shares, for an offer by way of rights, for the

distribution of a dividend, for the consolidation of capital, for the splitting of capital or for a reduction of capital (each of these shall be hereinafter referred to as a “**company event**”).

In addition, if the ex date of a company event falls prior to the effective date of the company event, the exercise of Option Warrants pursuant to each of the Plans shall not take place on said ex date.

2.21.1 The exercise of Option Warrants pursuant to each of the Plans, for the Offeree, shall be performed by the Trustee;

If, during the Option Warrants’ exercise period, the Offeree requests to exercise Option Warrants that he is entitled to exercise pursuant to the terms of any of the Plans, the Offeree shall give the Trustee and the Bank an exercise notice, as determined for such purpose by the Bank (hereinafter: “**exercise notice**”). In the exercise notice the Offeree shall detail, *inter alia*, the number of Option Warrants he wishes to exercise. The exercise date shall be the date on which the Offeree gives the exercise notice, as aforesaid (hereinafter: the “**exercise date**”).

2.21.2 Once the Offeree has given an exercise notice as aforesaid, the following provisions shall apply:

a. In this Section, “**closing rate cap**”:

- (1) For the First Lot: ILS 140 plus CPI linkage differences, from the index known on the date of the Board of Directors’ approval of the First Lot’s issue and until the index known on the exercise date;
- (2) For the Additional 2022 Lot: A sum which will be determined by the Remuneration Committee and the Board of Directors during the approval of the Additional Lot’s issuance, which shall not exceed ILS 200, plus CPI linkage differences, from the index known on the date of the Board of Directors’ approval of the said Additional Lot’s issue and until the index known on the exercise date;
- (3) For the Additional 2023 Lot: A sum which will be determined by the Remuneration Committee and the Board of Directors during the approval of the Additional Lot’s issuance, which shall not exceed ILS 200, plus CPI linkage differences, from the index known on the date of the Board of Directors’ approval of said Additional Lot’s issue and until the index known on the exercise date.

The sums mentioned above in SS (1), (2) and (3) shall be adjusted per the adjustments to the exercise price, as aforesaid in Section 2.20, with the required changes as applicable.

b. A calculation shall be made of the difference between:

The closing rate on the TASE of an ordinary share of the Bank on the trading day preceding the exercise date or the closing rate cap, whichever is lower, multiplied by the number of shares that should derive from the Option Warrants in relation to which the exercise notice was given (adjusted in accordance with Section 2.20 above, as applicable);

and:

the exercise price, pursuant to Section 2.9 above (adjusted in accordance with Section 2.20 above, as applicable) of the Option Warrants in relation to which the exercise notice was given, multiplied by the number of said Option Warrants.

This difference shall constitute the sum of the financial benefit deriving to the Offeree on the exercise date (hereinafter: “**sum of the financial benefit**”).

- 2.21.3 After the sum of the financial benefit is determined, as aforesaid, the Bank shall issue to the Trustee, for the Offeree, a quantity of ordinary shares - the total market value of which, according to the closing rate of the Bank’s ordinary shares on the TASE, on the trading day preceding the exercise date, is equal to the sum of the financial benefit.
- 2.21.4 Any share fraction obtained from the aforesaid calculation shall be rounded down to the nearest whole share.
- 2.21.5 The Bank shall convert part of its profits, within the meaning thereof in section 302(b) of the Companies Law, from premium on shares, or from any other source included in its equity, as provided in section 304(a) of the Companies Law, into share capital, in an amount equal to the par value of the exercise shares that are issued as aforesaid.
- 2.21.6 The Trustee shall act in respect of the Option Warrants and in respect of the exercise shares in accordance with the provisions of Article 102 of the Income Tax Ordinance, including the rules, circulars and directives issued by power thereof.
- 2.21.7 It is hereby clarified that any Option Warrant not exercised by the end of the period stipulated for its exercise shall expire and shall not grant any right whatsoever.

2.21.8 The exercise expenses and any fee involved in the exercise shall be borne by the Offeree.

2.22 The rights attached to the exercise shares

The shares derived from the exercise of the Option Warrants granted pursuant to each of the Plans (hereinafter: “**exercise shares**”) shall rank *pari passu* with the Bank’s ordinary shares, for all intents and purposes, from the date of the issue thereof, and shall be entitled to any dividend or other benefit where the date determining the right to receive such dividend or benefit falls on the issue date of the exercise shares or thereafter. For details with regard to the rights attached to the Bank’s shares, see Chapter 4 below.

It is hereby clarified that the Offeree shall not have any rights as a shareholder of the Bank in relation to Option Warrants granted thereto under this outline. In addition, unless otherwise stipulated in the terms of this outline, the Offeree shall not have any rights as a shareholder of the Bank in relation to shares issued pursuant to the terms of this outline, until the nominee company’s registration as the holder of said shares in the Bank’s register of shareholders.

So long as exercise shares are held for the benefit of the Offeree by the Trustee, the Offeree may vote in respect of the exercise shares. The Bank shall send the Trustee notices of general meetings of the Bank, and the Trustee shall send such notices to each Offeree. An Offeree who wishes to participate in the Bank’s general meetings or to exercise his right to vote in respect of the exercise shares held for him by the Trustee, shall apply to the Trustee in writing, at least four business days prior to the date of the meeting, and the Trustee shall send the Offeree a proxy to participate in the general meeting and to vote in respect of the exercise shares held for the Offeree by the Trustee, in accordance with the provisions set by the Bank for all its shareholders.

For the purpose of this Section 2.22, “**business day**” shall mean any day of the week on which most of the banks in Israel are open for business.

2.23 Impediments or restrictions which will apply to the offeree’s execution of transactions with the option warrants or the exercise shares

- 2.23.1
- a. The restrictions included in the undertaking letters which the Offeree shall be required to sign as a condition for the grant of the Option Warrants are provided below in Section 2.6;
 - b. Option Warrants granted pursuant to each of the Plans may not be transferred, assigned, pledged, charged, or foreclosed, except for a transfer to heirs. In the event of a transfer to heirs, as aforesaid, the terms of each Plan and the provisions thereof shall bind the heirs, for all intents and purposes.

- c. A transfer of right to heirs, as provided in subsection b. above, pursuant to the law, shall come into effect and shall bind the Bank only after the authorizations provided below are furnished to the Bank, signed and authorized by a notary:
 - (1) A written request to transfer the rights, as aforesaid, as well as a copy of a legal document which creates or affirms the right of such person to act in respect of the Offeree's estate and which creates and affirms the transferee's right; and
 - (2) a written consent of the transferee: (a) to pay any payment required pursuant to the provisions of the Plan according to which the Option Warrants were granted, and (b) to comply with all the provisions of the Plan according to which the Option Warrants were granted; and
 - (3) any other evidence, required in the opinion of the Plans Administrator for the purpose of establishing the right to transfer the Option Warrants or the exercise shares or required for the purpose of establishing the validity of such transfer.
- d. Option Warrants not exercised during the exercise period stipulated in respect thereof pursuant to the terms of the Plans shall expire and shall not grant any right whatsoever.
- e. Additional restrictions governing the Option Warrants, as described in this Outline, including:
 - (1) The vesting dates and exercise periods of the Option Warrants, in accordance with each of the Option Plans;
 - (2) The terms of entitlement to the Option Warrants and the terms for their exercise;

2.23.2 The Offerees shall be governed by the provisions of Article 102 of the Income Tax Ordinance, including the restrictions detailed below in Section 2.24.

2.23.3 As aforesaid, the issuance of Option Warrants pursuant to each of the Plans shall be executed pursuant to Article 15b(1)(a) of the Securities Law, under this outline, and, therefore, the exercise shares shall not be subject to restrictions on resale, as provided in Article 15C of the Securities Law and in the Securities Regulations (Details regarding Articles 15A through 15C of the Law), 5760-2000.

2.24 Taxation

- 2.24.1 Shortly after the filing of this outline, the Bank shall contact the Tax Authority for its approval of each of the Plans, in order for the Plans to be operated on a capital gains taxation track, through a Trustee (hereinafter: “**capital gains track**”), in accordance with the provisions of Article 102 of the Income Tax Ordinance, including all the regulations, rules, circulars and directives issued by virtue thereof (hereinafter, collectively: “**Article 102**”).
- 2.24.2 The Option Warrants issued pursuant to the Plans and the shares issued as a result of the Option Warrants’ exercise or other shares issued by reason of adjustments, in accordance with Section 2.20 above, including by reason of the exercise of rights and including bonus shares that are allotted or issued, as the case may be, in the Trustee’s name, shall be held by him for the blocking period required pursuant to Article 102 (hereinafter: “**blocking period**”), and the Trustee shall act with them in accordance with the trust provisions set forth in such regard, pursuant to Article 102 and any tax arrangement, insofar as it is reached by power thereof. On the date of filing this outline, the blocking period in relation to the capital gains track is a period of twenty-four (24) months from the date on which the Option Warrants were issued in the Trustee’s name for the Offeree and deposited with the Trustee.
- 2.24.3 If the Bank distributes dividends to its shareholders, the Bank shall transfer to the Trustee the dividends for the exercise shares held by the Trustee for the Offerees; the Trustee shall deduct the tax pursuant to any law, and transfer the balance of the dividends to the Offerees;
- The Trustee and the Bank may determine that a dividend so distributed shall be transferred by the Bank directly to the Offerees; in such case, the Bank shall deduct the necessary tax and transfer confirmation of the tax deduction to the Trustee.
- 2.24.4 Subject to the provisions of Article 102, an Offeree may not sell or receive from the Trustee shares that were issued as a result of the exercise of Option Warrants or other shares issued by reason of adjustments, in accordance with Section 2.20 above, including shares issued as a result of the exercise of rights and including bonus shares, until the blocking period has come to an end.
- 2.24.5 In accordance with the capital gains track, if the Offeree sells or transfers the exercise shares from the Trustee after the blocking period has come to an end, the Offeree’s income will be taxed as capital gains pursuant to Article 102(b)3 of the Income Tax Ordinance, per the provisions and terms established according to Article 102 and tax

arrangements, to the extent that they are adopted by power thereof. However, if the Offeree sells or transfers the exercise shares from the Trustee before the end of the blocking period, the offeree shall pay tax in accordance with Article 2(1) or 2(2) of the Income Tax Ordinance, as applicable. In addition, in the event that the Offeree sells or transfers the exercise shares from the Trustee before the end of the blocking period, the Offeree might have to pay additional tax in respect of dividends paid up to the date of the sale and/or transfer, as aforesaid.

- 2.24.6 The Trustee shall not transfer to the Offeree shares that were issued as a result of the exercise of Option Warrants before payment of the full tax liability deriving from the Option Warrants issued in the Trustee's name for the Offeree or from the shares issued as a result of the exercise thereof, as aforesaid.
- 2.24.7 The offeree shall bear all the tax liabilities, levies, or compulsory payments, including National Insurance and health tax payments, applicable pursuant to the provisions of any law, by reason of the Option Warrants' issue, the Option Warrants' exercise, the issue of the exercise shares or other shares issued by reason of adjustments, or the holding or sale of shares as aforesaid (or any other security issued or granted pursuant to each of the Plans), by or for the Offeree. It is hereby clarified that the Bank shall not refund to the Offeree the health tax and National Insurance payments made by him, as aforesaid. It is also expressed that the Bank or the Trustee shall not be liable for the tax implications, levies, or compulsory payments borne by the Offeree in connection with each of the Plans. The Offeree shall indemnify the Bank for any expense or damage payment, including, but without derogating from the generality of the aforesaid, any tax, fine, levy, compulsory payment, interest or linkage, occasioned to or imposed on the Bank by reason of the non-performance of all or any of the Offeree's obligations.
- 2.24.8 At any time payment is required from the Offeree or the Bank or the Trustee, by way of tax deduction at source, in connection with the Option Warrants or the exercise shares that are obtained as a result of the Option Warrants' exercise, the Bank or the Trustee may demand an amount from the Offeree that is sufficient to cover any demand for tax deduction at source, as provided above. Without derogating from the aforesaid, in the event that shares or any other asset that is not money are transferred in consequence of the Option Warrants' exercise, the Bank or the Trustee shall have the right to demand that the Offeree transfer a sum of money that is sufficient to cover any demand for tax deduction at source, and if this amount is not transferred on time, the Bank or the Trustee shall have the right to hold or set off (subject to the law) the

shares or any other asset, as aforesaid, until said payment has been transferred by the Offeree.

