

ISRAEL DISCOUNT BANK LTD.

Registration no.: 520007030

FAO: Israel Securities Authority
www.isa.gov.il

FAO: The Tel Aviv Stock Exchange Ltd. T460 (Public)
www.tase.co.il

Magna transmission date: June 27, 2022
Reference No.: 2022-01-079594

Immediate Report Regarding a Meeting **Regulation 36B(a) and (d), and Regulation 36C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970**

Is it possible to vote by means of an electronic voting system: *Yes*

Link to the voting system website where one can vote: [Voting System](#)

The Corporation announces the *convening of a General Meeting*

The reference number of the last notice regarding the General Meeting is _____, which was called to be held on _____

Reason for adjournment or cancellation: _____

1. Type of security: *Share*

Name of security referred to: *Ordinary "A" shares of NIS 0.1*

Stock Exchange number of the security entitling the holders thereof to participate in the General Meeting: *691212.*

The record date for determining the right to participate in and vote at the General Meeting is *July 3, 2022, 2020*

2. On *June 27, 2022,*

it was resolved to *convene an Annual General Meeting* _____,

which will be held on *Tuesday, August 2, 2022* at *12:30*

at *23 Yehuda Halevi St. (17th floor), Tel Aviv, Israel*

3. On the agenda:

Topics/resolutions to be raised at the Meeting:

1

The topic/resolution and details thereof:

Discussion of the Financial Statements and the Report of the Board of Directors of the Bank for the year ended December 31, 2021.

Declaration: There is no appropriate classification field

Reference of last report regarding approval of a private motion (T138): _____

Transaction between the Company and a Controlling Shareholder thereof as referred to in Sections 275 and 320(f) of the Companies Law: *No*

Reference of last report on the topic (T133): _____

Section in the Companies Law, Securities Law or other law explaining need for approval of resolution: *Section 60(b) of the Companies Law*

Does the topic require disclosure of an affiliation or some other characteristic of the shareholder that is voting: *No*

In the case of a debentures meeting

It was decided that another interest exists: _____

Provide details of the other interest

Request for additional details from the holders

Was it decided to ask for additional details from the holders: *No*

Details of the additional details required from the holders or the manner of convening the General Meeting (in the event of a meeting pursuant to Section 350):

- Correction of disclosure
- Insignificant change or a change only to the benefit of the Company relative to the text of the resolution set forth in last report
- Removal from the agenda
- The topic was discussed at a previous General Meeting
- Change in topic/addition of new topic to the agenda at the order of a court
- Change in topic/addition of new topic to the agenda pursuant to Regulation 5B of the Companies Regulations (Notice and Announcement of a General Meeting and a Class Meeting of a Public Company and Addition of Topic to the Agenda), 5760-2000
- Addition of new topic to the agenda after the record date due to a technical mistake, as detailed:

The topic on the agenda is presented *solely as a report*

Type of majority required to pass _____

Does the holdings percentage of the controlling shareholder in the shares of the Corporation confer on the controlling shareholder the majority required to adopt the proposed resolution on the topic _____

2

The topic/resolution and details thereof:

To reappoint Ziv Haft as independent auditors and Somekh Chaikin as independent auditors until the end of the 2023 Annual General Meeting, and to authorize the Bank's Board of Directors to fix the fees of the independent auditors.

A report shall be presented to the General Meeting concerning the fees of the auditors for 2021 for auditing activities and additional services pursuant to Sections 165 and 167 of the Companies Law.

Reference of last report regarding approval of a private motion (T138): _____

Transaction between the Company and a Controlling Shareholder thereof as referred to in Sections 275 and 320(f) of the Companies Law: *No*

Reference of last report on the topic (T133): _____

Section in the Companies Law, Securities Law or other law explaining need for approval of resolution:
Sections 154(b) and 165 of the Companies Law

Does the topic require disclosure of an affiliation or some other characteristic of the shareholder that is voting: *No*

In the case of a debentures meeting

It was decided that another interest exists: _____

Provide details of the other interest

Request for additional details from the holders

Was it decided to ask for additional details from the holders: *No*

Details of the additional details required from the holders or the manner of convening the Meeting (in the event of a meeting pursuant to Section 350):

- Correction of disclosure
- Insignificant change or a change only to the benefit of the Company relative to the text of the resolution set forth in last report
- Removal from the agenda
- The topic was discussed at a previous General Meeting
- Change in topic/addition of new topic to the agenda at the order of a court
- Change in topic/addition of new topic to the agenda pursuant to Regulation 5B of the Companies Regulations (Notice and Announcement of a General Meeting and a Class Meeting of a Public Company and Addition of Topic to the Agenda), 5760-2000
- Addition of new topic to the agenda after the record date due to a technical mistake, as detailed:

The topic on the agenda is presented *to be voted on*

Type of majority required to pass *a simple majority* _____

Does the holdings percentage of the controlling shareholder in the shares of the Corporation confer on the controlling shareholder the majority required to adopt the proposed resolution on the topic *No*

3

The topic/resolution and details thereof:

To appoint Mr. Danny Yamin as a director with the status of external director, as this is defined in Directive 301 of the Proper Conduct of Banking Business Directives, for a period of three years, with effect from February 1, 2023, subject to receiving the consent or non-objection of the Supervisor of Banks to the appointment.

At the General Meeting, one of the two (2) candidates proposed by the Committee for the Appointment of Directors at Banking Corporations will be elected to serve as a director with the status of external director, as this is defined in Directive 301 of the Proper Conduct of Banking Business Directives.

The vote for each candidate shall be taken separately. Those participating in the vote are entitled to vote for each of the candidates to serve as a director.

For additional details in connection with the appointment of the directors to the Bank's Board of Directors, see section 2 of the attached General Meeting Call Report, as well as the declarations and curricula vitae of the candidates attached to the original Hebrew version of this immediate report.

Appointment or dismissal of a director as referred to in Sections 59 and 230 of the Companies Law

Reference of last report regarding approval of a private motion (T138): _____

Transaction between the Company and a Controlling Shareholder thereof as referred to in Sections 275 and 320(f) of the Companies Law: *No*

Reference of last report on the topic (T133): _____

Section in the Companies Law, Securities Law or other law explaining need for approval of resolution:

Does the topic require disclosure of an attachment or some other characteristic of the shareholder that is voting: _____

In the case of a debentures meeting

It was decided that another interest exists: _____

Provide details of the other interest

Request for additional details from the holders

Was it decided to ask for additional details from the holders: *No*

Details of the additional details required from the holders or the manner of convening the Meeting (in the event of a meeting pursuant to Section 350):

- Correction of disclosure
- Insignificant change or a change only to the benefit of the Company relative to the text of the resolution set forth in last report
- Removal from the agenda
- The topic was discussed at a previous General Meeting
- Change in topic/addition of new topic to the agenda at the order of a court
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- Addition of new topic to the agenda after the record date due to a technical mistake, as detailed:

The topic on the agenda is presented *to be voted on*

Type of majority required to pass *a simple majority* _____

Does the holdings percentage of the controlling shareholder in the shares of the Corporation confer on the controlling shareholder the majority required to adopt the proposed resolution on the topic *No*

4

The topic/resolution and details thereof:

To appoint Mr. Guy Richker as a director of the Bank with the status of external director, as this is defined in Directive 301 of the Proper Conduct of Banking Business Directives, for a period of three years, with effect from February 1, 2023, subject to receiving the consent or non-objection of the Supervisor of Banks to the appointment.

At the General Meeting, one of the two (2) candidates proposed by the Committee for the Appointment of Directors at Banking Corporations will be elected to serve as a director with the status of external director, as this is defined in Directive 301 of the Proper Conduct of Banking Business Directives.

The vote for each candidate shall be taken separately. Those participating in the vote are entitled to vote for each of the candidates to serve as a director.

For additional details in connection with the appointment of the directors to the Bank's Board of Directors, see section 2 of the attached General Meeting Call Report, as well as the declarations and curricula vitae of the candidates attached to the original Hebrew version of this immediate report.

Appointment or dismissal of a director as referred to in Sections 59 and 230 of the Companies Law

Reference of last report regarding approval of a private motion (T138): _____

Transaction between the Company and a Controlling Shareholder thereof as referred to in Sections 275 and 320(f) of the Companies Law: *No*

Reference of last report on the topic (T133): _____

Section in the Companies Law, Securities Law or other law explaining need for approval of resolution:

Does the topic require disclosure of an attachment or some other characteristic of the shareholder that is voting: _____

In the case of a debentures meeting

It was decided that another interest exists: _____

Provide details of the other interest

Request for additional details from the holders

Was it decided to ask for additional details from the holders: *No*

Details of the additional details required from the holders or the manner of convening the Meeting (in the event of a meeting pursuant to Section 350):

- Correction of disclosure
- Insignificant change or a change only to the benefit of the Company relative to the text of the resolution set forth in last report
- Removal from the agenda
- The topic was discussed at a previous General Meeting
- Change in topic/addition of new topic to the agenda at the order of a court
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- Addition of new topic to the agenda after the record date due to a technical mistake, as detailed:

The topic on the agenda is presented *to be voted on*

Type of majority required to pass *a simple majority* _____

Does the holdings percentage of the controlling shareholder in the shares of the Corporation confer on the controlling shareholder the majority required to adopt the proposed resolution on the topic *No*

5

The topic/resolution and details thereof:

To approve the amendment to the Compensation Policy for the Bank's officers as set forth in Appendix A, which is attached to the General Meeting Call Report, in accordance with Section 267A of the Companies Law, 1999.

Approval of compensation policy pursuant to Section 267A(a) of the Companies Law

Reference of last report regarding approval of a private motion (T138): _____

Transaction between the Company and a Controlling Shareholder thereof as referred to in Sections 275 and 320(f) of the Companies Law: *No*

Reference of last report on the topic (T133): _____

Section in the Companies Law, Securities Law or other law explaining need for approval of resolution:

Does the topic require disclosure of an attachment or some other characteristic of the shareholder that is voting: _____

In the case of a debentures meeting

It was decided that another interest exists: _____

Provide details of the other interest

Request for additional details from the holders

Was it decided to ask for additional details from the holders: *No*

Details of the additional details required from the holders or the manner of convening the Meeting (in the event of a meeting pursuant to Section 350):

- Correction of disclosure
- Insignificant change or a change only to the benefit of the Company relative to the text of the resolution set forth in last report
- Removal from the agenda
- The topic was discussed at a previous General Meeting
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- Change in topic/addition of new topic to the agenda pursuant to Regulation 5B of the Companies Regulations (Notice and Announcement of a General Meeting and a Class Meeting of a Public Company and Addition of Topic to the Agenda), 5760-2000
- Addition of new topic to the agenda after the record date due to a technical mistake, as detailed:

The topic on the agenda is presented *to be voted on*

Type of majority required to pass *is not a simple majority*

The majority required to pass the resolution as prescribed in Section 267A of the Companies Law (taking into account that the Bank is a banking corporation having no core controlling interest):

(a) The votes comprising the majority shall include a majority of all the votes of holders of ordinary "A" shares participating in the vote, other than those having a personal interest in approving the appointment; in counting the total votes of the said shareholders, abstentions shall not be taken into account; or

(b) The total opposing votes among the shareholders included in section (a) above does not exceed two percent (2%) of the total voting rights in the Bank.

Does the holdings percentage of the controlling shareholder in the shares of the Corporation confer on the controlling shareholder the majority required to adopt the proposed resolution on the topic *No*

6

The topic/resolution and details thereof:

To approve the update to the terms of service of the Chairman of the Board of Directors, Mr. Shaul Kobrinsky, as stated in section 4.7 of the General Meeting Call Report.

Transaction with a director regarding his terms of service and employment, pursuant to Section 273(b) of the Companies Law

Reference of last report regarding approval of a private motion (T138): _____

Transaction between the Company and a Controlling Shareholder thereof as referred to in Sections 275 and 320(f) of the Companies Law: *No*

Reference of last report on the topic (T133): _____

Section in the Companies Law, Securities Law or other law explaining need for approval of resolution: _____

Does the topic require disclosure of an attachment or some other characteristic of the shareholder that is voting: _____

In the case of a debentures meeting

It was decided that another interest exists: _____

Provide details of the other interest

Request for additional details from the holders

Was it decided to ask for additional details from the holders: *No*

Details of the additional details required from the holders or the manner of convening the Meeting (in the event of a meeting pursuant to Section 350):

- Correction of disclosure
- Insignificant change or a change only to the benefit of the Company relative to the text of the resolution set forth in last report
- Removal from the agenda
- The topic was discussed at a previous General Meeting
- Change in topic/addition of new topic to the agenda at the order of a court
- Change in topic/addition of new topic to the agenda pursuant to Regulation 5B of the Companies Regulations (Notice and Announcement of a General Meeting and a Class Meeting of a Public Company and Addition of Topic to the Agenda), 5760-2000
- Addition of new topic to the agenda after the record date due to a technical mistake, as detailed:

The topic on the agenda is presented *to be voted on*

Type of majority required to pass *is not a simple majority*

The majority required to pass the resolution as prescribed in Section 273 of the Companies Law and also as prescribed in Section 2(a) of the Compensation of Officers of Financial Corporations Law (Special Approval and Non-Allowance of Expense for Tax Purposes due to Excessive Compensation), 2016 (taking into account that the Bank is a banking corporation having no core controlling interest):

- a. The votes comprising the majority shall include a majority of all the votes of holders of ordinary "A" shares participating in the vote, other than those having a personal interest in approving the appointment; in counting the total votes of the said shareholders, abstentions shall not be taken into account; or*

b. *The total opposing votes among the shareholders included in section (a) above does not exceed two percent (2%) of the total voting rights in the Bank.*

Does the holdings percentage of the controlling shareholder in the shares of the Corporation confer on the controlling shareholder the majority required to adopt the proposed resolution on the topic *No*

The General Meeting Call Report is attached as Attachment 1

4. Attachments

4.1 Attached is a file that includes the text of the voting ballot/position papers: the voting ballot is attached as Attachment 2

Text of Voting Ballot *Yes*

Text of Position Papers *No*

4.2 Attached is a file that includes the candidates' declarations/other related documents: _____

Declaration of candidate to serve as a Director of the Corporation *Attached to the original Hebrew report*

Declaration of Independent Director *No*

Declaration of External Director *No*

Declaration of appointment of representative for representation _____

Amended trust deed _____

Motion to approve a creditors arrangement pursuant to Section 350 _____

Other _____

Link to the site of the voting system at which one may vote: The Voting System

5. Quorum for holding the Meeting:

The quorum for holding a General Meeting is the attendance of one shareholder or more holding (individually or cumulatively) at least one-fifth of the voting rights in the Bank (whether by means of actually attending in person or by means of a proxy, or whether by means of the electronic voting system or a voting ballot), within half an hour of the time stipulated for the start of the Meeting. If within half an hour of the time scheduled for opening the Meeting, a quorum is not present, the General Meeting shall be adjourned until Wednesday, August 3, 2022, at 12:30. Where no quorum is present at the adjourned Meeting, as referred to above, one shareholder present in person or by proxy shall constitute a quorum and he may deal with the matters for which such General Meeting was called.