The above provisions of this Section 2.24 do not purport to be an agreed interpretation of the provisions of the law regarding taxes that might apply in connection with the Option Warrants' issue pursuant to each of the Plans, and is not a substitute for legal and professional advice on the matter. As customary in the case of an investment, each Offeree must consider the various tax aspects and tax implications of his investment and consult with his professional advisors, including legal and tax advice, having regard to the data unique to him.

2.25 Fraction round-up of option warrants

Any fraction of an Option Warrant obtained as a result of calculating the entitlement to Option Warrants according to the outline (including as a part (1/3) of the adjusted Annual Lot, as provided in Section 2.13.3 above) shall be rounded down to the nearest whole share.

2.26 The law applicable to the Plans

Each of the Plans and all the documents related thereto, which have been given or signed by the Bank or a subsidiary in relation thereto shall be interpreted, managed and subject to the laws of the State of Israel alone, and shall not be subject to any other law.

Chapter 3: Additional details in the matter of offering 1' option warrants to the CEO of the Bank under this outline, according to the Securities Regulations (Private Offering of Securities in a Listed Company) 5760-2000 and according to the Sixth Addendum to the Securities Regulations (Periodic and Immediate Reports) 5730-1970

3. Below are additional details regarding the offer of 1' Option Warrants under this Outline to the CEO of the Bank, as required by the Securities Regulations (Private Offering of Securities in a Listed Company) 5760-2000 (hereinafter: "**Private Offering Regulations**") as well as the Sixth Addendum to the Securities Regulations (Periodic and Immediate Reports) 5730-1970.

3.1 The offeree: The CEO of the Bank

As aforesaid in this Outline, the offeree according to the 1' Options Plan is the CEO of the Bank, Mr. Moshe Lari.

It is hereby clarified that the CEO does not serve as a director at the Bank, nor is he an interested party, per this term's meaning in Article 270(5) of the Companies Law. Accordingly, the CEO is not a substantial shareholder, per this term's meaning in the Companies Law (hereinafter: "**substantial shareholder**"), nor shall he become a substantial shareholder having been given 1' Option Warrants under this Outline, even assuming that he would exercise all of them.

Moreover, the CEO is not a controlling shareholder at the Bank, nor shall he become a controlling shareholder at the Bank having been given 1' Option Warrants under this Outline, even assuming that he would exercise all of them.

3.2 The amount of option warrants under Options Plan 1' and the rate of the exercise shares deriving from said option warrants of the Bank's issued and outstanding capital and the voting rights thereat

3.2.1 Below are details regarding the amount of Option Warrants offered to the CEO, which are included in the First Lot of 1' Option Warrants, and the rate of the exercise shares deriving from said Option Warrants within the Bank's issued and outstanding capital:

Amount of Option Warrants included in the First Lot of 1' Option Warrants	Rate within the Bank's issued and outstanding capital and the voting rights thereat (in %), after the issuance of the First Lot of 1' Option Warrants (assuming exercise into shares)	Rate within the Bank's issued and outstanding capital and the voting rights thereat (in %), after the issuance of the First Lot of 1' Option Warrants and all other Option Warrants (A through E) that are included in the First Lot (assuming exercise into shares), at full dilution
18,468	0.00%	0.01%

The above data were calculated as provided in Notes 1 through 3 of the table below in Section 3.5.4. For details on the CEO's holdings of Option Warrants issued by the Bank, see the immediate report on the "Holdings Status of Interested Parties and Senior Officers" published by the Bank on July 7, 2021 (reference no. 2021-01-114150).

3.2.2 a. As detailed above in Section 1.1.3b.(3), at this stage, only the First Lot of 1' Option Warrants will be issued to the CEO under this Outline (i.e. the lot for 2021). Later, the Bank may issue two (2) Additional Lots of 1' Option Warrants under this Outline, for the years 2022 and 2023, in accordance with Options Plan 1'. It is hereby clarified that at this stage, the Bank has not yet decided to issue any Option Warrants that will be included in the Additional Lots of Option Warrants (for the years 2022 and 2023).

The issuance of each of the Additional Lots or any part thereof requires the approval of the Bank's Remuneration Committee and Board of Directors and is subject to the publication of reports, as required by law.

b. Below are details regarding the amount of 1' Option Warrants included in the 1' Option Warrants Inventory (as provided above in Section 2.1.1a.(1)) and the rate of the exercise shares deriving from said Option Warrants, within the

Bank's issued and outstanding capital and the voting rights thereat; this, assuming that the Remuneration Committee and Board of Directors decide to issue and grant all 1' Option Warrants included in the 1' Option Warrants Inventory under this Outline to the CEO.

Amount of Option Warrants included in the Inventory of 1' Option Warrants	Rate within the Bank's issued and outstanding capital and the voting rights thereat (in %), after the issuance of all Option Warrants included in the Inventory of 1' Option Warrants (assuming exercise into shares)	Rate within the Bank's issued and outstanding capital and the voting rights thereat (in %), after the issuance of all Option Warrants included in the Inventory of 1' Option Warrants and all other Option Warrants (A through E) that are included in the Option Warrant Inventories (assuming exercise into shares), at full dilution
100,000	0.01%	0.02%

Table Notes:

The data provided above were calculated as detailed in Notes 1 and 3 of the table in Section 3.5.4 below, and under the assumption of a full exercise of all Option Warrants included in the 1' Option Warrants Inventory; and under the assumption of that the exercise shares will be issued in an amount reflecting the financial benefit sum incorporated in said Option Warrants, as provided below: With respect to the First Lot of 1' Option Warrants and the First Lot of the rest of the Option Warrants (A through E) – the calculation was made according to the closing rate cap determined for the First Lot (as aforesaid in Section 2.21.2a.(1)), and with respect to the remainder of the Option Warrants included in the 1' Option Warrants Inventory and the rest of the Option Warrant Inventories (A through E) – the calculation was made according to the exercise price of an option warrant included in the First Lot (as defined above in Section 2.9), as well as according to the maximum possible closing rate cap, as aforesaid in Section 2.21.2a.(2) and (3).

3.3 The closing rate of an ordinary Bank share on the TASE, on the day prior to the publication of this outline

The closing rate of an ordinary Bank share on the TASE, on July 25, 2021, was ILS 97.45; the exercise price of 1' Option Warrants included in the First Lot was determined per Section 2.9.2 above.

3.4 The fair value of the option warrants

In the matter of the fair value of the Option Warrants, including 1' Option Warrants included in the First Lot, to be issued to the CEO under this Outline, see Section 5.2 below.

3.5 **The Bank's issued and outstanding share capital and the holding rates thereof**

- 3.5.1 The Bank's registered capital is ILS 40,000,000, divided into 400,000,000 ordinary shares of ILS 0.1 N.V. each.
- 3.5.2 The Bank's issued and outstanding capital is approx. ILS 25,547,225, divided into 255,472,254 ordinary shares of ILS 0.1 N.V. each. (hereinafter: "shares").
- 3.5.3 a. After the issuance of the First Lot of Option Warrants by the Bank according to the Option Plans in this Outline, no change shall occur in the Bank's issued and outstanding share capital.

The Bank's issued and outstanding share capital, after the exercise of all Option Warrants included in the First Lot of Option Warrants to be issued under this Outline, shall be approx. ILS 25,644,353, assuming a full exercise of all Option Warrants included in the First Lot, and assuming an issuance of exercise shares in an amount reflecting the financial benefit sum incorporated in said option warrants considering the closing rate cap, as provided above in Section 2.21.2a.(1)⁹.

- b. After the issuance of all Option Warrants included in the Option Warrant Inventories, no change shall occur in the Bank's issued and outstanding share capital.

The Bank's issued and outstanding share capital, after the exercise of all Option Warrants included in the Option Warrant Inventories (assuming they are issued), shall be approx. ILS 26,207,639, assuming a full exercise of all Option Warrants included in the Option Warrant Inventories, and assuming an issuance of exercise shares in an amount reflecting the financial benefit sum incorporated in said Option Warrants, as specified below: With respect to the First Lot of Option Warrants – the calculation was made according to the closing rate cap determined for the First Lot (as aforesaid in Section 2.21.2a.(1)), and with respect to the remainder of the Option Warrants included in the Option Warrant Inventories – the calculation was made according to the exercise price of an option warrant included in the First Lot (as defined above in Section 2.9), as well as according to the maximum possible closing rate cap, as aforesaid in Section 2.21.2a.(2) and (3).

⁹ The financial bonus sum incorporated in the Option Warrants included in the First Lot was calculated according to the closing rate cap established for the First Lot, as aforesaid in Section 2.21.2a.(1).

The data were calculated on the basis of the “Status of Capital and Registers of Securities of the Corporation and the Changes Therein” report, released by the Bank on July 22, 2021 (Reference no. 2021-01-121371).

3.5.4 Below are details on the rate and amount of holdings held by the Bank’s Chief Executive Officer, by other interested parties at the Bank and by the rest of the shareholders at the Bank, in the Bank’s issued and outstanding share capital and the voting rights thereat, assuming that all Option Warrants included in the First Lot of 1’ Option Warrants are issued under this Outline¹:

Shareholder Name	Amount of 1’ Option Warrants included in the First Lot	Amount and rate of holdings in capital and voting rights, before the issuance of 1’ Option Warrants included in the First Lot		Amount and rate of holdings in capital and voting rights, after the issuance, assuming all 1’ Option Warrants included in the First Lot are exercised ²		Amount and rate of holdings in capital and voting rights, after the issuance, assuming all 1’ Option Warrants included in the First Lot and all other option warrants (A through E) included in the First Lot are exercised, and assuming also that all existing and convertible or exercisable securities are exercised and converted into Company shares ³	
		# of ordinary shares	Rate in %	# of ordinary shares	Rate in %	# of ordinary shares	Rate in %
The CEO	18,468	---	---	5361	0.0%	35,729	0.0%
M.W.Z. (Holdings) Ltd ⁴	---	19,130,468	7.5%	19,130,468	7.5%	19,130,468	5.4%
F&W Registered Partnership ⁵	---	33,312,844	13.0%	33,312,844	13.0%	33,312,844	9.4%
L.Y.N. (Holdings) Ltd ⁶	---	54,486,207	21.3%	54,486,207	21.3%	54,486,207	15.5%
Excellence Investments Ltd ⁷	---	6,401,511	2.5%	6,401,511	2.5%	6,401,511	1.8%
The Phoenix Holdings Ltd ⁷	---	9,906,721	3.9%	9,906,721	3.9%	9,906,721	2.8%

Harel Insurance Investments and Financial Services Ltd ⁸	---	12,928,549	5.1%	12,928,549	5.1%	12,928,549	3.7%
The rest of the shareholders ⁹	---	119,305,954	46.7%	119,305,954	46.7%	216,884,380	61.4%
Total		255,472,254	100%	255,477,615	100%	353,086,408	100%

Table notes:

¹ The data were calculated based on the immediate report on the “Status of the Holdings of Interested Parties and Senior Officers” published by the Bank on July 7, 2021 (reference no. 2021-01-114150) and the immediate report on “Changes in the Holdings of Interested Parties and Senior Officers” published by the Bank on July 13, 2021 (reference no. 2021-01-116364), as well as the immediate report on the “Status of Capital and Registers of Securities of the Corporation and the Changes Therein”, released by the Bank on July 22, 2021 (reference no. 2021-01-121371).