6. In the absence of a quorum, the adjourned Meeting will be held on: *August 3, 2022* at *12:30*
at *23 Yehuda Halevi St. (17th floor), Tel Aviv, Israel.*

In the absence of a quorum, the Meeting will not take place.

7. Time and place for viewing each proposed resolution whose text is not fully presented in the above agenda:

The text of the proposed resolutions to be brought for approval at the General Meeting and the attachments can be viewed at the Office of the Corporate Secretary of the Bank, 23 Yehuda Halevi Street, Tel-Aviv, Israel, by prior arrangement (telephone no. +972-76-8054499), during regular business hours, from the date of publication of this Immediate Report.

General Meeting identifier: _____

Details of signatories authorized to sign in the name of the Corporation:

	Name of Signatory	Position
1	<i>Adv. Hagit Meirovitz</i>	<i>Other Executive Vice President, Chief Legal Counsel</i>
2	<i>Adv. Michal Sokolov-Danoch</i>	<i>Other Corporate Secretary of the Bank</i>

Reference numbers of previous documents relating to this topic (their mention does not constitute their inclusion by way of reference):

The securities of the Corporation are listed for trade on the Tel Aviv Stock Exchange Date of updating structure of form: 07/06/2022

Abbreviated name: Discount

Address: 23 Yehuda Halevi St., Tel Aviv 6513601, Israel Tel: 972-3-9439111; Fax: 972-3-5171674

Email: michal.sd@dbank.co.il

Prior names of the reporting entity:

Name of person making electronic report: Tenne, Ayelet Position: Lawyer, General Secretary Name of Employing Company:

Address: 23 Yehuda Halevi St., Tel Aviv 6513601, Israel Tel: +972-76-8058862; Fax: +972-3-5171674

Email: ayelet.tenne@dbank.co.il

Israel Discount Bank's Immediate Reports are published in Hebrew on the website of the Israel Securities Authority and the Tel Aviv Stock Exchange.

The English translation is prepared for convenience purposes only.

In the case of any discrepancy between the English and Hebrew versions, the Hebrew will prevail.



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1
ATTACHMENT 1

ISRAEL DISCOUNT BANK LTD.
("The Bank")

Date: June 27, 2022

Israel Securities Authority
www.isa.gov.il

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

Re. Immediate Report Regarding Convening of Annual General Meeting

The Bank hereby announces the convening of an Annual General Meeting, which shall be held on **Tuesday, August 2, 2022 at 12:30** ("the General Meeting"). The General Meeting shall be held at the offices of the Bank, 23 Yehuda Halevi Street (17th Floor), Tel Aviv, Israel ("the Bank's Offices"). If a quorum is not present, the General Meeting shall be adjourned to **Wednesday, August 3, 2022 at 12:30** at the Bank's Offices.

1. Part A – Topics on the agenda and the majority required to pass the resolutions:

1.1 Discussion of the Financial Statements and the Report of the Board of Directors of the Bank for the year ended December 31, 2021

The financial statements and the report of the Board of Directors of the Bank for the year ended December 31, 2021, which are included in the Bank's Periodic Report for 2021 can be viewed on the Distribution website of the Israel Securities Authority (www.isa.gov.il) ("the Distribution Website"), on the website of the Tel-Aviv Stock Exchange Ltd. (www.maya.tase.co.il) ("the TASE Website") and on the website of Discount Bank (www.discountbank.co.il) ("the Bank's Website"). The Report was published on March 9, 2022 (reference no.: 2022-01-027652).

The proposed resolution:

No resolution is required.

1.2 Appointment of independent auditors and authorization of the Board of Directors to fix their fees

A report shall be presented to the General Meeting concerning the fees of the auditors for 2021 for auditing activities and additional services pursuant to Sections 165 and 167 of the Companies Law, 1999 ("the Companies Law"), as detailed on page 276 of the Bank's 2021 Periodic Report (page 334 of the English translation).

The Bank implements the rules of conduct proposed for directors so as to promote the quality of the financial statements' audit (Best Practice), as published by the Israel Securities Authority in October 2021, and the Proper Conduct of Banking Business Directives, pursuant to which, once every three years at least, the Audit Committee shall hold a discussion concerning the possibility of replacing the independent auditors of the Bank. The aforementioned once-every-three-years discussion is expected to be held in 2023.



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The proposed resolution:

To reappoint Ziv Haft as independent auditors and Somekh Chaikin as independent auditors until the end of the 2023 Annual General Meeting, and to authorize the Bank's Board of Directors to fix the fees of the independent auditors.

The majority required to pass the resolution:

A simple majority of all the votes of holders of ordinary "A" shares voting at the General Meeting in person, by proxy, by means of a voting ballot or by means of an electronic voting system, and entitled to vote. In counting the votes of the said shareholders, abstentions shall not be taken into account.

1.3 Appointment of directors to the Board of Directors of the Bank – 301 external director

To elect one (1) director, with the status of external director, as this is defined in Directive 301 of the Proper Conduct of Banking Business Directives ("Directive 301").

The election at this General Meeting is between the candidates proposed by the Committee for the Appointment of Directors at Banking Corporations appointed pursuant to Section 36A of the Banking (Licensing) Law, 1981 ("the Banking Law") and pursuant to Sections 11D(a)(1) and (2) of the Banking Ordinance, 1941 ("the Banking Ordinance"):

1.3.1 Mr. Danny Yamin

1.3.2 Mr. Guy Richker

The majority required to pass the resolution:

The majority required to pass a resolution to appoint a 301 external director is a simple majority of all the votes of holders of ordinary "A" shares voting at the General Meeting in person, by proxy, by means of a voting ballot or by means of an electronic voting system, and entitled to vote. In counting the votes of the said shareholders, abstentions shall not be taken into account.

For further details regarding the appointment of the directors to the Bank's Board of Directors, including the proposed resolutions – refer to section 2 below. The appointments shall take effect subject to that described in section 2 below.

1.4 Amendment of the compensation policy for the Bank's officers, pursuant to Section 267A of the Companies Law

The proposed resolution:

To approve an amendment to the compensation policy for the Bank's officers, which is attached as **Appendix A** to the agenda, pursuant to Section 267A of the Companies Law.

The majority required to pass the resolution as prescribed in Section 267A of the Companies Law (taking into account that the Bank is a banking corporation having no core controlling interest):

(a) The votes comprising the majority shall include a majority of all the votes of holders of ordinary "A" shares participating in the vote, other than those having a personal interest in approving the appointment; in counting the total votes of the said shareholders, abstentions shall not be taken into account; **or**



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

Notwithstanding the aforesaid, the Bank's Board of Directors may approve the amendment of the Compensation Policy, even if the General Meeting has opposed its approval, provided that the Compensation Committee and, subsequently, the Board of Directors shall resolve – on the basis of detailed reasons and after having re-discussed the Compensation Policy – that approval of the Compensation Policy, despite the opposition of the General Meeting, is in the best interests of the Bank.

For further details regarding amendment of the compensation policy, refer to section 3 below.

1.5 Approval of update to the terms of service of the Chairman of the Board of Directors, Mr. Shaul Kobrinsky, and amendment of the officers' compensation policy accordingly

The proposed resolution:

To approve the update to the terms of service of the Chairman of the Board of Directors, Mr. Shaul Kobrinsky, as stated in section 4.7 below.

The majority required to pass the resolution as prescribed in Section 273 of the Companies Law and also as prescribed in Section 2(a) of the Compensation of Officers of Financial Corporations Law (Special Approval and Non-Allowance of Expense for Tax Purposes due to Excessive Compensation), 2016 ("the Compensation Law")¹ (taking into account that the Bank is a banking corporation having no core controlling interest):

- c. The votes comprising the majority shall include a majority of all the votes of holders of ordinary "A" shares participating in the vote, other than those having a personal interest in approving the appointment; in counting the total votes of the said shareholders, abstentions shall not be taken into account; **or**
- d. The total opposing votes among the shareholders included in section (a) above does not exceed two percent (2%) of the total voting rights in the Bank.

For details regarding the proposed service terms of the Chairman of the Board of Directors, refer to section 4 below.

Part B – Additional details regarding the topics on the agenda:

2. Further details regarding the appointment of the directors to the Bank's Board of Directors:

- 2.1** A preliminary notice pursuant to Section 11C(a)(4) of the Banking Ordinance was published on May 22, 2022 (reference no. 2022-01-061942).
- 2.2** The Bank's Board of Directors currently consists of 10 directors.

¹ As the compensation for the Chairman of the Board of Directors exceeds the cap set in Section 2(a) of the Compensation Law, the resolution is being submitted for the approval of the General Meeting also with the majority prescribed in Section 2(a) of the Compensation Law.



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- 2.3 In preparation for the upcoming Annual General Meeting, two (2) candidates have been proposed by the Committee for the Appointment of Directors for the position of 301 external director, from whom the General Meeting has to elect one (1) director.
- 2.4 In accordance with Section 11A of the Banking Ordinance, the appointment of the director who shall be elected by the General Meeting is subject to the Supervisor of Banks approving the appointment or to his not opposing it.
- 2.5 The service commencement date of the director who shall be elected shall be after receipt of the Supervisor of Banks' approval for the appointment and taking into account the vacant positions on the Bank's Board of Directors and the date of their becoming vacant.

Ms. Miri Katz is expected to end her second term of service as a director of the Bank on February 1, 2023 and has not submitted to the Committee for the Appointment of Directors her candidacy to serve an additional term. In light of the aforesaid, the date on which the director elected by the General Meeting shall commence his service shall be the date on which Ms. Miri Katz ends her service as a director and after receipt of the Supervisor of Banks' approval for the appointment.

- 2.6 The candidates must comply with all the terms stipulated by law for service as a director of a bank having no core controlling interest, as prescribed in Sections 11E(b)-(e) of the Banking Ordinance, and also with the eligibility terms that apply to external directors by virtue of the Companies Law, including having no affiliation to the Bank, to a corporation controlled by the Bank, to an officer of the Bank or to a material holder/material shareholder, of these or of their relatives. Attached to this Immediate Report are declarations from the candidates to serve as directors of the Bank, in accordance with Section 224B of the Companies Law.
- 2.7 As resolved by the Audit Committee on November 13, 2016, retail business relations between the candidates for appointment and/or anyone closely connected with them, with the Bank and/or with corporations under its control and/or material holders/material shareholders, that are involved in the provision of retail banking services during the normal course of business, and which meet the criteria set by the Supervisor of Banks in relation to "retail business relations"² ("the Supervisor's Letter"), do not constitute an "affiliation" pursuant either to the Banking Ordinance or to the Companies Law, and – instead – shall be classified as insignificant relations, in accordance with the provisions Regulations of Section 5 of the Companies (Matters Not Constituting an Affiliation), 2006 ("the Insignificance Regulations"). Within the context of the discussion on the question of the insignificance, the Audit Committee examines, in regard to each candidate, whether the aforesaid criteria have been exceeded. In any case, this shall not be deemed a sufficient reason to prevent the Audit Committee from confirming the insignificance of the relations, even if the business relations were not to comply with the limits imposed by the Supervisor in regard to retail business relations.
- 2.8 The Bank must comply with all the relevant requirements regarding the composition and qualifications of the Board of Directors in accordance with the provisions of any law, including the provisions of Proper Conduct of Banking Business Directive No. 301, inter alia, in relation to the requirement for a minimum number of directors possessing proven banking experience, professional qualifications, accounting and financial expertise, proven IT knowledge and experience, and additional requirements as set forth in sections 25 and 26 of Directive 301.
- 2.9 Taking into consideration the characteristics of the Bank's activities, its strategy and the challenges in the business environment in which it operates, the regulatory developments and the risks to which the Bank is exposed, the Bank is seeking to appoint – among the directors to be appointed at the General Meeting, as stated in section 1.3 above – candidates that have the following attributes:

² As set forth in the Supervisor's Letter to the Bank from May 28, 2014 regarding the meaning of the terms "retail business relations" and "insignificant relations" in Section 11E(b) of the Banking Ordinance.



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- having knowledge and experience in IT fields. It is desirable to have had practical managerial experience in leading major technological projects in large companies during recent years and to have kept their knowledge in this field up to date since ceasing to manage/lead technology projects, with emphasis on cyber and cloud technology;
- having a business and/or banking background and experience in a senior management position with a financial corporation or with a business company having a significant business scope;
- it is desirable that the candidate possesses knowledge and understanding of financial statements of financial institutions or banking corporations.

2.10 The vote for each candidate shall be taken separately. Those participating in the vote are entitled to vote for each of the candidates to serve as a director.

2.11 It should be noted that Article 37D of the Bank's Articles of Association states the following:

"Should the number of candidates for appointment as directors, who receive a majority of the votes of the participants in the vote at the General Meeting, exceed the number of positions available for said appointment, the candidates who gained the most support in the vote at the General Meeting shall be selected. If any of the electees is disqualified from serving as a director for any reason, including pursuant to a decision by the Supervisor of Banks, the candidate who gained the greatest amount of support in the vote at the General Meeting, after the candidate who was disqualified as stated, shall be the person elected.

If a decision needs to be made between candidates who received an equal number of votes at the General Meeting, and among these candidates there is a person who is standing for an additional period of service, that person shall be considered as having gained the greatest amount of support in the vote at the General Meeting.

Where both candidates for director are standing for election for the first time, or have been serving for identical periods, a further vote shall be taken at the adjourned meeting on whose agenda shall be the appointment of the directors who won an equal number of votes."

2.12 In regard to voting at the General Meeting, Section 34(a1) of the Banking Law prescribes the following – "A person shall not conclude an agreement with another concerning their votes for the appointment of a director in a bank or a bank holding corporation, except in accordance with a permit that the Governor shall issue after consulting with the Licenses Committee; this provision shall not apply to a body of holders, as defined in Section 11D(a)(3)(b) of the Ordinance, for the purpose of voting on the appointment of a director who was removed by them pursuant to that Section, and also to a holder of means of control that concludes an agreement with another to the effect that said other shall vote in its name and on its behalf and without consideration, as the holder of the means of control has instructed him, provided that, if the other is himself a holder of means of control in a banking corporation or a bank holding corporation, as the case may be, no more than one other holder shall vote in his name and on his behalf".



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2.13 Directors of the Bank who are Expert Directors, as defined in the Companies Regulations (Rules on Fees and Expenses of External Directors), 2000 (“the Fees Regulations”) (“an Expert Director”)³, shall be entitled to the payment of annual fees and meeting attendance fees in the “maximum amount for an expert external director” prescribed in the Fourth Schedule to the Fees Regulations, according to the ranking of the Bank, in accordance with the Board of Directors’ decision from May 16, 2018.

A director who is not an Expert Director shall be entitled to annual fees and meeting attendance fees in the “maximum amount” prescribed in the Second and Third Schedules to the Fees Regulations, according to the ranking of the Bank, in accordance with the Board of Directors’ decision from July 6, 2008.

2.14 On March 18, 2020, the General Meeting approved a compensation policy for officers of the Bank pursuant to Section 267A of the Companies Law, for the years 2020-2022. As part of the compensation policy, it is prescribed that the Bank shall be entitled to acquire a policy for directors’ and officers’ liability insurance, which shall apply to the officers of the Bank and/or its investee companies and for the Bank’s group companies as these shall be from time to time. The Bank shall be entitled to enter into an officers’ liability insurance policy, as stated, during the term of the compensation policy, either by way of acquiring new policies or by way of extending or renewing the existing policies or policies that shall be acquired in the future – and all within the framework of the terms and conditions set forth in the compensation policy⁴. The existing directors’ and officers’ liability insurance policy for the Bank’s directors and officers was renewed on April 1, 2022 and is valid through March 31, 2023.

2.15 For details regarding resolutions in respect to exemption and indemnification of the Bank’s directors and officers, refer to Article 29A and Note 26 in the Bank’s annual report for the period ended December 31, 2021, which was published on March 9, 2022.

2.16 Presented below are details concerning the candidates to serve as directors with the status of external director, as this is defined in Directive 301 of the Proper Conduct of Banking Business Directives, in accordance with Regulations 26 and 36B(a)(10) of the Securities Regulations (Periodic and Immediate Reports), 1970:

In regard to topic 1.3.1 on the agenda – Election of Mr. Danny Yamin

Candidate’s name	Danny Yamin
ID no.	05526234
Date of birth	June 7, 1958
Address for service of court documents	17 Rothschild Street, Tel Aviv, Israel
Nationality	Israeli
Membership of Board of Directors’ committees	Not yet determined
External director as defined in the Companies Law	No. External director pursuant to Directive 301, in accordance with the classification of the Committee for the Appointment of Directors

³ “Expert Director” – (1) a director possessing accounting and financial expertise; (2) a director who, due to his education, experience and qualifications possesses a high level of skill and a thorough understanding of the principal business sphere of the company, the director’s level of skill and understanding shall be assessed by the board of directors, after the director has added to his declaration, pursuant to Section 241 of the Companies Law, a declaration regarding his education, experience and qualifications, to the extent that these are relevant to his aforesaid assessment, to which he shall attach documents that support his declaration (Regulation 1 of the Companies Regulations (Rules on Fees and Expenses of External Directors), 2000).

⁴ Refer to the immediate report dated February 24, 2020, reference no. 2020-01-015952.



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Independent director as defined in the Companies Law	Yes, in accordance with the candidate's declaration. Subject to the Audit Committee's approval
Possesses accounting and financial expertise or professional qualifications	Refer to the candidate's declaration and subject to the approval of the Bank's Board of Directors
Date on which service as a director shall commence	Subject to the General Meeting's approval and receipt of the Supervisor of Banks's consent and not before February 1, 2023
Education/professional diplomas	Refer to the curriculum vitae and the candidate's declaration attached to this immediate report
Employment in the last five years and details of the corporations in which he serves as a director	Refer to the curriculum vitae and the candidate's declaration attached to this immediate report
Employee of the Bank, a subsidiary, a related company or an interested party of the Bank	No
Relative of another interested party in the corporation	No

Decision of the Audit Committee:

- The Audit Committee has confirmed that the relations with the Bank and/or corporations under its control in the course of normal business, and the financial services provided by material holders/material shareholders to the candidate and/or his relations, which meet the criteria prescribed by the Supervisor of Banks in regard to "retail business relations" as referred to in section 2.7 above, do not constitute an "affiliation" and instead constitute insignificant relations in accordance with the Companies Law and the Banking Ordinance.
- The candidate serves as the CEO and as a director of Byte Acquisition ("the Company"), a special purpose acquisition company (SPAC) that made an issuance on NASDAQ for the purpose of acquiring/merging with a target company. Institutional bodies that are material holders/material shareholders of the Bank are investors in the Company at the date of acquisition/merger with the target company in accordance with the terms prescribed at the time of the initial investment. The Audit Committee has confirmed that, insofar as the business relations of the Company with the material holders/material shareholders of the Bank constitute an affiliation, these are insignificant in accordance with the Banking Ordinance and the Companies Law. Among the reasons for this are: the scope of the investment of the material holders/material shareholders in the Company; the status of the material holders/material shareholders of the Company as passive investors that are not involved in the Company's management; the fact that the material holders and the material shareholders have no veto right over the acquisition/merger with the target company; the fact that the relations are with the Company in which the candidate serves as CEO; and that the candidate has declared that, from his perspective, the relations are insignificant.

The proposed resolution:

To appoint Mr. Danny Yamin as a director with the status of external director, as this is defined in Directive 301 of the Proper Conduct of Banking Business Directives, for a period of three years, with effect from February 1, 2023, subject to receiving the consent or non-objection of the Supervisor of Banks to the appointment.



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In regard to topic 1.3.2 on the agenda – Election of Mr. Guv Richker

Candidate's name	Guy Richker
ID no.	025586041
Date of birth	December 17, 1973
Address for service of court documents	30 Harechesh Street, Tel Aviv, Israel
Nationality	Israeli
Membership of Board of Directors' committees	Not yet determined
External director as defined in the Companies Law	No. External director pursuant to Directive 301, in accordance with the classification of the Committee for the Appointment of Directors
Independent director as defined in the Companies Law	Yes, in accordance with the candidate's declaration. Subject to the Audit Committee's approval
Possesses accounting and financial expertise or professional qualifications	Refer to the candidate's declaration and subject to the approval of the Bank's Board of Directors
Date on which service as a director shall commence	Subject to the General Meeting's approval and receipt of the Supervisor of Banks's consent and not before February 1, 2023
Education/professional diplomas	Refer to the curriculum vitae and the candidate's declaration attached to this immediate report
Employment in the last five years and details of the corporations in which she serves as a director	Refer to the curriculum vitae and the candidate's declaration attached to this immediate report
Employee of the Bank, a subsidiary, a related company or an interested party of the Bank	No
Relative of another interested party in the corporation	No

Decision of the Audit Committee:

- The Audit Committee has confirmed that the relations with the Bank and/or corporations under its control in the course of normal business, and the financial services provided by material holders/material shareholders to the candidate and/or his relations, which meet the criteria prescribed by the Supervisor of Banks in regard to "retail business relations" as referred to in section 2.7 above, do not constitute an "affiliation" and instead constitute insignificant relations in accordance with the Companies Law and the Banking Ordinance.



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- The candidate works at Google in a managerial position and is not defined as an officer of that company. The Audit Committee has confirmed that the business relations between Google (the candidate's employer) and the Bank/the Bank's subsidiaries, which constitute an affiliation, are insignificant in accordance with the Banking Ordinance and the Companies Law. Among the reasons for this are: that the scope of the relations are in insignificant amounts both for Google and for the Bank/the Bank's subsidiaries; that most of the engagements, rather than being direct, are through third parties; that the relations are with the employer of the candidate and not with the candidate himself, and the candidate is not involved in these relations and has no control over them; and the candidate has declared that, from his perspective, the relations are insignificant.

The proposed resolution:

To appoint Mr. Guy Richker as a director of the Bank with the status of external director, as this is defined in Directive 301 of the Proper Conduct of Banking Business Directives, for a period of three years, with effect from February 1, 2023, subject to receiving the consent or non-objection of the Supervisor of Banks to the appointment.

3. Further details in connection with amending the compensation policy:

- 3.1 The 2020-2022 compensation policy for officers ("the Compensation Policy") was approved by the Bank's General Meeting on March 18, 2020.⁵
- 3.2 Among other things, the Compensation Policy incorporates provisions relation to the Compensation Law.
- 3.3 Section 2(a) of the Compensation Law prescribes that the grant of compensation to officers and employees of the Bank, where the anticipated expense resulting therefrom (as calculated at the date of the approval and in conformance with generally accepted accounting principles) is expected to exceed NIS 2.5 million per year⁶, is subject to receiving approval from the competent organs of the Bank in accordance with that specified in the Compensation Law. In such a case, the Compensation Law prescribes that, in accordance with Section 2(a) of the Compensation Law, in order for such compensation for an employee of the Bank to be approved, the ratio between the anticipated expense resulting therefrom and the expense resulting from the lowest compensation that the Bank paid to a bank employee (including agency workers employed by the Bank) in the year preceding the date of entering into the agreement, shall be smaller than 35 ("the Compensation Law Limit")⁷.
- 3.4 Section 7.1 of the Compensation Policy prescribes a maximum annual compensation amount for an officer who is not the CEO or a director ("a VP") at a level of 90% of the highest cap permitted under the Compensation Law (Section 2(a) or Section 2(b) "the 90% Cap"). Along with this, it is prescribed that a VP shall not be entitled to split an award that would bring the total annual compensation to an amount in excess of the compensation cap pursuant to Section 2(a) of the Compensation More, without obtaining specific special approval to do so from the Compensation Committee and the Board of Directors.

⁵ For details regarding the Bank's compensation Policy that was approved by the Bank's General Meeting on March 18, 2020, as amended on May 18, 2021, see the Bank's immediate reports from February 24, 2020 and May 18, 2021 (reference nos. 2020-01-015952 and 2021-01-085890, respectively).

⁶ The amount is linked to the Israeli Consumer Price Index from April 12, 2016 and thereafter.

⁷ It should be noted that the product of 35 times the annual expense resulting from the lowest compensation, at the full-time position cost, that the Bank paid, directly or indirectly, to a bank employee, including a manpower agency worker whose employer is in practice the Bank, and a service agency worker who is employed in providing this service to the Bank (excluding deposits and provisions for severance pay and provident payments in accordance with the law), is estimated to amount to NIS 3,043 thousand as at the end of 2021.



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- 3.5** It is proposed that the Compensation Policy be amended, whereby section 7.1 of the amended text shall prescribe that the amount of the annual compensation of an officer that is not the CEO or a director is not to exceed a cap of NIS 3.043 million (linked to the increase in the Index); this amount would not include payments and provisions for pension payments and severance pay, in accordance with the law, and would also be subject to the exceptions specified in section 7.1 of the Compensation Policy (which shall remain unchanged) and the provisions of the law.
- 3.6** The amended Compensation Policy (with the changes versus the present policy marked) is attached as **Appendix A** to this report. The Compensation Policy also includes changes to the provisions relating to the terms of service of the Chairman of the Board of Directors further to the proposed update to the terms of service of the Chairman of the Board of Directors, as set forth in section 4 below.
- 3.7** The proposed amendment of the Compensation Policy was discussed at the meetings of the Compensation Committee held on May 10, 2022 and on May 22, 2022 and at the Board of Directors, which discussed the recommendations of the Compensation Committee. On May 30, 2022, following a discussion at the Compensation Committee, the Board of Directors approved the proposed amendment of the Compensation Policy.
- 3.8** The members of the Compensation Committee who participated in the Committee's discussions on May 10, 2022 and on May 22, 2022 were: Mr. Aharon Abramovich (Chairman of the Committee, Companies Law external director); Dr. Doron Avital; Ms. Sigal Barmack (Companies Law external director); Ms. Miriam (Miri) Katz (independent director); and, Mr. Baruch Lederman (Companies Law external director).
- 3.9** The members of the Board of Directors who participated in the meeting on May 30, 2022 at which a decision was taken to approve the Compensation Policy amendment were: Mr. Shaul Kobrinsky (Chairman)⁸; Mr. Aharon Abramovich (Companies Law external director); Ms. Iris Avner (independent director); Dr. Doron Avital; Ms. Yodfat Harel Buchris; Ms. Sigal Barmack (Companies Law external director); Prof. Ben-Zion Zilberfarb (independent director); Ms. Miriam (Miri) Katz (independent director); Mr. Baruch Lederman (Companies Law external director); and, Dr. Yaakov Lifshitz (independent director).
- 3.10** The members of the Board of Directors (apart from the Chairman of the Board of Directors) have no personal interest in approving the Compensation Policy amendment, which relates to the compensation of VPs and the Chairman of the Board of Directors alone.
- Chairman of the Board of Directors has a personal interest in the Compensation Policy amendment, specifically in relation to the provisions dealing with the terms of service of the Chairman of the Board of Directors.
- 3.11** Presented below are the reasons of the Bank's Compensation Committee and Board of Directors for approving the proposed amendment of the Compensation Policy in relation to the compensation of VPs (in regard to the amendment of the provisions dealing with the terms of service of the Chairman of the Board of Directors, refer to section 4, and particularly section 4.8, below):
- 3.11.1** The amendment of the Compensation Policy is aimed at aligning the existing compensation model of the Bank with the challenges confronting it, with compensation in the Israeli banking market and with the existing regulations – all while applying the Bank's considerable experience, its insights and the lessons learned from implementing compensation plans at the Bank to date.