² Assuming a full exercise of the First Lot of 1’ Option Warrants to be issued under this Outline, and assuming an issuance of exercise shares in an amount reflecting the financial benefit sum incorporated in said option warrants considering the closing rate cap determined for the First Lot, as provided above in Section 2.21.2a.(1).

³ In the matter of the calculation of the holdings at full dilution, see the “full dilution” definition in Section 2.1.3c above.

⁴ For details regarding the manner in which the Bank’s shares are held by M.W.Z. (Holdings) Ltd., see the notes on holder no. 1 in the immediate report published by the Bank on July 7, 2021 (reference no. 2021-01-114150).

⁵ For details regarding the manner in which the Bank’s shares are held by F&W Registered Partnership, see the notes on holder no. 2 in the immediate report published by the Bank on July 7, 2021 (reference no. 2021-01-114150).

⁶ For details regarding the manner in which the Bank’s shares are held by L.Y.N. (Holdings) Ltd., see the notes on holder no. 3 in the immediate report published by the Bank on July 7, 2021 (reference no. 2021-01-114150).

⁷ For details regarding the manner in which the Bank's shares are held by the Phoenix Holdings Ltd and Excellence Investments Ltd, see the notes on holders no. 7 through 16 in the immediate report published by the Bank on July 7, 2021 (reference no. 2021-01-114150).

⁸ For details regarding the manner in which the Bank's shares are held by Harel Insurance Investments and Financial Services Ltd, see the notes on holders no. 17 through 22 in the immediate report published by the Bank on July 7, 2021 (reference no. 2021-01-114150).

⁹ Including Bank employees, insofar as they may hold the Bank's ordinary shares.

3.5.5 Below are the details of the amount and holdings rate of the Bank's Chief Executive Officer, of other interested parties at the Bank and of the rest of the Bank's shareholders, in the Bank's issued and outstanding share capital and the voting rights thereat, assuming that all Option Warrants included in the 1' Option Warrant Inventory are issued under this Outline (insofar as it may be decided to do so)¹:

Shareholder Name	Amount of 1' Option Warrants included in the 1 Option Warrant Inventory	Amount and rate of holdings in capital and voting rights, before the issuance of 1' Option Warrants included in the 1 Option Warrant Inventory		Amount and rate of holdings in capital and voting rights, after the issuance, assuming all 1' Option Warrants included in the 1 Option Warrant Inventory are exercised ²		Amount and rate of holdings in capital and voting rights, after the issuance, assuming all 1' Option Warrants included in the 1 Option Warrant Inventory and all other option warrants (A through E) included in the 1 Option Warrant Inventories are exercised, and assuming also that all existing and convertible or exercisable securities are exercised and converted into Company shares ³	
		# of ordinary shares	Rate in %	# of ordinary shares	Rate in %	# of ordinary shares	Rate in %
The CEO	100,000	---	---	29,029	0.0%	59,397	0.0%
M.W.Z. (Holdings) Ltd	---	19,130,468	7.5%	19,130,468	7.5%	19,130,468	5.3%
F&W Registered Partnership	---	33,312,844	13.0%	33,312,844	13.0%	33,312,844	9.3%

L.Y.N. (Holdings) Ltd	---	54,486,207	21.3%	54,486,207	21.3%	54,486,207	15.2%
Excellence Investments Ltd	---	6,401,511	2.5%	6,401,511	2.5%	6,401,511	1.8%
The Phoenix Holdings Ltd	---	9,906,721	3.9%	9,906,721	3.9%	9,906,721	2.8%
Harel Insurance Investments and Financial Services Ltd	---	12,928,549	5.1%	12,928,549	5.1%	12,928,549	3.6%
The rest of the shareholders ⁴	---	119,305,954	46.7%	119,305,954	46.7%	222,476,208	62.0%
Total		255,472,254	100%	255,501,283	100%	358,701,905	100%

¹ See Note no. 1 in the table above in Section 3.5.4.

² Under the assumption of a full exercise of all Option Warrants included in the 1' Option Warrants Inventory; and under the assumption of that the exercise shares will be issued in an amount reflecting the financial benefit sum incorporated in said Option Warrants, as provided below: With respect to the First Lot of 1' Option Warrants - the calculation was made according to the closing rate cap determined for the First Lot (as aforesaid in Section 2.21.2a.(1)); and with respect to the remainder of the Option Warrants included in the 1' Option Warrants Inventory – the calculation was made according to the exercise price of an option warrant included in the First Lot (as defined above in Section 2.9), as well as according to the maximum possible closing rate cap, as aforesaid in Section 2.21.2a.(2) and (3).

³ (a) For information on how the holdings were calculated, see above in Section 2.1.3b.(2).

(b) For information on how the holdings were calculated at full dilution, see the definition of “full dilution” above in Section 2.1.3c.

⁴ Including Bank employees, insofar as they may hold the Bank's ordinary shares.

For details on how the Bank's shares are held by the Bank's interested parties (except for the Bank's CEO), see Notes 4 through 8 in the table above in Section 3.5.4.

3.6 Details of the consideration and how the consideration was determined

3.6.1 The Option Warrants included in the First Lot of 1' Option Warrants are offered to the CEO of the Bank for the year 2021, without requital, subject to the entitlement

terms specified above in Section 2.12.1, as part of the CEO's Terms of Service and Employment; this offer constitutes an application of the CEO's aforesaid terms of service and employment, which were duly approved, as detailed above in Section 1.1.1a.

- 3.6.2 The exercise price of the Option Warrants included in the First Lot of 1' Option Warrants that are offered to the CEO was determined by the Remuneration Committee and the Board of Directors, as aforesaid in Section 2.9.2, and it is identical with respect to all Offerees under this Outline, including the CEO of the Bank. In this regard, it is clarified that the Offerees under this Outline, including the CEO, will not be required to pay the exercise price on the exercise date; and that the exercise price shall only be used for the purpose of determining the sum of the financial benefit and the amount exercise shares that shall be issued to the Offerees *de facto*, as stated above in sections 2.9.2 and 2.21.

It is noted that the manner in which the exercise price of each of the Option Warrants will be determined, including 1' Option Warrants, that may be included in any Additional Lot of Option Warrants, insofar as the Bank may decide on the issuance of Option Warrants included in the Additional Lots, is detailed above in Section 2.9.3.

- 3.6.3 As to the manner in which the consideration was determined and the approvals received, and as to the other approvals required for the purpose of issuing the Option Warrants under this Outline, see Section 3.8 below.

3.7 Personal interest of a substantial shareholder or officer at the Bank

To the best of the Bank's knowledge, interested parties at the Bank (except for the CEO) have no personal interest in the offer of Option Warrants under this Outline.

The CEO of the Bank and the officers at the Bank have a personal interest in the offer of Option Warrants under this Outline, by virtue of being its Offerees. Moreover, in the CEO's Terms of Service and Employment, it was established that the decision of the Remuneration Committee and the Board of Directors to grant Option Warrants to the CEO for any bonus year, including 2021, is contingent upon deciding to grant Option Warrants to the officers at the Bank (who are not the CEO or directors) for that year. In this regard, see the aforesaid in Section 1.1.1a.

3.8 Permits and approvals

- 3.8.1 The Remuneration Committee and the Board of Directors' approvals of the offer and issuance of the First Lot of Option Warrants under this Outline, including the Option Warrants included in the First Lot of 1' Option Warrants to be granted to the CEO, were given on July 26, 2021 by the Board of Directors, having received the

Remuneration Committee's approval on July 26, 2021; in the matter of the rest of the required approvals, see sections 1.2.1b and c above.

Insofar as the Bank may decide to issue option warrants that will be included in the Additional Option Warrant Lots, out of the option warrant inventories, including 1' Option Warrants, as aforesaid, then any such additional issuance shall be subject to receiving approvals as provided above in Section 1.2.1.

3.8.2 It is hereby clarified that as detailed above, the granting of the 1' Option Warrants to the CEO of the Bank, as provided above in this Outline, is part of the CEO's Terms of Service and Employment, which were legally approved.

3.9 Details of agreements regarding the purchase or sale of the Bank's securities or regarding the voting rights at the Bank

To the best of the Bank's knowledge, there are no agreements, whether written or oral, between the CEO and a shareholder at the Bank, or between the CEO and others, including between him and any other Offeree under the Outline, regarding the purchase or sale of the Bank's securities or regarding the voting rights at the Bank.

The Bank has contacted the CEO and received his written approval regarding the aforesaid.

3.10 Impediments or restrictions that will apply to the CEO in performing actions with respect to 1' Option Warrants or the exercise shares

The provisions set forth above in Section 2.23.1 and 2.23.2, regarding the impediments or restrictions which will apply to the offeree's execution of transactions with the option warrants or the exercise shares, shall also apply to the CEO.

3.11 The issuance date of 1' Option Warrants included in the First Lot to the CEO of the Bank

In the matter of the issuance date of 1' Option Warrants included in the First Lot for the CEO under this Outline, see Section 1.4 above.

As detailed above in Section 1.1.3b(3), the Bank has not yet decided to issue option warrants that will be included in the Additional Lots of Option Warrants, and the approvals for this purpose have yet to be received.

3.12 Additional details required in accordance with the Sixth Addendum to Periodic and Immediate Reports Regulations

3.12.1 As detailed above in Section 3.6.1, the granting the Option Warrants included in the First Lot of 1' Option Warrants to the CEO of the Bank for the year 2021 is part of

the CEO's Terms of Service and Employment (which are included in this Outline by way of reference, as provided above in Section 1.1.1a).

Below are details regarding the remunerations to which the CEO is entitled for the year 2021, according to his terms of service and employment as the CEO of the Bank, including under the terms of the 1' Options Plan, as set forth in this Outline (assuming employment for a period of a full calendar year), in accordance with Sixth Addendum to the Periodic and Immediate Report Regulations:

Name	Position	Position Scope	Percentage of Holding the Corporation's Capital ¹⁰
Moshe Lari	CEO	100%	---

The CEO's Annual remuneration (In ILS K) for 2021 ⁽¹⁾									
(In terms of cost to the Bank)									
	Salary (2)	Other wage components (3)	Other		Bonus (6)	Share-based payment (7)	Management fees/ Consultation fees/ Commission/ Rent fees	Total remuneration cost (8)(9)	Social benefits due (10)
			Social benefits (4)	Value of benefits and interest (5)					
2021	2760	110	297	150	--	--	--	3317	409

Table notes:

- 1) The remuneration sums are given in terms of annual cost to the Bank (not including wage tax).
The remuneration for 2021 (assuming a full calendar year of employment) was calculated according to the CEO's Terms of Service and Employment.
- 2) The (gross) monthly salary of the CEO is in the total of ILS 230,000; the salary is fully linked to increases in the CPI, based on the CPI for the month of August 2020.
The sum of the salary stated above in the table does not include social or other benefits
- 3) These components include the tax gross-up values for a car, mobile phone and home communication expenses and convalescence pay.
- 4) (a) Provisions to the advanced study fund, social provisions (above the provision sums for compensation and remuneration required by law), national insurance (employer's share) and

¹⁰ For details on the CEO's holdings of Option Warrants issued by the Bank, see the immediate report on the "Holdings Status of Interested Parties and Senior Officers" published by the Bank on July 7, 2021 (reference no. 2021-01-114150).

annual leave; the sums provided in the table above are assuming a full utilization of the entitlement to annual leave days.

(b) In addition:

(1) The CEO is entitled to an adjustment bonus in the total of six (6) monthly salaries (without social provisions), according to his previous terms of employment as the Bank's CFO, prior to his appointment as the Bank's CEO (hereinafter: "**Previous Employment Terms**"); the cost of the adjustment bonus was fully provided in the Bank's financial reports. In this regard it is to be noted that the adjustment bonus for the end of the transitory period established on the Senior Officers' Wage Law, i.e. October 12, 2016 (hereinafter: "**End of the Transitory Period**") was fully provided in the Bank's financial reports prior to the End of the Transitory Period, as detailed in Section 4.9.3a. of the CEO's Terms of Service and Employment.

Moreover, according to the CEO's Terms of Service and Employment, the CEO is entitled to an addition to the adjustment bonus sum, in the sum of the social provisions calculated over the sum of six (6) monthly salaries, according to his final salary on the eve of his appointment as the CEO of the Bank (hereinafter: "**Adjustment Bonus Differences**"); the Adjustment Bonus Differences shall be accrued during the first two years of his tenure as the CEO, all as detailed in Section 4.9.3 of the CEO's Terms of Service and Employment.

The sums presented in the above table include the components specified above in Note (4)(a), plus the sum of the expense due to the Adjustment Bonus Differences, as aforesaid, in the total of approx. ILS 39,000 a year, which can be imputed (per the CEO's Terms of Service and Employment) for 2021.

(2) The Remuneration Committee and the Board of Directors shall be entitled, at their discretion, to grant an additional adjustment bonus sum to the CEO (beyond the sums specified above in Note (b)(1) and without derogating from these); the entitlement to the additional adjustment bonus sum (insofar as it may be approved) shall be accrued during the first two years of the CEO's tenure, in accordance with his experience serving in his position as the CEO of the Bank, all subject to the remuneration cap permitted under the Senior Officers' Wage Law, as provided in Section 4.9.3e. of the CEO's Terms of Service and Employment.

(3) The CEO is entitled to a retirement bonus, under the Previous Employment Terms in a sum equal to the product of 150% of the sum of the December 2016 salary, multiplied by the number of his years of employment at the Bank, as specified in Section 4.9.4 of the CEO's Employment Terms appendix; the cost of retirement bonus accrued for the CEO by the end of 2016, as aforesaid, was fully provided in the Bank's financial reports prior to the End of the Transitory Period (i.e. before October 12, 2016).

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

- 5) Car, mobile phone and home communication expenses, leisure, holiday gift and life insurance.
- 6) In accordance with the CEO's Terms of Service and Employment, the Remuneration Committee and the Board of Directors may, at their discretion, grant the CEO a cash bonus for a calendar year (hereinafter: "**bonus year**"), as provided in Section 5.3 of the CEO's Terms of Service and Employment. The cash bonus for each bonus year, plus the value of the capital remuneration (mentioned below in Note (7)), shall not exceed the total of three (3) monthly salaries, or a proportionate part of this sum, for part of a bonus year. It is hereby clarified that the CEO's entitlement to a cash bonus, insofar as it may be decided to grant it, shall be subject to the fulfilment of the prerequisite established in this matter and contingent upon the remuneration cap permitted by the Senior Officers' Wage Law, all as detailed in Section 5 of the CEO's Terms of Service and Employment.
- 7)
 - (a) In Section 5 of the CEO's Terms of Service and Employment, it was established, *inter alia*, that were the Remuneration Committee and the Board of Directors to decide that the performance-based remuneration to be granted to Bank officers (who are neither the CEO nor directors) for any bonus year shall also include capital remuneration (which is a variable remuneration) (hereinafter: "**capital remuneration**"), then the Remuneration Committee and the Board of Directors could, at their discretion, determine that the performance-based remuneration to be granted to the CEO for that bonus year, in part or in full, shall also include a capital remuneration, under the terms that will be established in this matter by the Remuneration Committee and the Board of Directors, at their discretion, and *inter alia* in accordance with the provisions of the Bank's remuneration policy, as it may be from time to time;

Since the Remuneration Committee and the Board of Directors have decided to grant Option Warrants for 2021 to the officers at the Bank, among others, as detailed in this Outline, on July 26, 2021, having received the approval of the Remuneration Committee, the Board of Directors decided that the performance-based remuneration to be granted to the CEO for 2021 shall also include a capital remuneration; accordingly, it was decided to grant 18,468 1' Option Warrants to the CEO for 2021, all as provided in this Outline and subject to its terms.
 - (b) As detailed in this Outline, the CEO's entitlement to capital remuneration is subject to the fulfilment of the prerequisite established in this matter and contingent upon the remuneration cap permitted by the Senior Officers' Wage Law. Moreover, as provided above in Section 2.12.1, the CEO's entitlement to said Option Warrants for 2021 shall be determined at the discretion of the

Remuneration Committee and the Board of Directors, according to their evaluation of the CEO's performance, as set forth in the CEO's Terms of Service and Employment.

For information on the value of the Option Warrants to be granted to the CEO, as aforesaid, see Section 5.2.3 below.

The value of the capital remuneration, as provided above in this Note (7), plus the cash bonus to be granted to the CEO for 2021 (insofar as it may be granted), which is mentioned above in Note (6), shall not exceed the total of three (3) monthly salaries in 2021.

It is hereby clarified that the sum of the value of the Option Warrants included in the First Lot of 1' Option Warrants, to which the CEO shall be entitled under this Outline, will be recorded in its entirety as an expense in the Bank's (consolidated) financial reports for 2021.

- 8) Not including due social benefits.
- 9) The cash bonus sum (as provided in Note 6 to the above table) to which the CEO shall be entitled for 2021 (insofar as he may be entitled to it) shall be added to the sum presented in the table above, as well as the sum of the value of Option Warrants (as provided in Note 7 to the above table) to which the CEO shall be entitled for 2021 (insofar as he may be entitled to them).
- 10) Provisions to a pension fund and executive insurance, at the expense of the Bank, for the year 2021; it is noted that these provisions will not be taken into account for the purpose of calculating the total remuneration which the Bank may pay the CEO under the Senior Officers' Wage Law, including according to Article 2(b) of the aforesaid law.

3.12.2 The manner in which the terms of the 1' Option Warrants under this Outline, were determined, their approval date and the information brought in this matter before the Remuneration Committee and the Board of Directors

On July 26, 2021, having received the approval of the Remuneration Committee on July 26, 2021 (pursuant to a discussion held by the Remuneration Committee at its meeting on July 19, 2021), the Bank's Board of Directors decided to approve the publication of this Outline, and to approve the offer of Option Warrants to be issued by the Bank, including 1' Option Warrants which will be granted to the CEO of the Bank, as detailed in this Outline and per its terms.

Said decision was passed unanimously by all directors that had participated in the meeting of the Remuneration Committee on July 26, 2021; and the meeting of the Board of Directors on July 26, 2021.

The following documents and information, *inter alia*, were presented to the Remuneration Committee and the Board of Directors:

- a. The draft of this Outline;
- b. The updated remuneration policy for officers at the Bank, approved by the general meeting on July 6, 2021;
- c. The principles of the CEO's terms of service and employment, as approved by the general meeting on October 15, 2020;
- d. Data regarding the dilution rates expected following the exercise of the Option Warrants per this Outline;
- e. Data comparing the remuneration proposed to the CEO and the remuneration of the CEOs at the four other major banks in Israel;
- f. Data and details in the matter of the Option Warrants' issuance, including Option Warrants included in the First Lot of 1' Option Warrants for the CEO, in accordance with this Outline and its terms;
- g. Data on the calculation manner of the remuneration cap permitted to the CEO of the Bank, according to the Senior Officers' Wage Law;
- h. An economic opinion on the fair value of the Option Warrants to be issued according to the Option Plans included in the Outline;
- i. Data comparing the Bank's business results for the years 2018, 2019 and 2020, as well as the first quarter of 2021, to the business results of other banks;
- j. The Remuneration of Officers of Financial Institutions (Special Approval and Limitations on Expenses on account of Extraordinary Remuneration), 5776-2016;
- k. Proper Conduct of Banking Directive No. 301A on the matter of remuneration policies at banking corporations, and relevant articles from the Companies Law.

3.12.3 The identity of the Remuneration Committee members and Board of Directors members who had attended the meeting at which the Outline's terms, including the terms of Options Plan 1', were approved

The Remuneration Committee meeting at which the Outline's terms, including the terms of Options Plan 1', were discussed and approved, was attended by the following members of the Remuneration Committee: Ms. Hanna Feuer (outside director), Mr. Gilad Rabinovich (outside director), Mr. Joseph Fellus (outside director) and Ms. Estery Giloz-Ran (outside director).

The Board of Directors meeting at which the Outline's terms, including the terms of Options Plan 1', were approved, was attended by the following directors: 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).

3.13 The rationale of the Remuneration Committee and the Board of Directors in approving the offer and issuing 1' Option Warrants to the CEO of the Bank, in accordance with this outline and its terms

3.13.1 The offer of Option Warrants to the CEO of the Bank, according to the Outline, is in accordance with the remuneration policy for Bank officers, and constitutes an application of the CEO's Terms of Service and Employment, as approved by the Bank's general meeting on October 15, 2020, as provided in Section 1.1.1a of the Outline.

(In the matter of the rationale as to the approval of the CEO's Terms of Service and Employment, see Section 1.3.9 of the immediate report published by the Bank on August 27, 2020, as provided above in Section 1.1.1a(2)).

3.13.2 At this stage, only the Option Warrants included in the First Lot, for the year 2021, will be issued and granted to the Offerees under the Outline, including the 1' Option Warrants to be granted to the CEO for the year 2021.

3.13.3 Under the updated remuneration policy for Bank officers (as in the remuneration policy that had preceded it), the granting of capital remuneration to the CEO of the Bank, for any year, was contingent, *inter alia*, on capital remuneration being likewise granted for that year to the other officers at the Bank (who are not directors). Accordingly, since the Bank intends (as provided in the Outline) to grant Option Warrants to said officers for the year 2021, it is proposed to also grant Option Warrants to the CEO for the year 2021, as part of the remuneration package approved in the CEO's Terms of Service and Employment.

In this regard, it is emphasized that according to the CEO's Terms of Service and Employment, the value of the cash bonus to be granted to the CEO for any year (insofar as it may be granted) plus the value of the capital remuneration to be granted to the CEO for that year, will not together exceed three (3) monthly salaries, subject to the remuneration cap permitted by the Senior Officers' Wage Law.

Moreover, the CEO's entitlement to the Option Warrants that will be granted to him for any year is subject to the fulfilment of the prerequisite established in this matter (as provided above in Section 1.1.1a.) and will be determined at the end of that year, in accordance with the evaluation of the CEO's performance during said year, by the Remuneration Committee and the Board of Directors, according to their discretion.