⁸ The Chairman Board of directors did not participate in the discussion nor in taking the decisions in connection with amending the provisions of the Compensation Policy dealing with the terms of service of the Chairman of the Board of Directors.



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- 3.11.2** In addition, the Compensation Policy is being amended in an attempt to compensate the officers and managers for their work and contribution to the Bank and to retain them over the long-term, while creating suitable incentives and a bond between them and the Bank's objectives, all the while taking into consideration the Compensation Law Limits, and to facilitate the recruitment of employees with the experience and abilities required to manage a large and complex financial entity, including allowing the Bank to also grant equity compensation to the members of management in a scope sufficient to form a long-term attachment to the Bank and to its results.
- 3.11.3** The amendment of the officers' Compensation Policy allows a reasonable and measured increase to be made in the annual compensation for VPs, compared to the maximum amount currently prescribed in the Compensation Policy, in instances where the Compensation Committee and the Board of Directors deem it proper to do so. Such an increase in the aforementioned amount of the annual compensation for VPs shall not be subject to the exception to the caps prescribed in the officers' Compensation Policy for the various fixed and variable components and the total compensation for VPs, as stated, shall in no event exceed the Compensation Law cap.
- 3.11.4** The Compensation Committee and Board of Directors have expressed their opinions regarding the possibility that, in certain circumstance pertaining to maximal fixed and variable compensation, part of the compensation for VPs would not be allowed for tax purposes. However, the Compensation Committee and Board of Directors have decided that the amount involved is not material for the Bank.
- 3.11.5** The amendment of the officers' Compensation Policy is also being done from the perspective of and with reference to the relationship between the compensation paid to the Bank's officers and the compensation paid to the Bank's employees (including agency workers) and the perspective and discussion on this matter is given expression in the officers' Compensation Policy.
- 3.11.6** The amendment of the officers' Compensation Policy is reasonable and customary in the banking system and takes into consideration the responsibility borne by the Bank's officers and the scope of the Bank's activities.
- 3.11.7** In light of all the aforesaid, the amendment of the Compensation Policy is proper and reasonable in the particular circumstances.

The proposed resolution:

To approve the amendment to the Compensation Policy for the Bank's officers attached as **Appendix A** to the agenda, in accordance with Section 267A of the Companies Law.

4. Further details in connection with approving the terms of service and employment of the Chairman of the Board of Directors and amending the officers' Compensation Policy accordingly:

- 4.1** Mr. Shaul Kobrinsky ("the Chairman" or "Mr. Kobrinsky") has served as Chairman of the Bank's Board of Directors since December 3, 2018.
- 4.2** On April 3, 2019, the Bank's General Meeting approved for the first time, following approvals by the Compensation Committee and the Board of Directors, the terms of service and employment of Mr. Kobrinsky (for further details, refer to the call report of the General Meeting published by the Bank on February 27, 2019, reference number: 2019-01-017631).



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- 4.3 On March 18, 2020, the Bank's General Meeting approved, following approvals by the Compensation Committee and the Board of Directors, an update to the Chairman's terms of service and employment, this being within the framework of re-approving the Compensation Policy for the Bank's officers, after conducting an examination covering all aspects of compensation at the Bank and a comparison with common practice within the banking system. For further details, refer to the call report of the General Meeting published by the Bank on February 11, 2020 (reference number: 2020-01-012694, "the General Meeting's Resolution from 2020").
- 4.4 On April 10, 2022, the Supervisor of Banks published an amendment to Proper Conduct of Banking Business Directive 301A, "Compensation Policy in a Banking Corporation" (the Directive"), which included provisions covering all matters related to the compensation of the chairman of the board of directors of a banking corporation having no core controlling interest ("the Directive's Amendment" or "the Amendment").
- 4.5 To summarize, in accordance with the Directive's Amendment, the compensation of the chairman of the board of directors of a banking corporation having no core controlling interest shall be in conformance with the Compensation Regulations, with the chairman of the board of directors being entitled to annual compensation only, without any meeting attendance fees. The amounts prescribed in the Compensation Regulations in relation to the annual compensation shall not apply in the case of the chairman and the amount of his annual compensation shall not exceed the total average compensation of an expert Director in a banking corporation when multiplied by the "fixed ratio". Pursuant to the Directive, the fixed ratio shall be based on the differences between the job characteristics of the chairman of the board of directors and those of the other directors, which impacts on (1) the amount of time that the chairman of the board of directors needs to devote in order to execute his duties as prescribed by the board of directors pursuant to Section 28(j) of Proper Conduct of Banking Business Directive 301, "the Board of Directors", and (2) the level of responsibility imposed on the chairman of the board of directors above and beyond that imposed on the rest of the directors.
- 4.6 Within the framework of the Directive's Amendment, it was prescribed that the date on which the Directive's Amendment would take effect, in regard to a serving chairman of the board of directors, would be the date of updating the relevant terms of service or six months after the date of the Amendment's publication, whichever is the earlier.
- 4.7 As part of the discussions regarding the aforesaid Amendment and after conducting an examination covering all aspects of compensation at the Bank and a comparison with common practice within the banking system, on May 30, 2022, following approval by the Compensation Committee on May 22, 2022, the Bank's Board of Directors approved the update of the Chairman's terms of service and the proposed amendment to section 6.1.1 of the Compensation Policy that adopts the amendment of the Chairman's terms of service, which are being presented as stated for the approval of the General Meeting being convened by this report, as follows:
- 4.7.1 **Service period** – the terms of service are in effect until the end of the period of service as Chairman of the Board of Directors and as a director, viz. until December 11, 2023.
- 4.7.2 **Service scope** – the scope of service is full-time (100%) as executive Chairman of the Board of Directors and in accordance with the needs of the Bank. The Chairman shall not be entitled to engage in any other salaried occupation, without first receiving the Board of Directors' consent to do so.
- 4.7.3 **Services of the Chairman of the Board of Directors** – the Chairman shall continue to provide his services as Chairman of the Board of Directors against the issuance of a tax invoice to the Bank. The Chairman shall bear all the tax and other compulsory payments required by law, in respect to every payment and benefit received pursuant to the terms of service. Where necessary, VAT, in accordance with the law, shall be added to any payment or right due to the Chairman pursuant to his terms of service and the Bank shall be entitled to request the Chairman that the aforesaid payment be made against a tax invoice and that he provide any approvals required, including in regard to the rate of withholdings.



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4.7.4 Consideration –

4.7.4.1 In respect to the **services** of the Chairman of the Board of Directors, the Chairman shall be entitled to an annual consideration in the amount of NIS 2.9 million per year, with the addition of the amounts referred to in section 4.7.5 below, plus VAT (“the Annual Consideration”). In respect to fractions of a year, the Chairman shall be entitled to the proportionate part of the Annual Consideration. It is hereby clarified that the aforesaid amount shall be paid in full in respect to 2022.

4.7.4.2 The Annual Consideration shall be linked in full, on an ongoing basis, to the increase in the Israeli Consumer Price Index (“the Index”). The base Index for the purpose of updating the Annual Consideration shall be the Index for March 2022 as published on April 15, 2022 (“the Base Index”). If the Index should decrease, no reduction shall be made to the Annual Consideration; however, the Annual Consideration shall not again be increased until such time as the Index shall be higher than the last Index to which the Annual Consideration was adjusted, and subject to the total annual compensation (not including payments in lieu of legally required payments) not exceeding the cap prescribed in Section 2 (b) of the Compensation Law.

4.7.5 Payments in lieu of legally required payments – as part of the Annual Consideration referred to in section 4.7.4 above, the Chairman shall be paid an additional amount, totaling NIS 430,157+ VAT, as a substitute for severance pay, benefits and working incapacitation (which the Chairman does not receive as he is not an employee of the Bank); this sum shall be deposited in funds by the Chairman, as a self-employed person. In respect to fractions of the year, the Chairman shall be entitled to the proportionate part of the payments in lieu of legally required payments. The payments in lieu of the legally required payments shall be linked to the Index in accordance with section 4.7.4.2 above.

The level of the amounts is determined at a rate of 8.333% in respect to severance pay and 6.5% in respect to benefits and working incapacitation, which is in accordance with the Bank’s assessment and in conformance with customary terms of employment of what the Bank would be legally required to provide/deposit were the Chairman employed as an employee.

The Bank is entitled to pay the total annual compensation (the Annual Consideration including the payments in lieu of legally required payments) to the Chairman in 12 monthly payments at the beginning of every calendar month for the preceding month.

4.7.6 Additional terms – the Chairman shall be entitled to request the reimbursement of travel expenses/expenses in respect to using the Chairman’s private vehicle and/or home telephone expenses and/or a mobile telephone to be made available to him, all as is customary at the Bank, and provided that the overall annual cost to the Bank shall not exceed the Annual Consideration (not including the amount that is in lieu of legally required payments).

4.7.7 Refund of expenses – the Chairman shall be entitled to the refund of reasonable expenses relating to the fulfillment of his duties as is customary at the Bank, including in respect to overseas trips, with this being subject to the provisions of section 13A(b)(3)(e) of the Directive. There is no maximum amount for the monetary refund in respect to the expenses to which the Chairman is entitled.

4.7.8 Additional rights – the Chairman shall continue to be entitled to exemption from the obligation for caution, to officers’ liability insurance and an advance indemnification undertaking, as is customary for the Bank’s offices.



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4.7.9 Additional obligations of the Chairman – the Chairman is obligated to a cooling-off period and a non-competition period, for no additional payment, of six months from the date of terminating his service, during which time the Chairman shall not engage in any way whatsoever in the management of a banking or financial institution in competition with the Bank and shall also not serve as a director or provide services or consulting to any banking or financial institution whatsoever constituting a major competitor of the Bank, during the non-competition period, unless he receives the Bank's consent to this; the Chairman also undertakes to maintain confidentiality for an unlimited time. It should be noted that in accordance with the General Meeting's Resolution from 2020, the Chairman was entitled to a payment in respect to the aforesaid non-competition period. Following the Directive's Amendment, the non-competition payment to the Chairman is to be revoked, but the Chairman has agreed to be bound by the aforementioned obligation even without any payment in respect thereto.

4.7.10 Alignment with the Compensation Law – should the annual compensation of the Chairman of the Board of Directors, not including payments in lieu of legally required payments, as referred to in section 4.7.5 above, exceed the cap for the relevant year permitted under Section 2(b) of the Compensation Law ("the Exception"), the amount of the Exception shall be set off against the Chairman's Annual Consideration. It should be noted that, in accordance with the General Meeting's Resolution from 2020, the Chairman was entitled to an increase in his fixed compensation pro rata to the rate at which the compensation cap under Section 2(b) of the Compensation Law had increased over the cap in existence on the date of approving the Compensation Policy, should it have increased. This entitlement is to be revoked within the framework of the update to the Chairman's terms of service.

4.8 In regard to the terms of service of the Chairman of the Bank's Board of Directors, the Compensation Policy included, in section 6.1.1, the terms of service of the Chairman of the Board of Directors as approved at the General Meeting held on April 3, 2019, including the amendments made within the framework of the General Meeting's Resolution from 2020. Due to the update to the Chairman's terms of service, it is proposed that a corresponding amendment be made to the Compensation Policy as set forth in section 6.1.1 (with the changes versus the present policy marked) of the Compensation Policy attached as **Appendix A** to this report.

4.9 Additional data in connection with updating the Chairman's terms of service:

4.9.1 An estimate of the Chairman's anticipated compensation for 2022, should the update to the Chairman's terms of service be approved by the General meeting is presented below:

Details of the compensation's recipient (in 2022, in NIS thousands)							
Name	Position	Extent of position	Rate of holdings in corporation's capital	Annual service fee	Payments in lieu of payments required by law	Total	Of which: total for Compensation Law purposes ⁹
Mr. Shaul Kobrinsky	Chairman of the Board of Directors	%100	-	2,900	430	3,330	2,900

4.9.2 The following data and information were among the matters reviewed and examined by the Compensation Committee and the Board of Directors, within the framework of their discussions in relation to approving the update to the Chairman's terms of service:

- 4.9.2.1 The Bank's Compensation Policy.
- 4.9.2.2 The provisions of the Compensation Law.

⁹ In accordance with legal advice obtained by the Bank, the amounts in respect to payments in lieu of payments required by law, as referred to in section 4.7.5 above, are not included in the definition of "compensation" for calculating the forecasted expense for the purposes of Section 2 of the Compensation Law.



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- 4.9.2.3 The Directive's Amendment in connection with the compensation of the chairman of the board of directors of a banking corporation having no core controlling interest.
- 4.9.2.4 Data regarding the "average overall annual compensation of an Expert Director of the Bank", as defined in the Directive, which, for the years 2019 through 2021, stood at approx. NIS 595,000 (not including VAT)¹⁰.
- 4.9.2.5 The necessary data regarding the terms of employment of the Bank's employees in accordance with the Companies Law and the data referred to in Section 2(b) of the Compensation Law.