- 3.13.4 In light of the foregoing, and having regard to the information, data, and considerations examined in this regard, the Chairman of the Board of Directors is of the opinion that the offer of Option Warrants to the CEO of the Bank under the Outline constitutes an appropriate implementation of the CEO's Terms of Service and Employment; and it is suitable, reasonable and in the best interest of the Bank. This, *inter alia*, given the scope of the Bank's operations and their complexity, the great responsibility placed on the CEO by virtue of his position, and the CEO's proven managerial capabilities, including in his previous positions at the Bank, which contributed to the Bank's favorable performance and business results in recent years. Moreover, the implementation of the CEO's Terms of Service and Employment, *inter alia*, by way of offering Option Warrants under the Outline, is intended to promote the Bank's best interest, unify the interests of the Bank's shareholders and those of the CEO and the rest of the Offerees under the Outline, and grant the CEO an appropriate and adequate incentive to act for the achievement of the Bank's goals and the maximization of its profits, while maintaining the Bank's risk profile within the boundaries of the risk appetite determined by the Board of Directors.

Chapter 4 - Provisions set in the Bank's Articles of Association regarding the rights attached to the Bank's shares and arrangements under the Companies Law

4. Below is a summary of the main principles of the Bank's articles of association with regard to the rights attached to the Bank's shares, and with regard to arrangements according to the Companies Law, as set forth in the Bank's articles of association, in the formulation thereof on the date of this outline's publication (hereinafter: "**Bank's articles of association**" or "**articles of association**"). The full text of the Bank's articles of association may be inspected in the immediate report published by the Bank on December 24, 2020 (reference no. 2020-01-140124).

4.1 Share capital

- 4.1.1 The Bank's registered share capital is ILS 40,000,000, divided into 400,000,000 ordinary shares of ILS 0.1 par value each. The Bank may, in accordance with a

resolution passed at the general meeting by an ordinary majority, increase the Bank's registered share capital, in share classes, as shall be determined.

- 4.1.2 Each ordinary share in the Bank's share capital shall have equal rights, for all intents and purposes, to every other ordinary share, including the right to a dividend, to bonus shares and to participation in the distribution of the Bank's surplus assets upon liquidation, proportionate to the par value of each share, with no regard to any premium paid thereon, all subject to the provisions of the articles of association.
- 4.1.3 Each of the ordinary shares entitles its owner to the right to participate in the Bank's general meeting and to one vote.

4.2 Registered shares

All shares in the Bank's capital are registered shares.

4.3 Redeemable securities

Subject to the provisions of the Companies Law, the Bank may issue redeemable securities under the terms and in the manner determined by the Board of Directors, as its discretion.

4.4 Dividends, bonus shares and funds

- 4.4.1 Subject to the provisions of the Companies Law, the Board of Directors may resolve to distribute a dividend. The Board of Directors which resolves to distribute a dividend may resolve that such dividend shall be paid, in whole or in part, in cash or by way of asset distribution in kind, including in securities or in any other manner, at the Board of Directors' discretion.
- 4.4.2 The Board of Directors may, before resolving to distribute a dividend, as aforesaid, allocate out of the profits any sums, insofar as it deems fit, to a general fund or to a pool fund for any needs or purposes, as determined by the Board of Directors at its discretion.
- 4.4.3 Subject to the provisions of the Companies Law, the Board of Directors may resolve to allot bonus shares and to turn into share capital a portion of the Company's profits, in the meaning thereof in Section 302(b) of the Companies Law, from premium on shares or from any other source included in its equity, presented in its last financial reports, in a sum determined by the Board of Directors, which shall be no less than the par value of such bonus shares. Bonus shares allotted as aforesaid shall be deemed paid-up in whole.
- 4.4.4 The Board of Directors which resolves to allot bonus shares may resolve that the Bank shall transfer to a special fund, earmarked for future distribution of bonus

shares, such sum that the turning thereof into share capital shall be sufficient to allot to whomever at the time shall hold, for any reason, a right to purchase shares in the Bank (including a right that is executable at a later date), bonus shares to which he would have been entitled, had he utilized the right to purchase such shares prior to the effective date for the right to receive such bonus shares (hereinafter, in this section: “**effective date**”). If, after the effective date, the holder of said right shall utilize his right to purchase the shares or a portion thereof, the Bank shall allot thereto bonus shares with a par value and which should have been owed to him had he utilized prior to the effective date the right to purchase the shares that he actually purchased, this by turning into share capital an appropriate portion out of said special fund.

The bonus shares shall entitle their owners to participate in the distribution of the dividends in cash or in bonus shares, as from the date determined by the Board of Directors. For the matter of determining the sum that shall be transferred to said special fund, any sum transferred to said fund in respect of previous distributions of bonus shares shall be deemed already capitalized and shares that entitle the right holders to purchase shares allotted therefrom, to bonus shares.

- 4.4.5 Subject to the rights attached to the share classes issued at the Bank and to the provisions of the articles of association, a dividend or bonus shares shall be distributed to the shareholders proportionately to the par value of each share, with no regard to any premium paid thereon.
- 4.4.6 A dividend or other usufructs in respect of shares shall not bear interest.
- 4.4.7 Without derogating the provisions of the articles of association, the Board of Directors may delay any dividend or bonus shares or other usufructs in respect of a share the consideration determined for which, in whole or in part, was not paid to the Bank, and to collect any sum as aforesaid or any consideration obtained from the sale of all the bonus shares or other usufruct, on account of the debts or undertakings in respect of said share.
- 4.4.8 The Board of Directors may determine, from time to time, the manners for the payment of the dividends or the allotment of the bonus shares or the transfer thereof to those entitled thereto, as well as provisions, procedures and arrangements in connection therewith, for the registered shareholders, for the unregistered shareholders and for the shareholders who hold a share certificate.

4.5 The convening date of general meetings and notices of general meetings

- 4.5.1 The Bank shall hold an annual general meeting each year, no later than fifteen months from the date of the last annual meeting, at a time and venue determined by the Board of Directors.
- 4.5.2 The Bank's Board of Directors shall convene a special meeting as resolved thereby, and also at the request of each of the following: (a) two directors; (b) a shareholder, one or more, who holds at least five percent of the Bank's issued capital and one percent of the voting rights thereat, or a shareholder, one or more, who holds at least five percent of the voting rights at the Bank.
- 4.5.3 Should the Board of Directors be requested to convene a special meeting, as aforesaid, it shall convene such a meeting within twenty-one days from the date on which said request was submitted thereto, for a date determined in the notice of the special meeting, as provided below in Section 4.5.7, provided that the date of convening shall be no later than thirty-five days from the date of publication of such notice, unless otherwise stipulated in respect of a meeting to which Title g. of Chapter Two of Part Three of the Companies Law is applicable, all subject to the provisions of the Companies Law.
- 4.5.4 If the Board of Directors does not convene a special meeting requested as aforesaid, the requestor may, and in respect of shareholders – also a part thereof which holds more than half of the voting rights thereof, convene the meeting himself, provided that such meeting shall not take place after three months have elapsed from the date of filing said request, and that it shall be convened, insofar as possible, in the same manner in which meetings are convened by the Board of Directors.
- 4.5.5 The agenda in a general meeting shall be determined by the Board of Directors, and shall also include matters in respect of which the convening of a special meeting is requested pursuant to Section 4.5.2 above, as well as any matter requested as provided below in Section 4.5.6.
- 4.5.6 A shareholder, one or more, who holds at least one percent of the voting rights at the general meeting, may request that the Board of Directors include a matter on the agenda of a general meeting that shall convene in the future, provided that the matter is appropriate for discussion at a general meeting. Such request shall be submitted to the Bank in writing prior to the publication of the notice regarding the convening of the general meeting, and the form of the resolution proposed by said shareholder shall be attached thereto.

- 4.5.7 A notice of a general meeting shall be published in at least two widely-distributed daily newspapers which are published in Hebrew, or on the Company's website; such notice shall be published up to fourteen days prior to the convening of the meeting. Notwithstanding the aforesaid, a notice of a general meeting the agenda of which includes any of the matters provided in Section 2(a) of the Companies Regulations (Voting Paper and Position Papers) 5765-2005, shall be published at least 35 days prior to the date of convening the general meeting.
- 4.5.8 Other than a notice of a general meeting, as aforesaid, the Bank shall not furnish a notice of a general meeting either to the registered shareholders or to the unregistered shareholders or to the shareholders who hold a share certificate.
- 4.5.9 A notice of a general meeting shall provide the venue, date and time in which the meeting shall convene, and shall include the agenda, the summary of the proposed resolutions and any other details required by law.
- 4.5.10 The Board of Directors may change the venue and the time of a general meeting, provided that such change shall not impair the provisions of the Bank's articles of association in respect of the minimum time frames that should elapse between the date of the notice and the date of the general meeting, and contingent upon the notice of a change, as aforesaid, being given in the same manner in which the notice of the general meeting in respect of the venue or time of which the change has been made, was given.

4.6 Discussions at the general meetings

- 4.6.1 A discussion shall not be initiated at the general meeting unless a legal counting is present upon the beginning of such meeting. A legal counting will be constituted upon the presence, in person or by proxy, of two shareholders holding at least twenty-five percent of the voting rights, within half an hour from the time set for the beginning of the meeting, unless otherwise stipulated in the Bank's articles of association.
- 4.6.2 In the absence of a legal counting in the general meeting after half an hour has elapsed from the time set for the beginning of the meeting, the meeting shall be deferred by one week, on the same day and at the same venue, without having to notify the shareholders of such, or to another date, if such was noted on the notice of the meeting (hereinafter: "**first deferred meeting**").
- 4.6.3 In a first deferred meeting, a legal counting will be constituted upon the presence at the beginning of the meeting, in person or by proxy, of two shareholders holding at

least fifteen percent of the voting rights, within half-an-hour from the time set for the beginning of the deferred meeting. In the absence of a legal counting, as aforesaid, in the first deferred meeting after half-an-hour has elapsed from the time set for the beginning of the meeting, the meeting shall be deferred by one week, on the same day and at the same venue, without having to notify the shareholders of such, or to another date, if such was noted on the notice of the original meeting or in the notice of the first deferred meeting, if such was given (hereinafter: the “**second deferred meeting**”). At a second deferred meeting, the legal counting will be constituted upon the presence at the beginning of the meeting, in person or by proxy, of two shareholders, regardless of their share in the voting rights.

4.6.4 Notwithstanding the provisions of Section 4.6.3 above, if the general meeting was convened at the request of shareholders, as provided in Section 4.5.2(b) above, the second deferred meeting shall take place only in the presence of shareholders in the number required for the convening of such meeting, as provided in Section 4.5.2(b) above.

4.6.5 The Chairman of the Board of Directors or any other person appointed for this purpose by the Board of Directors shall chair every general meeting of the Bank. If no such chairperson exists, or if he is not present at some meeting after fifteen minutes have elapsed from the time set for the beginning of the meeting or if he has refused to serve as chairperson, the present directors may, by a majority vote between them, choose a chairperson among themselves; and if they do not, the shareholders present in person or by proxy shall choose one of the present directors to chair the meeting. If no director is present or if all directors refuse to chair, one of the shareholders or the proxy of such shareholder shall be chosen to chair the meeting.

4.7 Voting on and passing resolutions at the general meetings

4.7.1 A shareholder interested in voting at the general meeting shall prove to the Bank his ownership of a share, as stipulated by the Companies Law. Without derogating from the aforesaid, the Board of Directors may set forth provisions and procedures with regard to proving ownership of the Bank’s shares.

4.7.2 A shareholder may vote at a general meeting or at a class meeting, in person or by proxy, all pursuant to the provisions of the articles of association and subject to the provisions of the Companies Law. A proxy for the vote is not required to be a shareholder at the Bank.