In regard to this, it should be noted that the Chairman's forecasted compensation cost for 2022, should the update to the Chairman's terms of service be approved, would be some 8.78 times higher than the average compensation cost for an employee (including agency workers) and some 9.29 times higher than the median compensation cost for an employee (including agency workers)¹¹.
- 4.9.2.6 Comparative information in relation to the compensation of the chairmen of the boards of directors of the four other major banks.
- 4.9.2.7 A "Chairman's duties" document, which has been approved by the Bank's Board of Directors in accordance with section 28(j) of Proper Conduct of Banking Business Directive 301.
- 4.9.2.8 A legal analysis that was presented to the Compensation Committee and the Board of Directors in connection with the level of responsibility imposed on the Chairman of the Board of Directors.
- 4.9.3** For details regarding the members of the Compensation Committee who participated in the Committee's discussions on May 10, 2022 and May 22, 2022, in connection with the update to the Chairman's terms of service and the amendment of the Compensation Policy accordingly, refer to section 3.8 above.
- 4.9.4** For details regarding the members of the Board of Directors who participated in the meeting held on May 30, 2022, in connection with the update to the Chairman's terms of service and the amendment of the Compensation Policy accordingly, refer to section 3.9 above, with the exception of Mr. Kobrinsky who did not participate in this topic at the meeting of the Board of Directors.
- 4.9.5** The Chairman of the Board of Directors has a personal interest in the update to his terms of service.

¹⁰ Amended for linkage to the Index as of 2021.

¹¹ The above ratios are based on the compensation cost as included in the Bank's financial statements for 2021 in respect to the Bank's employees (other than the Bank's senior officers) and agency workers who were employed during the year, without payroll tax. The median cost includes a provision for an average award, as well as a proposed provision for vacation pay, jubilee awards and expenses in respect to pension terms. In addition, in 2021, the median cost also includes the additional average cost that arose as a result of redeeming the Bank's liabilities for jubilee awards.



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4.10 Reasoning of the Bank's Board of Directors and Compensation Committee

- 4.10.1** In accordance with the Directive's Amendment, the Compensation Committee and the Board of Directors have examined the proper compensation for the serving Chairman of the Bank's Board of Directors. Within this context, the Compensation Committee and the Board of Directors examined the total average compensation of an Expert Director in a banking corporation (according to this term's meaning in the Directive and as stated in section 4.9.2.4 above) and the fixed ratio between it and the amount of the Chairman's total annual compensation, which is being brought to the General Meeting for approval.
- 4.10.2** Within the framework of determining the fixed ratio, the Compensation Committee and the Board of Directors expressed their opinions on the two central considerations prescribed in Directive 301A: firstly, the **amount of time** that the Chairman of the Board of Directors needs to devote to his work in order to execute his duties, in comparison to the rest of the directors; and, secondly, **the level of responsibility imposed on the Chairman of the Board of Directors** is above and beyond that imposed on the rest of the directors.
- 4.10.3** Taking into consideration the Bank's general assessment regarding the amount of time that the rest of the directors need to devote in order to perform their duties as directors of the Bank, and that therefore the Chairman needs to serve as Chairman of the Board of Directors in a full-time capacity, and in light of a legal analysis that was presented to the Compensation Committee and the Board of Directors, which revealed that the level of responsibility imposed on the chairman of the board of directors of a banking corporation having no core controlling interest is above and beyond that imposed on the rest of the directors, resulting from the extent of his intensive involvement and familiarity with the corporation's business, as an inherent part of his responsibility to display significant involvement in the corporation's business and, as a result of the powers granted to him by law and the material functions under his responsibility and taking into account that the Bank is the core of a banking group with subsidiaries that include an overseas subsidiary – the Compensation Committee and the Board of Directors believed the fixed ratio to be reasonable, measured and consistent with the ratio that the Committee had in mind at the time of first approving the Chairman's terms of service in 2019, allowing for an increase in the total annual compensation of the Chairman of the Board of Directors, and taking into consideration the increase that has taken place in the average total annual compensation of an Expert Director at the Bank.
- 4.10.4** It should be noted that the total annual compensation of the Chairman is below the compensation cap currently applicable to the Bank pursuant to Section 2(b) of the Compensation Law.
- 4.10.5** The non-competition payment component in the Chairman's terms of service, as prescribed in the General Meeting's resolution from 2020, has been revoked in light of the new limits following the Directive's Amendment, although the Compensation Committee and the Board of Directors have taken note of the Chairman's undertaking to adhere to a non-competition period of six months after terminating his service, for no additional payment.
- 4.10.6** The Compensation Committee and the Board of Directors examined the terms of service of the chairmen of peer banks in the banking system and found that the Chairman's terms of service are reasonable in the particular circumstances.



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- 4.10.7** The process of approving the Chairman's terms of service and employment include examining and commenting on the relationship between the compensation paid to the Chairman and the compensation paid to the Bank's employees (including agency workers). The Compensation Committee and the Board of Directors believe that the aforementioned gaps do not have a material effect on the Bank's labor relations.
- 4.10.8** Within the framework of approving the Chairman's terms of service and employment the Compensation Committee and the Board of Directors expressed their opinion regarding the non-allowable expense for tax purposes in relation to part of the Chairman's proposed compensation, although the amount was found to be immaterial from the Bank's perspective.
- 4.10.9** The Compensation Committee and the Board of Directors confirmed that the update to the Chairman's terms of service, including all the rights and obligations associated therewith, do not constitute an "affiliation" according to this term's meaning in the Banking Ordinance and is not deemed to harm the independence and autonomy of the Chairman of the Board of Directors.
- 4.10.10** The update to the Chairman's terms of service is in line with the Directive in relation to the compensation of the chairman of the board of directors of a banking corporation having no core controlling interest, with the Bank's Compensation Policy and is reasonable and proper in the particular circumstances.

The proposed resolution:

To approve the update to the terms of service of the Chairman of the Board of Directors, Mr. Shaul Kobrinsky, as stated in section 4.7

Part C – Additional Details Regarding the Annual General Meeting:

1. Location and time at which the General Meeting shall be convened:

The Annual General Meeting of the holders of ordinary "A" shares of the Bank ("the General Meeting") shall be held on **Tuesday, August 2, 2022 at 12:30**, at the offices of the Bank at 23 Yehuda Halevi Street (17th floor), Tel-Aviv, Israel.

2. The record date:

The record date fixed for determining the right of a shareholder regarding entitlement to vote at a General Meeting pursuant to Section 182 of the Companies Law and Regulation 3 of the Companies Regulations (Voting Ballot and Position Papers), 2005 ("the Voting Ballot Regulations"), is **Sunday, July 3, 2022** ("the Record Date").

3. Voting at the General Meeting:

3.1 A shareholder is authorized to vote on resolutions on the agenda in person or by proxy or by means of a voting ballot or by means of the electronic voting system, as defined in the Voting Ballot Regulations ("the Electronic Voting System"), as set forth below.

3.2 An instrument of appointment of a voting proxy, a power of attorney or a copy certified by a competent party (an attorney, an accountant, etc.) is to be deposited at the Bank's Offices by **Thursday, July 28, 2022 at 12:30**.



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- 3.3 Pursuant to the Companies Regulations (Proof of Share Ownership for the Purpose of Voting at a General Meeting), 2000, a shareholder whose shares are registered with a Stock Exchange member and whose said shares are included among the shares registered in the shareholders' register in the name of the nominee company, may vote at the General Meeting upon delivering to the Bank a confirmation from the Stock Exchange member as to his ownership of the shares on the Record Date, as required in accordance with the said Regulations.
- 3.4 A shareholder whose shares are registered with a Stock Exchange member may receive the confirmation of ownership from the Stock Exchange member through whom he holds shares, at a branch of the Stock Exchange member or by mail to his address upon payment of just a delivery charge, if so requested. A shareholder whose shares are registered with a Stock Exchange member may instruct that his confirmation of ownership be sent by means of the electronic voting system.
- 3.5 In accordance with the Bank's Articles, a shareholder is entitled to vote at the General Meeting on all the topics on the agenda by means of a voting ballot. The text of a voting ballot and position papers on the said resolutions can be found on the Distribution Website and on the TASE Website. The vote may be cast using the Second Part of the voting ballot, as published on the Distribution Website.
- 3.6 The shareholders may request directly from the Bank and receive from it the text of the voting ballot and position papers, where such exist. The Stock Exchange member shall send by electronic mail, without charge, a link to the text of the voting ballot and the position papers on the Distribution Website, to any shareholder who is not registered in the shareholders' register and whose shares are registered with that Stock Exchange member, unless the shareholder has notified the Stock Exchange member that he is not interested in receiving a link as aforesaid, and provided that the notice was given in regard to a specific securities account and on a date prior to the Record Date.
- 3.7 An unregistered shareholder wishing to vote at the General Meeting in writing without attending the General Meeting and without sending a legal representative, shall deliver the voting ballot to the offices of the Bank or shall send it by registered mail, together with the confirmation of ownership, in accordance with the address that appears in the Second Part of the voting ballot, so that the voting ballot shall reach the Bank's Offices not later than four hours prior to the time scheduled for holding the General Meeting, viz., **by 08:30 on Tuesday, August 2, 2022.**
- 3.8 A shareholder, who is registered in the shareholders' register and who wishes to vote in writing, shall deliver the voting ballot to the offices of the Bank or shall send it by registered mail, together with a photocopy of his identity card, or a photocopy of his passport, or a photocopy of the certificate of incorporation, so that the voting ballot shall reach the Bank's Offices up to six hours prior to the time scheduled for holding the General Meeting, viz., **by 06:30 on Tuesday, August 2, 2022.**
- 3.9 The last date for presenting position papers to the Bank is **up to ten (10) days** prior to the date scheduled for holding the General Meeting, and the last date for the Board of Directors to provide its response to position papers is **up to five (5) days** prior to the date scheduled for holding the General Meeting.
- 3.10 The voting ballot and position papers (where such exist) shall be delivered to the Bank's Offices, in accordance with the address that appears in the Second Part of the voting ballot.



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3.11 Pursuant to Regulation 36D(D) of the Securities Regulations (Periodic and Immediate Reports), 1970 and the Voting Ballot Regulations, an interested party, a senior officer, an institutional investor and a party with a personal interest in passing the resolutions on topics 1.4 and 1.5 on the agenda, who is voting at the General Meeting on the aforesaid resolution, shall notify the Bank of this before the vote at the General Meeting or, if voting by means of the voting ballot, shall note this in the designated place in the Second Part of the voting ballot, if he is an interested party, a party with a personal interest in the resolution, a senior officer or an institutional investor, and shall furnish a description of the affiliation/characteristic, and, if voting by means of a legal representative, the voter or his legal representative shall provide the aforesaid details in relation to the legal representative too. In addition, details shall be provided of any relationship between the voter (not having a personal interest) or the legal representative (not having a personal interest) and the Bank, including employer-employee relations, business relations, etc., and/or a senior officer of the Bank, and of the nature of such relationship.

3.12 It is clarified that, if a shareholder or his legal representative has not marked the voting ballot, or has marked it "Yes", but has not provided the aforesaid details – his vote shall not be counted.

3.13 In accordance with Section 83(d) of the Companies Law, if a shareholder has voted in more than one way, his most recent vote shall be the one that is counted. For this purpose, the vote of a shareholder in person or by means of a proxy shall be deemed more recent than a vote by means of a voting ballot.

3.14 Electronic Voting System:

A shareholder, who appears on the list of those entitled to vote in the system, may send the manner in which he wishes to vote by means of the Electronic Voting System, as set forth below.

Voting shall be possible from the date of approving delivery of the list from the Stock Exchange member, as defined in Regulation 4(c)(1a) of the Voting Ballot Regulations, and up to six hours prior to the time scheduled for holding the General Meeting, viz., **by 06:30 on Tuesday, August 2, 2022**. The electronic vote may be changed or canceled up to the time of closing the Electronic Voting System and no change shall be able to be made by means of the system after that time. An unregistered shareholder, wishing to change his vote after the closing of the system, shall be able to vote in person or by means of a proxy at the General Meeting and his later vote shall be taken into consideration in the counting of the votes.

In regard to proof of ownership by means of the Electronic Voting System, the electronic transfer procedure is recognized under Section 44K5 of the Securities Law, 1968 as legal confirmation of ownership in regard to each shareholder included therein, who appears on the list of persons entitled to vote on the Electronic Voting System.

4. Quorum for holding the General Meeting:

The quorum for holding a General Meeting is the attendance of one shareholder or more holding (individually or cumulatively) at least one-fifth of the voting rights in the Bank (whether by means of actually attending in person or by means of a proxy, or whether by means of the electronic voting system or a voting ballot), within half an hour of the time stipulated for the start of the General Meeting. If within half an hour of the time scheduled for opening the General Meeting, a quorum is not present, the General Meeting shall be adjourned until **Wednesday, August 3, 2022 at 12:30**. Where no quorum is present at the adjourned General Meeting, as referred to above, one shareholder present in person or by proxy shall constitute a quorum and he may deal with the matters for which such General Meeting was called.



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5. Viewing of documents:

The text of the proposed resolutions to be brought for approval at the General Meeting, the declarations of the candidates to serve as directors and the full text of the Bank's Financial Statements and the Report of the its Board of Directors for 2021 can be viewed at the Office of the Secretary of the Bank, 23 Yehuda Halevi Street, Tel Aviv, Israel, by prior arrangement (telephone no. +972-76-8054499), during normal business hours, from the date of publication of this notice, on the Distribution Website, on the TASE Website and on the Bank's Website.

Yours sincerely,

ISRAEL DISCOUNT BANK LTD.