- 4.7.3 Each of the ordinary shares entitles its owner to the right to participate in the Bank’s general meeting and to one vote.
- 4.7.4 A resolution up for a vote in a general meeting shall be determined in a vote by ballot; the vote by ballot shall be executed in a manner set for such purpose by the chairperson of the meeting.
- 4.7.5 Subject to the provisions of the Companies Law or the provisions of the articles of association with regard to other majority, the meetings’ resolutions shall be passed by an ordinary majority.

4.8 Appointment of directors

In this section, the following terms will have the meaning specified next to them, as defined in the Bank’s Articles of Association:

“Outside Director pursuant to the Companies Law”: An outside director, as defined in the Companies Law;

“Outside Director pursuant to the Supervisor’s directives”: An outside director, as defined in the Proper Conduct of Banking Directive Regarding the Board of Directors, given by the Supervisor pursuant to the provisions of Article 5(c1) of the Banking Ordinance;

“Outside Director”: An outside director pursuant to the Companies Law or an outside director pursuant to the Supervisor’s directives;

4.8.1 The number of directors shall not be less than seven and shall not exceed fifteen, including the Outside Directors.

4.8.2 The directors shall be appointed at the annual meeting, and their tenure length, except for the Outside Directors, shall be until the end of the third annual meeting that shall convene after the annual meeting at which their appointment was approved, or until an earlier date approved in this regard by the Supervisor of Banks. Notwithstanding the aforesaid, in the event that no directors are appointed at the annual meeting, with immediate effect, directors who were nominated for reappointment at any annual meeting (hereinafter: the “**director appointment meeting**”) (i.e. the commencement of the tenure of said directors, who were appointed at the director appointment meeting, is contingent upon some yet-to-be fulfilled condition), said directors will continue their tenure until the end of the third annual meeting that shall convene after

the director appointment meeting, unless their tenure was terminated prior to that, per the requirements of the law. Directors whose tenure has ended may be reappointed.

- 4.8.3 Other than a person who served as a director until the date of the annual meeting, no director shall be appointed at the annual meeting, unless the Board of Directors has recommended the appointment thereof, or if he, or a shareholder at the Bank who wishes to propose his appointment, has submitted to the office, no later than fourteen days from the publication date of the preliminary notice of the meeting, in the meaning thereof below in Section 4.8.5a., a written document announcing his candidacy for the position or the intention of said shareholder to propose his appointment.
- 4.8.4 The Bank may, at a special meeting, appoint an additional director or directors for the Bank, whether for the purpose of filling a position that has been vacated for any reason or whether as an additional director or additional directors, provided that the number of directors shall not exceed the maximum number set forth in the articles of association. Appointed directors, as aforesaid, other than Outside Directors, shall end their tenure at the end of the third annual meeting that shall take place after the special meeting at which their appointment was approved, or at an earlier date approved in this regard by the Supervisor of Banks.
- 4.8.5 In respect of the appointment of directors, their tenure and the end of their tenure, the following provisions shall apply:
- a. A general meeting the agenda of which includes the appointment of directors or the tenure end thereof shall not be convened, unless the Bank publishes a preliminary notice of such meeting in the manner in which a notice of the convening of a general meeting is published, at least 21 days prior to the publication of the notice convening the general meeting, and the preliminary notice was also delivered to the Supervisor of Banks (hereinafter: the “**Supervisor**”) on that date;
 - b. The Board of Directors may not appoint directors for the Bank, and may not propose candidates for directorship to the Committee for the Appointment of Directors in Banking Corporations, which was appointed pursuant to Article 36a of the Banking (Licensing) Law, 5741-1981;
 - c. Notwithstanding the aforesaid in subsection b., the Board of Directors may appoint directors for the Bank if a seat on the Board of Directors has been vacated after the previous annual meeting, or with the approval of the

Supervisor, provided that the tenure of a director who has been appointed as aforesaid shall end no later than the upcoming annual meeting;

- d. The voting at the general meeting on the appointment of directors and the tenure end thereof shall be executed for any candidate for directorship or for any director, as the case may be, separately;
 - e. The resolutions of the general meeting regarding the appointment of a director or the tenure end thereof shall be passed by an ordinary majority; the total votes of the participants at the vote shall not include the abstaining votes.
 - f. If the number of candidates for directorship who received the majority votes of the participants at the vote at the general meeting exceeds the number of vacant positions for directorship as aforesaid, the candidates who received the highest number of supporters at the vote at the general meeting shall be elected.
- 4.8.6 The general meeting or the Board of Directors may determine that the tenure of a director appointed thereby, as applicable, shall commence at a date later than the date of his appointment.
- 4.8.7 Notwithstanding all of the aforesaid, the general meeting may, at any time, in a resolution by an ordinary majority, at a special meeting, end the tenure of any director other than an Outside Director, before the end of his tenure, provided that the director is given a reasonable opportunity to state his claim before the general meeting.
- 4.8.8 At least two Outside Directors pursuant to the Companies Law shall serve at the Bank, as well as Outside Directors pursuant to the Supervisor's directives, according to the provisions of the Proper Conduct of Banking Directive Regarding the Board of Directors, given by the Supervisor.
- 4.8.9 An Outside Director pursuant to the Companies Law shall be subject to the provisions stipulated in the Companies Law for this matter.
- 4.8.10
- a. An Outside Director pursuant to the Supervisor's directives shall be subject to the provisions of Articles 239(d), 241, 244, 245(a), 245(a3), 245(b), 246, 247 and 249 of the Companies Law.
 - b. In respect of Outside Directors, pursuant to the Supervisor's directives, who have been serving at the Bank since September 20, 2012, the following provisions shall apply:
 - (1) The tenure of an Outside Director pursuant to the Supervisor's directives shall end three years from the date on which he was appointed

for the first time as an Outside Director pursuant to the Supervisor's directives; and if more than three years have elapsed since the date of his first appointment, as aforesaid, his tenure shall end three years from the date on which his first three years of tenure had ended.

(2) The Bank may appoint a director, as provided in sub-regulation 4.8.10b(1) above, for additional tenures of three years each, provided that the overall tenure at the Bank of each director, as aforesaid, shall not exceed nine consecutive years.

c. Notwithstanding the provisions of Article 245(b) of the Companies Law:

(1) The Supervisor may end the tenure of an Outside Director pursuant to the Supervisor's directives, under Article 11a(e) of the Banking Ordinance;

(2) The Supervisor may approve the tenure end of an Outside Director pursuant to the Supervisor's directives, not pursuant to the provisions of Article 245(b) of the Companies Law; in such case, the company may, in a resolution by an ordinary majority, at a special meeting, end the tenure of said director, provided that the director is given a reasonable opportunity to state his claim before the general meeting.

4.9 The Board of Directors' powers

4.9.1 The Board of Directors may resolve, either by a specific resolution or by the Board of Directors' procedures, that the powers vested in the Chief Executive Officer shall be transferred under its authority, including any such power the implementation of which by the Board of Directors is binding under the Bank of Israel's directives, in respect of a specific issue or a specific time period.

4.9.2 Without derogating from the aforesaid, the Board of Directors may instruct the Chief Executive Officer on how to act on a specific issue. Should the Chief Executive Officer not carry out the instruction, the Board of Directors may enact the power required to execute the instruction in his place;

4.9.3 Should the Chief Executive Officer be unable to enact his powers, the Board of Directors may enact them in his place.

4.10 Voting at the Board of Directors

4.10.1 Each director shall have one vote at a Board of Directors vote. The Board of Directors' resolutions will be passed by a majority of votes from the directors present

at the meeting and voting thereat, without taking into account the abstaining votes. The Chairman of the Board of Directors shall not have an additional or decisive vote.

4.10.2 Should the opinions be equal, the proposed resolution on which the Board of Directors' have voted shall be considered rejected.

4.11 Transfer of shares

4.11.1 Any transfer of shares registered in the register of shareholders in the name of a registered shareholder, including a transfer by the nominee company or thereto, shall be made in writing, provided that the transfer letter shall only be signed by hand, by the transferor and by the transferee, or in their names, and shall be furnished to the registered offices or to any other place set forth by the Board of Directors for this purpose. Subject to the provisions of the Companies Law, such transfer of shares shall only be registered in the register of shareholders after a transfer letter has been furnished to the Bank, as aforesaid; the transferor shall be deemed the owner of the transferred shares until the registration of the transferee as the owner of the transferred shares in the register of shareholders.

4.11.2 Subject to the provisions of the articles of association or the terms of issue of shares of any class, the shares shall be transferrable with no need to obtain the Board of Directors' approval.

4.11.3 Each transfer letter shall be submitted to the offices or to any other location set forth by the Board of Directors for registration, along with the share certificate of the shares to be transferred and any other proof required by the Board of Directors with regard to the transferor's proprietary right or the right thereof to transfer the shares. The transfer letters that shall be registered shall remain in the Bank's custody; however, any transfer letter which the Board of Directors refused to register shall be returned to the person who submitted it, at his request.

4.11.4 If the Board of Directors refuses to approve the transfer of shares, it shall notify the transferor of such no later than one month after the date of receipt of the transfer letter.

4.11.5 Subject to the provisions of the Companies Law and the provisions of the articles of association, if it has been proven to the Bank, to the satisfaction of the Board of Directors and in the manners set forth thereby, that the terms stipulated by law have been fulfilled for the assignment of the right to the registered shares in the register, the Bank shall recognize the assignee and him alone as the owner of the right to said shares.

- 4.11.6 a. Subject to the provisions of the articles of association, the Bank shall amend the registration of ownership of the shares in the register of shareholders if a court order has been furnished to the Bank for the amendment of the register or if it has been proven to the Bank, to the satisfaction of the Board of Directors and in the manners set forth thereby, that the terms stipulated by law have been fulfilled for the assignment of the right to the shares, and the Bank shall not recognize any right of any person to the shares until the right thereof has been proven, as aforesaid.
- b. Without derogating from the aforesaid, the Board of Directors may refuse to execute the registration or delay it, as it would have been entitled to do had the registered owner transferred, by himself, the share before assigning the right.
- 4.11.7 Subject to the provisions of the Companies Law and the provisions of the articles of association, a person who became entitled to a share as provided in Section 4.11.5 above shall be entitled to dividends and other rights in respect of said share, as if he was the registered owner of said share, even if he has not yet been registered as such. However, before the registration thereof in the register as a shareholder in respect of said share, he shall not be entitled, by the power of said share, to enjoy any right of a shareholder with regard to the Bank's meetings.
- 4.11.8 Notwithstanding the aforesaid, the Board of Directors may, at any time, require from the person entitled to a share, as provided in Section 4.11.5 above, to register by himself in the register or to transfer said share to another person. If such requirement is not fulfilled within 60 days from the date of furnishing thereof, the Board of Directors may delay dividends or other rights in respect of said share until such requirement is fulfilled. If such requirement has been presented, such presentation shall be deemed the Board of Directors' approval to register the person entitled to the share as the owner thereof, in the register of shareholders; however, the right shall be reserved to the directors to refuse to approve the transfer of said share to another person, pursuant to the provisions of Section 4.11.6b. above.
- 4.11.9 The Bank may close the register of shareholders for the duration set forth by the Board of Directors, provided that such duration shall not exceed, in total, thirty days per annum. While the register is closed, no transfer of shares shall be registered therein.