By means of:

Adv. Michal Sokolov-Danoch, Corporate Secretary of the Bank

Adv. Hagit Meirovitz, Executive Vice President, Chief Legal Counsel



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APPENDIX A

Israel Discount Bank Ltd.
("the Bank")

Compensation Policy for Officers

1. Definitions

In this document, the following terms will have the following meaning, unless explicitly indicated otherwise:

"The Bank"	- Israel Discount Bank Ltd.;
"Board of Directors"	- Board of Directors of the Bank;
"PCBBD"	- Proper Conduct of Banking Business Directive of the Supervisor of Banks;
"Committee" or "Compensation Committee"	- The Compensation Committee of the Bank;
"Supervisor's Directive"	- PCBBD 301A, "Compensation Policy at a Banking Corporation";
"Companies Law"	- The Companies Law, 1999;
"Securities Law"	- The Securities Law, 1968;
"Compensation Law"	- Compensation for Officers of Financial Corporations Law (Special Approval and Disallowance of Expenses for Tax Purposes in Respect to Exceptional Compensation), 2016;
"Index"	- The Israeli consumer price index;
"Compensation Policy"	- Policy for the service and employment of Bank officers;
"Monthly Salary"	- Unless explicitly indicated otherwise, the monthly salary is the monthly salary for severance pay purposes;
"Officer"	- Director, CEO, Deputy CEO, Executive Vice President, Internal Auditor, any such position holder in the Bank under a different title, and any other manager who answers directly to the CEO and/or a manager who was defined by the Board of Directors of the Bank as an officer for the purpose of the Compensation Policy; however, for the purpose of certain sections of this Policy, this term refers only to some of the officers as indicated in the relevant section herein;
"Extraordinary Profits or Losses"	- Share of the shareholders of the Bank in the profit or loss arising from non-recurring transactions not conducted in the normal course of the Bank's business, and/or in non-recurring provisions, net of the tax effect recorded in respect thereto in the annual financial statements, in an amount equal to or exceeding 5% of the Bank's annual net profit attributable to the shareholders of the Bank, in accordance with the consolidated financial statements in which the aforesaid profit or loss was recognized (before the effect of the aforesaid transaction or provision);



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extraordinary profits or losses for the purpose of the Policy will be defined as such by the Board of Directors, following a recommendation by the Compensation Committee, at the time of approving the annual work plan for the bonus year, and/or at the end of the quarter in which they were recognized in the financial statements and/or at the end of the calendar year;

extraordinary profits and losses might include, inter alia, revaluations in material amounts, gains or losses arising from changes in the holdings in subsidiaries or in affiliated companies, profits or losses arising from the sale of operations, profits or losses from the disposal of buildings and equipment and non-recurring provisions in respect to the implementation of efficiency plans;

- “Bonus year”
 - “Amendment 20”
 - “Terms of service and employment”
 - “Compensation”, “Fixed Compensation” or “Variable Compensation”
 - “Relief Regulations”
 - “Return on equity”
- The calendar year for which the annual bonus is calculated;
 - The Companies Law (Amendment No. 20), 2012;
 - As defined in the Companies Law;
 - As defined in the Supervisor’s Directive;
 - The Companies Regulations (Reliefs in Transactions with Interested Parties), 2000;
 - The rate of return on equity (as a percentage) attributable to the shareholders of the Bank, after eliminating extraordinary profits or losses, as will be calculated by the Bank.

Usage of the masculine form in this Compensation Policy is for convenience only, and it applies to women and men alike, without differentiation and without alteration.

2. **Background and Compensation Policy approval process**

2.1 On December 12, 2012, Amendment No. 20 to the Companies Law went into effect. The amendment addresses the regulation of the structure of the compensation to officers of public companies and debenture companies, and sets forth a special process for its approval. On November 19, 2013, the Supervisor’s Directive was published, which includes additional provisions including, inter alia, in connection with the compensation of officers at banking corporations, as amended from time to time. On April 12, 2016, the Compensation Law was published. The Compensation Policy of the Bank is subject, inter alia, to provisions of the Companies Law, the Supervisor’s Directive, as amended from time to time, and the Compensation Law. The Compensation Policy replaces the Bank’s previous Compensation Policy, which was re-approved temporarily by the General Meeting of the Bank on September 16, 2019. This Compensation Policy is part of the overall Compensation Policy, which contains other parts that pertain to employees who are not officers in accordance with the Supervisor’s directives.

2.2 The aims of the Compensation Policy of the Bank are to maintain a proper balance between the overall organizational strategy of the Bank, its goals and work plans (including an improvement in efficiency), as set forth from time to time, in line with the risk appetite and risk management. This, alongside the creation of a suitable incentive system for the recruitment and long-term retention of



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high quality senior management employees, as is required by the Bank for its continued development and business success.

2.3 The Compensation Policy will enable incentives to be provided (in the form of additions or reductions to grants and/or bonuses) for the purpose of meeting the general goals of the Bank in the areas of risk management, compliance with laws (including internal enforcement in the field of securities and/or other fields), regulatory directives and Bank procedures.

2.4 The Compensation Policy and its components were discussed at several meetings of the Compensation Committee and the Board of Directives. The latter body also discussed the recommendations of the Compensation Committee. In formulating the Policy, the Compensation Committee and the Board of Directors were assisted by external consultants.

The aforesaid meetings reviewed and examined, inter alia, the following data and information: relevant provisions of the Companies Law; relevant provisions of the Supervisor's Directive; provisions of the Compensation Law; the terms of service and employment of the officers of the Bank; the Bank's existing Compensation Policy and its bonuses plan and the degree to which these are effective; the data required in regard to the terms of employment of the Bank's employees in accordance with the Companies Law; the data referred to in Section 2(b) of the Compensation Law; and comparative information in relation to compensation within the banking system.

2.5 The Compensation Policy defines, describes and details the Bank's policy in regard to the compensation of Bank officers, and includes its scope and components. Publication of the Compensation Policy of the Bank at the level of the detail included therein is aimed at increasing the transparency of the Bank's compensation to officers.

2.6 The Compensation Policy will be brought before the shareholders of the Bank for their approval, in accordance with Section 267A of the Companies Law.

2.7 The principles set forth in this Compensation Policy will apply to the terms of service and employment of the officers of the Bank, which will be approved with effect from the date of the Compensation Policy's approval by the authorized organs of the Bank. Nothing in the Compensation Policy is to be taken as derogating from the agreements and/or other rights of the officers in connection with their service and employment at the Bank, existing at the date of the Compensation Policy's approval nor from the rights accrued or to be accrued in respect to periods prior to the date of the Compensation Policy's approval or in respect to periods that are subject to agreements that preceded the Compensation Policy through to the date of their being aligned with the Policy as required by the Law and/or by the Supervisor's Directive¹, whereby the aforementioned agreements and/or other rights, whether existing or accruing, will be deemed to correlate with this Compensation Policy.

¹ It is clarified that, in connection with existing agreements and/or accrued rights, as referred to in section 2.7, the Bank will act in accordance with the transition provisions prescribed for the matter in the Supervisor's Directive. Moreover, nothing in the provisions of the Compensation Policy is to be construed as derogating from the rights accrued to officers in respect to the periods of their employment prior to the date of the Compensation Law affecting their interests.



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3. Employment agreement, salary, related benefits and termination of employment arrangements

- 3.1 The terms of employment of an officer² of the Bank, as provided in this section 3, will be based on a personal employment agreement.

The officer's terms of employment will be decided by the authorized organs of the Bank, based, inter alia, on the authority and responsibilities entailed in the position to which he is appointed or which he holds, and in accordance with his education, skills, expertise, professional experience and achievements, and previous agreements signed with him (if any).

In deciding the terms of service and employment, the Bank aims to create a suitable incentive system for the recruitment, long-term retention and provision of incentives for senior management employees of the highest quality, taking into account the relevant market terms and employment terms in the financial system at the time.

- 3.2 The principles of the Compensation Policy in regard to the material aspects of the employment period, the Monthly Salary, the related benefits, the retirement arrangements of the Bank, etc., will be detailed below in this section 3.

It is clarified that these principles do not prohibit the authorized organs of the Bank from approving additional terms of service and employment that do not surpass these principles, and/or that are not material relative to all the terms of service and employment of the officer.

In addition, these principles do not prohibit specifying in the terms of service and employment supplementary provisions which do not deviate from the principles set forth in this Compensation Policy, including legal terms as are customary in employment agreements.

- 3.3 Employment period – the Bank should be allowed to preserve flexibility in deciding the employment agreement periods.

Accordingly, the employment agreement can be for an unlimited period, or for a limited period of up to five years, and each party may terminate the employment agreement at any time, subject to the early notice period specified in the agreement.

Where the employment agreement is for an unlimited period, the employment terms will be reviewed by the Compensation Committee at least once every three years³.

- 3.4 Monthly Salary –

- 3.4.1 Monthly Salary amount –

The Monthly Salary of an officer will amount to up to NIS 130,000 (linked to the increase in the Index) and will be decided according to the considerations set forth in section 3.1 above⁴.

² In this section 3, "officers" – officers other than the CEO and the directors, except where expressly applied to the Chairman of the Board of Directors and the CEO, as stated in section 6 below or in one of the subsections of section 3 below.

³ It is clarified that such a review may be conducted in a concentrated manner once a year for the employment agreements the three-year period of which is expected to end during the respective year.

⁴ It is clarified that this represents a salary ceiling only, which does not reflect the present or future average salary of officers in the position of Executive Vice President of the Bank.



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The salary ceiling specified in this section may be reviewed once a year against the relevant market terms and will be updated, as necessary, by the Compensation Committee and the Board of Directors. The relevant market terms are in comparison to the financial system.

3.4.2 Linkage of the Monthly Salary – the Monthly Salary can be linked to the Index. In the event of a decline in the Index, the Monthly Salary will not be changed until an increase in the Index cancels out the decline in the Index.

3.5 Severance pay –

3.5.1 In general, officers of the Bank will be paid severance pay at the rate of 100% of their Monthly Salary for every year.

3.5.2 The Bank will endeavor to include provisions in accordance with Section 14 of the Severance Pay Law, 1963 in new employment agreements to be signed with the officers. Notwithstanding the aforesaid, the Bank may decide that the Monthly Salary ceiling to which Section 14 of the Severance Pay Law will apply will be at the same level as the relevant severance pay contribution ceiling, in accordance with the Income Tax Ordinance, and the balance of the severance pay will not be less than the obligatory rate, in accordance with Section 12 of the Severance Pay Law.

3.5.3 In the event of termination of the employee-employer relationship, the officer will be entitled to severance pay as provided above. The Bank may withhold the aforesaid severance pay in circumstances where the officer is not entitled to severance pay and in other circumstances, as prescribed by the Compensation Committee and the Board of Directors of the Bank (if so prescribed) in the employment agreement with the officer.

3.6 Advance notice period –

3.6.1 The advance notice period will not exceed four (4) months in the event of termination of the employee-employer relationship on the initiative of either party.

3.6.2 The default in the employment agreements will be for the officer to continue his employment at the Bank during the advance notice period. The Bank may waive the officer's employment at the Bank during the advance notice period.

In a situation where the Bank waives the officer's employment at the Bank during the advance notice period, the Bank may pay the Monthly Salary to which the officer is entitled in lieu of the advance notice, with the addition of an amount equivalent to the related benefits payable by the Bank. The Bank will be entitled not to pay the Monthly Salary with the addition of an amount equivalent to the related benefits to which he is entitled, in circumstances where the officer is not entitled to severance pay and in other circumstances, as prescribed by the Compensation Committee and the Board of Directors of the Bank (if so prescribed) in the employment agreement with the officer.

3.7 Non-competition/adaptation grant –

3.7.1 In respect to an officer's commitment to a non-competition period of up to six (6) months, the Bank may undertake to make a payment equivalent to up to six (6) Monthly Salaries



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with related benefits (excluding social contributions)⁵. In exceptional instances, the Bank may decide to make the payment in the aforesaid scope without committing to a non-competition period.

3.7.2 The Bank will be entitled not to make the payment referred to in section 3.7.1 above in circumstances where the officer is not entitled to severance pay and in other circumstances, as prescribed by the Compensation Committee and the Board of Directors of the Bank (if so prescribed) in the employment agreement with the officer.

3.8 Retirement arrangements –

3.8.1 Retirement grants will not be paid beyond that specified in sections 3.5 and 3.7 above.

3.8.2 In accordance with the Supervisor's Directive, compensation to officers of the Bank in respect to termination of employment, beyond that prescribed by law or in the terms of employment of all the Bank's employees ("**Variable Retirement Terms**"), will take into account the actual performance over time and the reason for termination of employment⁶. For this purpose, should changes be made in the Supervisor's Directive in relation to what are to be considered Variable Retirement Terms, the definition "Variable Retirement Terms" will include the aforesaid changes.

3.8.3 Payment of Variable Retirement Terms as stated will be subject to payment deferral arrangements beyond the date of the officer leaving the Bank, as well as to the implementation of mechanisms to adjust for performance retrospectively, as detailed below:

3.8.3.1 The officer will be entitled to the Variable Retirement Terms in full, other than in a situation where, in the years in which he served as officer of the Bank, there was a material deviation from the total capital adequacy ratio and from the common equity tier 1 ratio, which were required at that time in accordance with the directives of the Supervisor of Banks. In such a situation, the variable retirement terms will be paid on a proportionate basis. Thus, for instance, if the officer served as an officer of the Bank for 10 years until the termination of his employment, and in one year during this period there was a material deviation in the aforesaid ratios, then 1/10 of the Variable Retirement Terms will not be paid to the officer.

3.8.3.2 An amount at a rate of 50% (fifty percent) of the Variable Retirement Terms to which the officer will be entitled will be deferred and will be spread equally over each of the three years following the aforementioned termination of employment date and will be linked to the Index⁷ ("**Deferred Retirement Grant Installment**"). Notwithstanding the aforesaid, if the quarterly or annual financial statements, which are published shortly before payment of a Deferred Retirement Grant Installment, show that there is a material deviation from the total capital adequacy and the common equity tier 1 ratios, which are required pursuant to the directives of the Supervisor of Banks in effect at that time, then the payment of the Deferred Retirement Grant Installment will be deferred for a further 12 months ("**the Revised Payment Date**"). Should the material deviation from the

⁵ The Bank will be entitled to prescribe a non-competition period on making such a payment also in the terms of service and employment of the Chairman of the Board of Directors.

⁶ See footnote 1 above.

⁷ The linkage mechanism is not to result in the Deferred Termination Grant Installment being reduced.



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aforementioned total capital adequacy and the common equity tier 1 ratios continue in the quarterly or annual financial statements, which are published shortly before the Revised Payment Date, the Deferred Retirement Grant Installment will be canceled and will not be paid.

It is clarified that the remaining Deferred Retirement Grant Installments, which are due to be paid at dates subsequent to the date at which the aforesaid material deviation existed, are not to be canceled and are to be paid subject to meeting the aforementioned terms in the following years.

- 3.8.3.3 The arrangements prescribed in sections 3.8.3.1 and 3.8.3.2 above will not apply in the event of termination of employment due to the death, disability or serious illness of the officer.
- 3.8.3.4 In addition to the aforesaid, the Variable Retirement Terms will be subject to the reimbursement provisions pursuant to section 12.2 below.
- 3.8.3.5 Notwithstanding the aforesaid, if in the employment termination year the Variable Retirement Terms, together with the bonuses pursuant to section 4 below, did not exceed 40% of the fixed compensation for the officer, the provisions of this section 3.8.3 will not apply.

3.8.4 Nothing in the provisions of this section 3.8 is to be construed as derogating from the existing or accruing rights referred to in section 2.7 above.

3.9 The Bank may decide that an officer who transfers to a position with another company in the Bank Group will not be entitled to the rights set forth in sections 3.5-3.7 above, wholly or partly, in respect to the aforesaid transfer, subject to the limitations prescribed by law.

3.10 Recruitment bonus – a recruitment bonus will be paid to an officer in special cases warranting this, and then only up to a maximum of NIS 500,000. Such a grant will be limited to the first work year.

The Bank may pay the expenses of relocation (between countries) incurred by an officer as a result of his appointment.

3.11 Related benefits –

The Bank may grant the officers related benefits, such as: placing a car at their disposal or providing payment in lieu of placing a car their disposal; convalescence pay; contributions to managerial insurance or a pension fund or a provident fund (including in respect to the severance pay component); contributions to a further education fund; vacation days and their redemption; sick days; grossing up for tax (if provided); participation in various expenses such as communications and computerization; insurance policies; medical examinations; newspapers; etc.

3.12 Benefits granted to Bank employees in connection with banking services – the Bank may grant an officer (including a director) benefits, loans and discounts in connection with banking operations and services, under terms to be decided by the Bank for such matters, from time to time, relative to the terms under which these are granted to all employees of the Bank or to all its senior employees.



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4. **Bonuses**

4.1 The Bank will approve, from time to time, compensation plans for the payment of bonuses to officers⁸, according to the principles detailed below.

4.2 Prerequisites for the annual bonus – the prerequisites for payment of the annual bonus will be meeting the threshold goals of the following cumulative indicators, which are based on measurable criteria that take into account the long-term policy of the Bank, including its risk management policy:

4.2.1 the rate of return on equity in the bonus year is not to be less than 7% (seven percent).

4.2.2 the total capital adequacy ratio and the common equity tier 1 ratio, based on the Bank's annual consolidated financial statements for the same bonus year, are not to be less than the minimum ratios prescribed in the directives of the Supervisor of Banks.

4.2.3 Attaining the threshold level of the qualitative indicator that will include the officer's contribution in implementing the corporate governance processes, meeting the general goals of the Bank in the areas of risk management, compliance with laws (including internal enforcement in the field of securities and/or other fields), regulatory directives and Bank procedures.

In the event of any officer not fulfilling the prerequisites referred to in this subsection in the bonus year, then that officer will not be entitled to an annual bonus for that year. Nothing herein is to be construed as derogating from the entitlement of the other officers to an annual bonus.

4.3 Components of the annual bonus – the annual bonus amount for the officers will be based on meeting group indicators and individual indicators (that reflect the officer's contribution to attaining the Bank's goals) ("**the Annual Bonus**"), according to the following components and weightings:

4.3.1 Group indicators – a part of the Annual Bonus will be calculated based on the Bank and/or the Bank Group meeting indicators based on measurable criteria deriving from the performance of the Bank or of the Group, according to the data in the Bank's consolidated annual financial statements.

The relevant goals for each of the group indicators will be based on goals specified by the Board of Directors in accordance with the Bank's work plan for the bonus year and/or other measurable goals, which are based on the aforesaid work plan, approved by the Compensation Committee and the Board of Directors at the beginning of each bonus year, as the case may be, including the possibility of setting goals that are based on a comparison to the performance of the banking system.

The group indicators can include the return on equity, the efficiency ratio and the common equity tier 1 ratio⁹.

⁸ In this section 4, "officers" – officers other than the CEO and the directors, except where expressly applied to the Chairman of the Board of Directors and the CEO, as stated in Section 6 below.

⁹ The efficiency ratio indicator will be calculated after eliminating Extraordinary Profits or Losses.



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4.3.2 Individual indicators – a part of the Annual Bonus will be based on indicators deriving from the attainment of the goals of the division/activity for which the officer is responsible in the bonus year. The individual indicators will be recommended by the CEO (subject to the provisions of section 4.4 below) and will be approved by the Compensation Committee and the Board of Directors adjacent to the beginning of the bonus year.

The individual indicators will include, to the extent relevant to the activity of the officer, financial and non-financial variables, including meeting general goals of the Bank in the areas of risk management (including internal enforcement in the field of securities and/or other fields), regulatory directives and Bank procedures.

4.3.3 The total bonus for an officer in respect to the group and individual indicators is not to exceed six (6) Monthly Salaries in a distribution to be prescribed by the Compensation Committee and the Board of Directors.

4.4 Compensation of officers engaged in oversight and control –

4.4.1 As regards the oversight and control functions of the Bank at this time, (the Internal Auditor, the Chief Accountant, the Chief Legal Counsel and the Chief Risk Officer or any other officer so defined in the future by the Board of Directors) (“**the Oversight and Control Functions**”), special provisions are to be prescribed in the Bank’s compensation plans which take into account the importance and sensitivity of the duties imposed on these functions, including as set forth in this section 4.4.

4.4.2 In accordance with the Supervisor’s Directive, the Compensation Committee and the Board of Directors, within the framework of the Bank’s compensation plan, will examine the possibility of prescribing that the ratio between the fixed compensation and the variable compensation of the Oversight and Control Functions will be biased more in favor of the fixed compensation, with this being alongside the ceilings prescribed in the compensation policy.

4.4.3 The Bank may prescribe that the part of the Annual Bonus that relates to the group indicators and/or the personal indicators will be lower for the Oversight and Control Functions than for the other officers.

4.4.4 Provisions will be prescribed in the Bank’s compensation plans regarding the involvement of the committees of the Board of Directors in connection with determining the components of, and the entitlement to, the Annual Bonus for personnel from the Oversight and Control Functions.

4.5 Approval of the annual bonus – the officer’s actual total Annual Bonus for a bonus year will be presented for approval by the Compensation Committee and the Board of Directors.

4.6 Entitlement to an Annual Bonus on termination of employment –

4.6.1 If the termination date of the employee-employer relationship with the officer falls after June 30 of the bonus year, the Bank may pay the officer a proportionate part of the Annual Bonus, according to the actual period which he worked out of the entire bonus year.



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- 4.6.2 If the termination date of the employee-employer relations with the officer falls before June 30 of the bonus year, the officer will not be entitled to an Annual Bonus for that year. This notwithstanding, the Compensation Committee and the Board of Directors may approve that an officer be entitled to a proportionate part of the Annual Bonus for the period during which he worked out of the aforesaid year.
- 4.6.3 It is clarified that the officer will not be entitled to an Annual Bonus, wholly or partly, for the adaptation and non-competition periods referred to in section 3.7 above.
- 4.6.4 As to the spreading of the bonus referred to in this section 4.6, the provisions of section 5 below will apply.
- 4.7 Entitlement to an Annual Bonus on commencement of employment during the year –
- 4.7.1 If the officer's employment at the Bank commenced before June 30 of the bonus year, the Bank will pay him a proportionate part of the Annual Bonus according to the part of the period during which he actually worked out of the entire bonus year.
- 4.7.2 If the officer's employment with the Bank commenced after June 30 of the bonus year, he will not be entitled to an Annual Bonus for that year, unless the Compensation Committee and the Board of Directors decide otherwise, in special circumstances, and provided that the amount of the bonus does not exceed the proportionate part of the annual bonus for the aforesaid year, which will be calculated according to the part of the period during which he actually worked out of the entire bonus year.
- 4.8 Bonus for special contribution – the Bank may, from time to time (even during the bonus year), grant an additional bonus to all or any of the officers for exceptional performance and/or a special contribution to achieving the goals of the Bank and/or due to special events or circumstances out of a special total budget that will not exceed NIS 1 million per annum for all the officers and subject to the limit in the Supervisor's Directive regarding the total of the variable component that can be granted discretionally to an officer.
- 4.9 Personal qualitative bonuses –
- 4.9.1 The Compensation Committee and the Board of Directors will be entitled to approve, in respect to the bonus year, a personal discretionary bonus for any of the officers; such bonus will not exceed three Monthly Salaries for each of the officers (“**the Personal Qualitative Bonus**”).
- 4.9.2 The Personal Qualitative Bonus will be distributed at the recommendation of the CEO in relation to the activity of the officer in the bonus year if, in the CEO's opinion, there are reasons justifying doing so or if Annual Bonuses as referred to in section 4 above have been distributed.
- 4.9.3 As part of determining the Personal Qualitative Bonus, a weighting will also be given, inter alia, to attaining the general goals of the Bank in the areas of risk management, compliance with laws (including internal enforcement in the field of securities and/or other fields), regulatory directives and Bank procedures.



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4.9.4 The manner of distributing the Personal Qualitative Bonus to the officers will be approved by the Compensation Committee and the Board of Directors.

4.10 Maximum amount of the bonuses –

4.10.1 The total amount of the bonuses, including the Personal Qualitative Bonus (as referred to in section 4.9 above) and a bonus for a special contribution (as referred to in section 4.8 above) to which any officer who is the head of a business division, as defined by the Board of Directors, will be entitled for a bonus year, will not exceed nine (9) Monthly Salaries of that officer.

4.10.2 The total amount of the bonuses, including discretionary bonuses (as referred to in section 4.9 above) and a bonus for a special contribution (as referred to in section 4.8 above), for officers who are not among those referred to in section 4.10.1 above, including the Oversight and Control Functions, will not exceed eight (7) Monthly Salaries of that officer.

4.11 Authority of the Board of Directors to reduce bonuses –

4.11.1 The Board of Directors may, for special reasons, following a recommendation by the Compensation Committee, reduce the bonuses referred to in this section 4 for all the officers or for a specific officer.

4.11.2 In exercising this discretion, various considerations will be taken into account that relate to the operation of the Bank, including: a significant decrease in income and profits; profits from non-recurring events; failure to meet set goals, including capital adequacy goals, work plan goals, compliance with laws (including internal enforcement in the field of securities and/or other fields), regulations and regulatory directives; findings of internal and external audit reports; the Bank's results relative to those of the other major banks in Israel; external circumstances which affect the entire Israeli banking system; material change for the worse in the position of the Bank or in the macroeconomic situation; other extraordinary events, etc.

4.12 Denial of bonuses – if the service of an officer is terminated in circumstances not conferring entitlement to severance pay and in other circumstances as determined by the Compensation Committee and the Board of Directors (if so determined), his entitlement to bonuses pursuant to this section 4 and to any deferred payment yet to be paid to him pursuant to section 5 below, will be denied.

5. Spreading the Annual Bonus

Below are arrangements for payment of the bonuses pursuant to section 4 above:

5.1 50% of the total bonuses payable pursuant to section 4 above to an officer in respect to a bonus year (in this section 5: “**the Total Bonuses**”) will be paid to the officer shortly after publication of the Bank's financial statements for the bonus year (“**the Total Bonuses Entitlement Date**”).

5.2 50% of the Total Bonuses will be linked to rises in the Index, will be deferred and will be spread in three equal installments over the three years following the Total Bonuses Entitlement Date (“**the Deferred Bonus**” and “**Deferred Bonus Installment**”).



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- 5.3 Payment of the Deferred Bonus Installment will be contingent on the Bank not having posted a loss in its consolidated financial statements for the bonus year prior to the payment date of the Deferred Bonus Installment.
- 5.4 It is clarified that, in the event of the Deferred Bonus Installment Consideration not being paid, or being paid in part, the remaining Deferred Bonus Installments that are due for payment at later dates are not to be canceled and are to be paid subject to fulfilling the condition referred to in section 5.3 above, in the following years.
- 5.5 It is further clarified that, in the event of termination of the employee-employer relationship, no early payment will be made of the Deferred Bonus Installments to which the officer is entitled in respect to the previous years and the provisions of this section 5 will be applied thereto and to the Total Bonuses to which the officer is entitled in respect to the bonus year during the course of which the employee-employer relationship was terminated (if, and to the extent that, he was so entitled).
- 5.6 Notwithstanding the aforesaid, if in any bonus year the amount of the variable compensation to which an officer is entitled in respect to that year has not exceeded 40% of the fixed compensation for the officer, he will be paid 100% of the Total Bonuses in respect to the bonus year, as referred to in section 5.1 above, with no application of the spreading mechanism detailed in this section 5¹⁰.