4.12 The issue of convertible shares and securities

The Board of Directors may issue or allot shares and other securities, convertible or exercisable into shares, up to the limit of the Bank's registered capital; for this matter, convertible securities which are convertible or exercisable into shares shall be deemed as if converted or exercised on the issue date. The Board of Directors may issue such shares and other securities, as aforesaid, grant rights of option for the purchase thereof, including options, or confer them in another manner, all to the persons determined thereby, at the times and in the prices and terms determined thereby, as well as set forth any other provision in connection thereof, all at the discretion of the Board of Directors.

4.13 Amendment of the Articles of Association

The Bank may amend its articles of association via a resolution passed at the general meeting by an ordinary majority.

4.14 Exemption

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

The aforesaid exemption shall not apply to damage in consequence of a breach of the duty of care by a Bank officer, as aforesaid, which occurred after December 23rd, 2015, in making a decision or approving a transaction in which a controlling shareholder at the Bank or any officer at the Bank (including another Bank officer, who is not the officer to whom the exemption was granted under this Section 4.14 above) has a personal interest.

4.15 Resolutions which require a special majority

For the purpose of the below provisions, the term "special majority" shall have the meaning given thereto in the articles of association, as follows" "a majority of seventy-five percent of the total votes of the shareholders present at the general meeting or at a class meeting, as the case may be, entitled to vote and voting thereat, without taking into account the abstaining votes".

4.15.1 Amendment of the rights attached to the Bank's shares

- a. At any time where the share capital shall be divided into various classes, the Bank may, by a resolution passed in the general meeting by a special majority, convert, expand, add, reduce or otherwise amend the rights of a class of the Bank's shares, provided that written consent is obtained of all the shareholders of said class or that such resolution was approved at a general meeting of the

shareholders of said class by a special majority, or if otherwise stipulated in the terms of issue of a certain class of the Bank's shares, as stipulated in the terms of issue of said class.

- b. The provisions set forth in the articles of association with regard to general meeting shall apply, *mutatis mutandis*, to any class meeting, provided that a legal counting at a class meeting will be constituted upon the presence at the beginning of the meeting, in person or by proxy, of at least two shareholders holding at least half of the number of issued shares of said class. However, in the absence of a legal counting, as aforesaid, the class meeting shall be deferred to another time, and in the deferred meeting, a legal counting will be constituted upon the presence of any number of participants, regardless of the number of shares owned thereby.
- c. The rights conferred on the shareholders or the holders of a class of shares, which were issued whether by ordinary rights and whether by preference rights or by other special rights, shall not be deemed converted, reduced, impaired or otherwise amended by the creation or issue of additional shares of any class, regardless of whether they rank *pari passu* with, behind or before such shares, and shall also not be deemed converted, reduced, impaired or otherwise amended by the amendment of the rights attached to shares of any other class, all unless otherwise explicitly stipulated in the terms of issue of said shares.

4.15.2 **Restructuring**

Pursuant to the provisions of any law, in any event that Bank wishes to sell its enterprise, in whole or in part (hereinafter: “**enterprise**”) to another company (hereinafter: “**other company**”), the Board of Directors or the liquidators – where the Bank is in liquidation – may, with the approval of the Bank's general meeting, in a resolution passed by a special majority, accept in consideration of the enterprise fully or partially paid-up shares or other securities or collateral of the other company, whether the other company exists at such time or is about to be founded for the purchase of the enterprise, as aforesaid, and the Board of Directors or the liquidators – in the event of a liquidation – may, subject to the provisions of any law, distribute among the shareholders (or deposit therefor with trustees) such shares, securities or collateral or any other assets of the Bank's without exercising them.

4.15.3 **Capitalization**

- a. Subject to the provisions of any law, if the enterprise or any part thereof is transferred to another company as provided in Section 4.15.2 above, the Bank may, with the approval of the Bank's general meeting, by a special majority, distribute or allot the shares, securities, collateral, cash, benefits or other assets of the Bank in a manner different to that in which they should have been distributed or allotted in accordance with the precise legal rights of the Bank's shareholders. However, where shares of the Bank, all or any of them, are bearer shares or shares listed for trade on the TASE, the distribution or allotment shall be effected in accordance with the legal rights of the shareholders, as precisely as possible.
- b. For the execution of the provisions of Sections 4.15.2 and 4.15.3a. above, the general meeting may, in a resolution passed by a special majority, instruct that the shares, other securities, collateral, benefits and other assets of the Bank be valued in the manner and at the price resolved by the Bank.

4.15.4 **Rights in liquidation**

- a. Without derogating from the liquidator's authority pursuant to Article 334 of the Companies Ordinance (New Version) and subject to the rights attached to the classes of shares issued by the Bank, if the Bank is liquidated, voluntarily or otherwise, its assets remaining after the discharge of all its obligations shall be distributed amongst the shareholders pro rata to the par value of their shares without having regard to any premium paid thereon.
- b. For this matter, any person who has submitted an application for shares and the shares have not yet been allotted thereto shall be deemed to have been allotted, prior to the winding up, the shares included in his application, and the amount paid on account of the par value of such shares shall be deemed to have been paid in respect thereof.
- c. Subject to the provisions of any law, the liquidator may, pursuant to a resolution of the general meeting passed by a special majority, distribute the surplus assets or any part thereof amongst the shareholders in kind, and the liquidator may, pursuant to a resolution of the general meeting passed by a special majority, deposit any part of the surplus assets with trustees who shall hold them on trust in favor of the shareholders, as the liquidator deems fit. For the purpose of distributing the surplus assets in kind, the liquidator may

determine the proper value of the assets available for distribution and decide how such distribution will be effected amongst the shareholders taking into account to the rights attached to the various classes of shares in the Bank.

Chapter 5 – Additional details

5.

5.1 Details regarding the rates of the Bank’s shares on the TASE

Below are details of the high and low closing rate of the Bank’s share on the TASE¹¹, in ILS, in the years 2019 and 2020, as well as 2021 up to July 25, 2021, which was the last trading day preceding July 26, 2021, on which the Board of Directors approved the Option Plans, as well as the issuance of the Option Warrants included in the First Lot (in the event that the closing rate was identical in several trading days in each of said periods, the first trading day was provided):

The Period	Highest Rate		Lowest Rate	
	Rate	Date	Rate	Date
2019	95.99	Dec. 9 2019	62.88	Jan. 3 2019
2020	95.58	Feb. 6 2020	52.44	Mar. 23 2020
January 1 2021 – July 25 2021	103.20	Jun. 16 2021	74.31	Jan. 4 2021

5.2 The fair value of the Option Warrants

- 5.2.1 a. The Bank is implementing ASC 718, “Share-Based Payment”. In accordance with the provisions of said standard, the Bank’s financial reports must state an expense by reason of issue of the Option Warrants pursuant to the Option Plans. The provisions of the standard cover, *inter alia*, the recording of expenses in respect of the grant of Option Warrants in the Bank’s financial reports, in accordance with their fair value on the date of the Option Warrants’ grant for accounting purposes pursuant to the provisions of the standard (hereinafter: “**granting date**”);
- b. As detailed above in Section 1.1.3b(3), the Board of Directors has decided that at this stage, only the Option Warrants included in the First Lot of Option Warrants will be issued under this Outline; in this regard, it is clarified that the Bank has not yet decided to issue option warrants that will be included in the Additional Lots of Option Warrants; and that each issuance of any of the

¹¹ The rates of the shares provided in the table are not adjusted to dividends paid by the Bank in said years.

Additional Lots of Option Warrants, in full or in part, is subject to the approval of the Bank's Remuneration Committee and Board of Directors.

- c. It is hereby clarified that the fair value data provided below in this Section 5.2 with respect to the Option Warrants included in the First Lot of Option Warrants were calculated based on the data known on the date of the Board of Directors' approval to issue the First Lot of Option Warrants.

Furthermore, it is clarified that the entitlement to the Option Warrants that will be issued under this Outline, and to their exercise, shall be determined according to the provisions and metrics provided above in Chapter 2, as applicable.

- d. The accounting standard distinguishes between Option Warrants subject to market terms (e.g., the return on the Bank's share relative to the benchmark index) and option warrants that are subject to performance terms (for example, the operational efficiency ratio), which are reviewed in the period preceding the date of determining entitlement, as provided above in Section 2.13.3.

In accordance therewith, the fair value of the Option Warrants included in the First Lot, which are subject to performance terms that are not market terms, was calculated on the basis of the binomial model, and the fair value of the Option Warrants included in the First Lot that are subject to performance terms that are market terms, was calculated on the basis of the Monte Carlo model;

According to the accounting principles, the amount of Option Warrants the Offerees under Plans A through E will be entitled to exercise, as stated above in this outline, will be re-examined on each report date, over the Option Warrants' vesting period, based on the information that existed at the time. The results of this review may lead to a change in the amount of expenditure which will be recorded in the Bank's financial reports due to said Option Warrants, but not to a change in the fair value of any single Option Warrant.

The calculation of the fair value, as of the date of the Board of Directors' approval of the issuance of the Option Warrants included in the First Lot, is based on an economic opinion prepared by external counsel.

- 5.2.2 For the purpose of calculating the fair value, as of the date of the Board of Directors' approval of the issuance of the Option Warrants included in the First Lot, as aforesaid, the terms of the Option Plans were taken into account, as well as the following figures and assumptions:

- a. The Option Warrants' exercise price, for the purpose of the calculation, is ILS 99.36; this price was determined on the basis of the average closing rates of an ordinary share of the Bank on the TASE in the thirty (30) trading days preceding July 26, 2021, the date on which the Board of Directors' approval for the issue of the Option Warrants included in the First Lot was received.
- b. The closing rate of an ordinary share of the Bank on the TASE on the day of July 25, 2021 (i.e., on the trading day preceding July 26, 2021, the date on which the Board of Directors' approval for the issue of the Option Warrants included in the First Lot was received), was ILS 97.45.
- c. For 1' Option Warrants, the contractual lifespan for exercising the First Lot of Option Warrants is 3.59 years.
- d. For A, B and C Option Warrants, the contractual lifespan for exercising the First Lot of Option Warrants is between 3.59 and 5.19 years (in this regard, the possibility of earlier vesting dates for A, B and C Option Warrants, in accordance with Section 2.13.5 above, was not taken into account).
- e. The contractual lifespan for exercising the First Lot of D and E Option Warrants is 4.09 years.
- f. The standard deviation for the First Lot was calculated on the basis of the standard deviations of the historical daily yields of the share prices on the TASE, in accordance with the terms of the First Lot (as detailed above), including adjustments to extreme events; in accordance therewith, for the purpose of the calculation, the annual standard deviation that was taken into account for the First Lot of 1', A, B, C, D and E Option Warrants is approx. 23.11%.
- g. Risk-free interest rate – as a rule, according to ASC 718, use should be made of the interest of a risk-free asset the terms of which are consistent with the exercise price (linked or unlinked), to the currency in which the exercise price is denominated, and the period of the contractual lifespan for exercise.

In accordance therewith, and since the Option Warrants' exercise price is linked to the CPI, the interest rates taken into account for the purpose of calculating the Option Warrants' value are in accordance with the nominal government bond yield of which inflation expectations were deducted.

The yield to maturity data that were taken into account for the purpose of the calculation are as published by the "Mirvach Hogen" company on July 25,

2021, and are in accordance with the terms of the Option Warrants included in the Annual Lot.

In light of the aforesaid, the interest rates taken into account for the purpose of the calculation are: between approx. (1.25%) and approx. (1.67%).

- h. Dividends – the exercise price is adjusted to dividends and, accordingly, the dividend rate taken into account for the purpose of the calculation is 0%.
- i. The benefit restriction on the date of the Option Warrants’ exercise – as stated above in Section 2.21, the Option Warrants include a restriction on the sum of the financial benefit that shall derive on the date of their exercise. In accordance therewith, for the purpose of calculating the sum of the financial benefit to the Offeree on the exercise date of the Option Warrants included in the First Lot, the closing rate on the TASE of an ordinary share of the Bank on the trading day preceding the exercise date or the closing rate cap (in the meaning thereof above in Section 2.21.2a.(1)), whichever is lower will be taken into account.
- j. For Option Warrants A through E, the fair value of which was determined using the Monte Carlo model (i.e, Option Warrants subject to performance terms that are market terms), the following data and assumptions were used (in addition to the assumptions detailed above in subsections (a) to (h)):

In this subsection (i), “**excess return measurement period**” – the measurement period of the annual return on the Bank’s share (including dividend) compared to the return of the Benchmark index, in accordance with Section 2.12.6 above.

- (1) The standard deviations of the shares of the other four major banks: the standard deviations for the First Lot were calculated on the basis of the standard deviations of the historical daily returns of the closing rates of the shares of the other four major banks on the TASE, over a period equal to the measurement period of the standard deviation of the Bank’s share; in accordance therewith, for the purpose of the calculation, the annual standard deviations taken into account were between approx. 20.38% and 22.92%.
- (2) The correlation coefficients between the return on the Bank’s share and the return on the shares of the other four major banks: the correlation coefficients were assessed on the basis of a calculation of the correlation

coefficients between the historical returns on the Bank's share price and the historical returns on the shares of the other four major banks, over a period consistent with the excess return measurement period; in accordance therewith, a matrix of correlation coefficients estimated in the range of approx. 62.87% to approx. 83.46% were taken into account for the purpose of the calculation.

- 5.2.3 On the basis of the assumptions provided above in Section 5.2.2, the fair value of each (single) 1' Option Warrant included in the First Lot on the day of the Board of Directors' approval of 1' Option Warrants included in the First Lot issuance, is approx. ILS 11.75.
- 5.2.4 On the basis of the assumptions provided above in Section 5.2.2, the average fair value of each (single) A through E Option Warrant included in the First Lot of Option Warrants, on the day of the Board of Directors' approval of issuance of Option Warrants included in the First Lot, is as follows:
- a. An A Option Warrant included in the First Lot: approx. ILS 11.94.
 - b. A B Option Warrant included in the First Lot: approx. ILS 11.93.
 - c. A C Option Warrant included in the First Lot: approx. ILS 11.95.
 - d. A D or E Option Warrant included in the First Lot: approx. ILS 12.70.
- 5.2.5 It is noted that in accordance with the terms of 1' Option Warrants, the CEO's entitlement rate shall be determined at the discretion of the Remuneration Committee and the Board of Directors, in accordance with their evaluation of his performance (as aforesaid in Section 2.12.1); and that in accordance with the terms of Option Warrants A through E, the rate of an Offeree's entitlement to exercise said Option Warrants shall be determined in accordance with the various entitlement terms and exercise terms laid down in respect thereof; in accordance therewith, the quantity of Option Warrants that an Offeree shall be entitled to exercise pursuant to the terms set forth in this Outline might be lower than the overall quantity of Option Warrants granted thereto pursuant to this Outline.

5.3 The rationale of the Remuneration Committee and the Board of Directors

Below is the rationale behind the approval of the offer and issuance of Option Warrants A through E, for Bank officers (who are neither the CEO nor directors), as well as additional managers at the Bank and at the Bank's subsidiaries, in accordance with this Outline and its terms, as presented by the CEO of the Bank and adopted by the Bank's Remuneration

Committee, in its meeting on July 26, 2021; and by the Board of Directors, in its meeting on July 26, 2021¹²:

5.3.1 The offer of A and B Option Warrants to Bank officers, according to the Outline, is made per the principles detailed in the Updated Remuneration Policy for Officers (as approved by the Bank's general meeting on July 6, 2021). The offer of Option Warrants C through E to other Bank employees and to the employees of the Bank's subsidiaries is also made based on the aforesaid principles, with adjustments, considering *inter alia* the status and positions of said Offerees, all as detailed in the outline.

5.3.2 At this stage, only the Option Warrants included in the First Lot, for the year 2021, will be issued and granted under the Outline; the Bank shall be entitled to issue two Additional Option Warrant Lots under the Outline, for the years 2022 and 2023, out of the Option Warrant inventories, as provided in the Outline.

It is hereby clarified that the issuance of each of the Additional Lots or any part thereof requires the approval of the Bank's Remuneration Committee and Board of Directors and is subject to the publication of reports, as required by law.

5.3.3 The offer of A through E Option Warrants under this outline constitutes variable performance-based remuneration, limited by a cap; such remuneration is intended to create an incentive framework for Bank officers, as well as other managers at the Bank and the Bank's subsidiaries, to maintain an appropriate balance between the fixed remuneration and the variable remuneration, while promoting well-founded and effective risk management, which does not encourage the risk-taking beyond the Bank's risk appetite and allows maintaining strong capital base.

5.3.4 The entitlement to Option Warrants A through E under the Outline is contingent upon meeting a prerequisite, as provided in the Outline; moreover, the extent of the entitlement to said Option Warrants, out of any Annual Lot, shall be determined based on measurable company-wide metrics of the Bank; with respect to Bank officers, entitlement shall also be determined on the basis of a single Qualitative Metric, based on the Chief Executive Officer's decision (which shall be brought to the approval of the Remuneration Committee and the Board of Directors) in the matter of the officers' achievement of personal goals, as pre-determined for each officer. Notwithstanding the aforesaid, the decision regarding achievement of personal goals accomplished by the Bank's internal auditor shall be made by the Audit Committee, having received

¹² For the rationale of the Remuneration Committee and the Board of Directors with respect to the granting of the 1' Option Warrants to the CEO, see Section 3.13 above.

the recommendation of the Chairman of the Board of Directors, and shall be brought to the approval of the Remuneration Committee and the Board of Directors.

Additionally, the entitlement of Bank managers who are employed under collective agreements shall also be determined based on the quality rank assigned to each of them, as provided above in Section 2.12.10.

Moreover, the entitlement terms set forth as part of Option Plans A through E are intended to adjust the remuneration terms to the Bank's new strategic plan for the years 2021-2025 and long-term goals, as well as to said Offerees' contribution to attaining said goals and maximizing the Bank's profits; all while maintaining the Bank's risk management framework, as approved by the Board of Directors.

5.3.5 Pursuant to Option Plans A through D, the Board of Directors may, for special reasons, reduce the quantity of Option Warrants to which the Offerees, all or some, are entitled for any bonus year, and even determine that said Offerees shall not be entitled to all or some of the Option Warrants issued in respect of any bonus year, for the purpose of maintaining the Bank's stability.

5.3.6 The capital remuneration according to Option Plans A through E includes an offer of Option Warrants the financial benefit in respect of which is limited by way of a cap, according to the terms set forth in said Plans; the Option Warrant offer, as aforesaid, is proportionate and appropriate for the reasons detailed below:

- a. The exercise price of the Option Warrants was determined based on the average of the closing rates of the Bank's ordinary share on the TASE during the thirty (30) trading days prior to the date of the Board of Directors' approval for the issuance of the First Lot of Option Warrants or the date on which the Board of Directors approves the issuance of the Option Warrants that will be included in each of the Additional Lots, as applicable; in accordance therewith, the financial benefit to which the Offerees shall be entitled pursuant to the Options Plans is contingent upon the price increase of the Bank's ordinary share on the TASE compared to the exercise price, and is derived therefrom; however, pursuant to the terms of said Plans, the financial benefit in respect of the Option Warrants is limited by way of a cap, and in no case shall exceed the difference between the determined cap and the exercise price. This is furthermore to all of the other restrictions and terms set forth in said Options Plans, according to which the Offerees' entitlement to Option Warrants A through E or to their exercise shall be determined per the metrics and terms detailed in said Plans.

- b. Moreover, at the exercise date of the Option Warrants, each of the Offerees shall be entitled to issue exercise shares only in the amount that would reflect the financial benefit sum incorporated in the Option Warrants, which as aforesaid is limited by way of a cap; i.e. only by the sum of the difference between the closing rate of the Bank's share on the TASE on the trading day preceding the exercise date or the sum of the determined cap, whichever lower, and the exercise price, subject to adjustments, as detailed in said Plans' terms. Therefore, if the share price on the TASE does not advance compared to the exercise price, no financial benefit will arise to the Offerees from the Options Plan and no exercise shares shall be issued for them, even if all other terms regarding the entitlement to the exercise of the Option Warrants are fulfilled.
- c. Taking into consideration all the restrictions and entitlement terms set forth in Option Plans A through E (including the limitation of the cap of the financial benefit sum that will arise to the Offerees upon exercising of the Option Warrants), the Option Warrant offer pursuant to said Plans serves the following goals:
 - (1) Striving for uniform interests between the Bank's shareholders and the employees of the Bank and the Bank's subsidiaries, who are the Offerees under the outline;
 - (2) Promoting well-founded and effective risk management, which does not encourage risk taking beyond the Bank's risk appetite and allows maintaining strong capital base and the required capital adequacy.

5.3.7 In this regard, it is noted that per our matter, the remuneration of the Offerees by way of offering Option Warrants A through E, in which the incorporated benefit value is limited by way of a cap is preferable to granting restricted shares, *inter alia* due to the positive experience that the Bank has had using option warrants as a tool for Bank managers' remuneration: on the one hand, this is a stronger incentive for good performance; and on the other hand, the Bank has drawn up a wide list of checks and balances designed to prevent excessive risk-taking – especially with the entitlement to said Option Warrants being contingent, *inter alia*, upon the Bank's compliance with the regulatory capital limits that apply to it, which in itself entails yet another mechanism that restrains risk-taking.

5.3.8 The grant of A through E Option Warrants under the outline is reasonable, taking into account, *inter alia*, the volume of the Bank's activity and its complexity, as well as the great responsibility placed upon the officers and the rest of the Offerees by virtue

of their duties. Moreover, the offer of A through E Option Warrants is intended to promote the good of the Bank and grant the Offerees an appropriate and adequate incentive to act towards the achievement of the Bank's goals and to boost its profits, while maintaining the Bank's risk profile within the risk appetite established by the Board of Directors.

- 5.3.9 Each of the subsidiaries whose employees are included among the Offerees under Option Plans C, D and E is a private company wholly owned by the Bank; it is therefore not possible to offer its employees an option plan based on the market's assessment of its performance. Therefore, the Option Plans according to the outline, which provide benefits to the Offerees due to actions towards boosting the Bank's profits and the value of its shares are an important incentive element for Offerees who are among the employees of the Bank's subsidiaries.

5.4 Reference to the last periodic report and other reports filed thereafter

The Bank hereby refers to additional details that are included in the periodic report for 2020, submitted by the Bank on March 9, 2021 (reference no. 2021-01-029385), the quarterly report (submitted by the Bank on May 19, 2021, reference no. 2021-01-086502); and the immediate reports submitted by the Bank after the submission of said periodic report for 2020.

The above documents may be inspected on the Israel Securities Authority's website, at: www.magna.isa.gov.il, on the Tel Aviv Stock Exchange Ltd's website at: <http://maya.tase.co.il> and at the Bank's Offices, 7 Jabotinsky Street, Ramat Gan, during standard business hours, by appointment at: 03-7559720

July 26, 2021

Via: Mizrahi Tefahot Bank Ltd

Date

Ofer Horwitz

Racheli

Friedman

Secretary

Chief Legal

Advisor