6. Terms of service and employment of the Chairman of the Board of Directors and the CEO

6.1 Chairman of the Board of Directors –

6.1.1 The terms of service and employment of the serving Chairman of the Board of Directors ~~are being were~~ presented for approval to the General Meeting on ~~August 2, 2022, at the same time as an amendment to this Compensation Policy~~ April 3, 2019¹¹. The Compensation Committee and the Board of Directors believe that these terms are reasonable and fair in the particular circumstances, including taking the Compensation Law into consideration, conform with a suitable compensation policy and ~~the directives of the Supervisor of Banks and constitute the Compensation Policy for this purpose, subject to statutory and regulatory provisions permitting such terms of service and employment (including the possibility of being employed as an "employee" at the same employment cost), and subject to the possibility of proportionately increasing the compensation prescribed for the Chairman, should the maximum amount of the compensation in accordance with Section 2(b) of the Compensation Law be greater than the maximum amount existing on the date of approving this compensation policy and for section 3.7.1 above~~¹².

6.1.2 The Chairman of the Board of Directors will be entitled to fixed compensation only. The amount of the compensation of the Chairman of the Board of Directors will be set in relation

¹⁰ In relation to anyone who's compensation complies with the requirements of the Compensation Law in regard to the maximum compensation amount.

¹² For this purpose, it should be noted that the expense for the lowest compensation, at the full-time position cost, that the Bank paid, to an employee of the Bank, including a manpower agency worker where the Bank is his actual employer, and a service agency worker who was employed in providing a service at the Bank, in ~~2019~~2021, for the purposes of Section 2(b) of the Compensation Law, amounted to NIS ~~85,99486,941~~ per year, at the full-time position cost (excluding payments and contributions for severance pay and provident payments in accordance with the law). For this purpose, "manpower agency", "service agency", and "actual employer" have the meaning attributed to them in the Compensation Law.



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to the manner of compensating the members of the Bank's Board of Directors, taking into account, inter alia, the size of the Bank, the complexity of its activities and the scope of the position of Chairman of the Board of Directors¹³.

- 6.2 CEO – the terms of service and employment of the serving CEO (including salary and Annual Bonus), which is being presented for approval to the General Meeting together with approval of this Compensation Policy are reasonable and fair in the particular circumstances, including taking the Compensation Law into consideration, and conform with a suitable compensation policy and constitute the Compensation Policy for this purpose, and subject to the power to approve immaterial changes in the terms of service and employment of the CEO, in accordance with section 13 below (within the framework of the maximum amounts prescribed in the aforementioned section).

7. Caps and alignments with the Compensation Law

- 7.1 The total annual compensation of an officer who is not the CEO or a director is not to exceed ~~a cap of NIS 3.043 million (linked to the increase in the Index)~~ 90% of the highest cap permitted under the Compensation Law (Section 2(a) or Section 2(b) of the Compensation Law, as the case may be), which does not include payments and provisions for pension payments and severance pay in accordance with the law (“the 90% Compensation Cap”).

Notwithstanding the aforesaid, such an officer will not be entitled to the part of the bonus or equity compensation that results in the amount of the annual compensation exceeding the compensation cap pursuant to Section 2(a) of the Compensation Law, without receiving special specific approval for this from the Compensation Committee and the Board of Directors¹⁴.

In addition, an exception to the aforesaid caps will be permitted (in accordance with Section 2(a) of the Compensation Law or the above Compensation 90% Cap, as the case may be) in the case of non-recurring contributions in the terms of employment (such as for a non-competition / adaptation grant and/or a recruitment bonus and/or accounting adjustments of a similar character) as well as in cases where special payments, such as a bonus for a special contribution (as referred to in section 4.8), have been approved for officers by the Compensation Committee and the Board of Directors, provided that the total annual compensation for an officer who is not the CEO or a director does not exceed the highest permitted cap pursuant to the Compensation Law (Section 2(a) or 2(b) of the Compensation Law, whichever is the higher), excluding payments and contributions for pension payments and severance pay in accordance with the law.

- 7.2 In the event of exceeding the cap referred to section 7.1 above, the amount of the excess will be reduced by the amount of the bonuses referred to in section 4 above.
- 7.3 The total variable compensation, except for the recruitment bonus, for the officer for a bonus year is not to exceed 100% of the total fixed compensation for that officer for that year.

8. Equity compensation

¹³ Notwithstanding the aforesaid the Bank may pay the Chairman of the Board of Directors social terms and related expenses as is the normal practice in the terms of employment of the Bank's officers (as these are defined in the Companies Law)

¹⁴ See footnote 13 above.



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- 8.1 During the Compensation Policy period, the Bank may approve, or act in accordance with, programs to grant equity compensation to officers¹⁵ by way of warrants for the purchase of Bank shares, restricted shares or restricted share units for no consideration, as well as by way of a grant linked to the share price (phantom shares) (“**Equity Compensation**”).
- 8.2 The Bank may grant the Equity Compensation in accordance with the provisions of Section 102 of the Income Tax Ordinance according to the capital gains track or according to the optimal tax track from the officers’ perspective, as determined from time to time, and in accordance with the lock-up provisions prescribed in the Income Tax Ordinance.
- 8.3 The fair value of the Equity Compensation (according to an accepted economic model) in respect to a year or the aforesaid fair value for each of the vesting years according to the average program¹⁶ (insofar as the Equity Compensation vests over several vesting years) is not to exceed four (4) Monthly Salaries of the officer for that year.
- 8.4 The vesting period of the Equity Compensation will be spread over a period that will not be less than three years.
- 8.5 Should the Equity Compensation be conferred by way of restricted shares or restricted share units or a grant linked to the share price (phantom shares), their vesting will also be contingent on meeting financial goals, in accordance with a formula that will be approved at the time of granting the aforesaid Equity Compensation.
- 8.6 In the event of warrants being granted, the exercise price of each warrant will not be less than the average stock exchange price of the Bank’s share over the 30 trading days preceding the grant date. In the event of the Equity Compensation being granted in the form of restricted shares or restricted share units (including a grant linked to the share price), the price of the Bank’s share, for the purpose of calculating the value of the compensation on exercise/grant date, will not be less than the average stock exchange price of the Bank’s share over the 30 trading days preceding the exercise/grant date, as the case may be.
- 8.7 Where relevant, the Equity Compensation will be subject to the usual adjustments, which include adjustments in respect to dividends, bonus shares, changes in capital (consolidations, splits, etc.), rights issues, structural changes of the Bank (such as: a split up, merger, etc.) and so forth.
- 8.8 Should the Equity Compensation be of a type that is settled in cash, the maximum value of the compensation that will actually be paid on the exercise date will be up to twice the average share price on the compensation’s grant date. In the case of Equity Compensation that is not settled in cash, the Bank will consider setting a maximum amount for the exercise date at the time of deciding to grant the compensation.
- 8.9 Notwithstanding the aforesaid, the Bank may decide not to apply the provisions of section 8.4 (other than in regard to warrants) and/or 8.5 above, in cases where the Equity Compensation is considered to be fixed compensation and/or in cases where some of the bonuses prescribed for the officer in

¹⁵ In this section 8, "officers" – officers other than directors and including the CEO.

¹⁶ It is clarified that this relates to a linear distribution of the fair value of the Equity Compensation on the grant date over the vesting years, rather than the accounting value attributable to the Equity Compensation in each of those years.



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accordance with section 4 above will be paid in the form of Equity Compensation and/or in cases where the Equity Compensation is granted in place of other payments.

9. **Directors' fees**

- 9.1 The fees paid to directors of the Bank, with the exception of the Chairman of the Board of Directors, will be set in an identical manner and will comprise annual fees and meeting attendance fees (in this section 9 below: "**the Fees**") (including when a resolution is passed in writing or by phone call). VAT as prescribed by law will be added both to the annual fees and to the meeting attendance fees.
- 9.2 The Fees paid to directors and to outside directors will be in accordance with, and as permitted by, the Companies Regulations (Rules on Fees and Expenses of External Directors), 2000 ("**the Fees Regulations**"), taking into account the nature and size of the Bank and the position and duties of a director of a banking corporation, the expertise of the director and the relevant market terms.
- 9.3 The directors will be entitled to the reimbursement of expenses in accordance with the Fees Regulations.
- 9.4 The members of the Board of Directors will be entitled to fixed fees only.



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10. **Exemption, insurance and indemnification**

10.1 Directors' and officers' liability insurance – the Bank may purchase directors' and officers' liability insurance that will apply to officers of the Bank and/or of its investee companies and to companies in the Bank Group, as these will be from time to time (“**the Collective Policy**”).

Such Collective Policy will also apply to officers who served in companies in the Bank Group (including any who were controlling shareholders of the Bank), as well as to officers who, from time to time, were controlling shareholders of the Bank. The Collective Policy will cover the liability of the officers subject to the limitations and approvals prescribed by law (including the option of purchasing run-off insurance or insurance for a particular event or activity). The insurance coverage amount will be decided from time to time based on the scope of activity of the Bank and the risks inherent therein, the equity of the Bank and it being a banking corporation and a public company.

10.2 Without derogating from the provisions of section 10.1 above, in accordance with Regulation 1B1 of the Relief Regulations, the Bank may enter into an officers' liability insurance policy as stated, during the Compensation Policy period, either by way of acquiring new policies or by way of extending or renewing an existing policy or policies that will be acquired in the future, within the context of the conditions set forth below:

10.2.1 the liability limit under the Collective Policy is not to exceed an amount of \$ 350 million per event and per insurance period, with the addition of reasonable legal defense expenses in excess of the liability limit, subject to the possibility of increasing the liability limit so long as the increase in the annual premium does not exceed the amount set forth in section 10.2.2 below.

10.2.2 The Compensation Committee will determine the amounts of the annual premium and the deductible in accordance with market terms as these shall be at the time of acquiring the policy.

10.2.3 In the event of a claim against any of the officers, such officer will not be subject to any deductible. The Bank will bear the deductible in the amount prescribed in the Collective Policy, as stated in section 10.2.2 above.

10.2.4 The Compensation Committee and the Board of Directors have approved the renewal of the Collective Policy for a new insurance period and have determined that it is in accordance with the Compensation Policy and is under market terms and is not likely to have a material effect on the Bank's profitability, its assets or its liabilities.

10.3 Exemption from liability – the Bank may grant the officer, subject to statutory provisions, exemption from liability in respect to any damage caused to the Bank, either directly or indirectly, due to breach of the duty of care of the officer toward the Bank in actions taken by him in his position as an officer, subject to statutory provisions and to the receipt of approvals as prescribed by law.

10.4 Advance indemnification –

The Bank may provide an undertaking for the advance indemnification of any officer of the Bank by virtue of his position as an officer of the Bank and its investee companies, subject to the limitations and approvals prescribed by law.



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The maximum amount of the aforesaid indemnification will not exceed, in aggregate, 25% of the Bank's equity as reflected in its most recent financial statements published immediately before the actual indemnification date. The aforesaid will not derogate from any other undertaking to indemnify, if such an undertaking has previously been approved and/or given by the Bank to officers and is in effect, subject to the aforementioned restriction on the maximum amount of the indemnification¹⁷.

10.5 Retroactive indemnification – the Bank may retroactively indemnify any officer in the broadest manner possible under the Companies Law.

10.6 It is clarified that nothing in the Compensation Policy is to be construed as prejudicing the validity of a decision taken previously by the Bank in accordance with the law, in regard to granting an undertaking for the advance indemnification of an officer and in regard to granting an advance exemption from liability to an officer for harm caused due to breach of the duty of care.

11. **The relationship between the terms of service and employment of the officers and the terms of the Bank's employees**

11.1 The average cost of the compensation for officers who are Bank employees pursuant to this Policy, in accordance with the Bank's results for ~~2018~~2021, is ~~7.95-25~~ times the average cost and ~~9.037.67~~ times the median cost of the compensation paid to the rest of the Bank's employees and its agency workers¹⁸.

11.2 The Compensation Committee and the Board of Directors believe that the current gaps between the terms of service and employment of the officers and the terms of employment of the Bank's employees (including the agency workers) do not materially affect the Bank's labor relations. In regard to this, it should be noted that the Bank's employees enjoy substantially better terms than the average and median salary in Israel and are employed under a collective arrangement which assures a high level of employment tenure (to distinguish from officers who are employed under personal

¹⁷ It is clarified that the maximum amount of the aforesaid indemnification also includes indemnification given and to be given by the Bank and the subsidiaries to officers of the Bank and of subsidiaries.

¹⁸ It should also be noted that the cost of the ~~outgoing~~ CEO's compensation pursuant to this policy, with the CEO being the officer with the highest compensation at the Bank, according to the Bank's results for ~~2018~~2021, is ~~44~~ ~~9.08~~ times the average cost and ~~42-499.61~~ times the median cost of the compensation paid to the rest of the Bank's employees and its agency workers.

~~The above ratios are based on the cost of the compensation as included in the Bank's 2021 financial statements for the Bank's employees (who are not senior officers) and agency workers who were employed during the year, without payroll tax. The median cost includes a provision for an average award, as well as a proposed provision for vacation pay, jubilee awards and expenses in respect to pension terms. In addition, in 2021, the median cost also includes the additional average cost that arose as a result of redeeming the Bank's liabilities for jubilee awards. The aforementioned ratios have been calculated in the following manner:~~

~~(a) The numerator is comprised of the compensation cost as recorded in the financial statements in respect to the senior officers in 2018 (excluding payroll tax).~~

~~(b) The denominator is comprised of the compensation cost recorded in the financial statements in respect to the rest of the Bank's employees and its agency workers (excluding officers) in 2018 (excluding payroll tax), who were employed at the Bank as of December 31, 2018.~~

~~For the purpose of calculating the cost of the employees, it has been assumed that: (1) for employees in part-time positions, the cost has been grossed up to a full-time position (2) the median employee is entitled to the average of the Bank's customary allowance for vacations, Jubilee vacation and expenses for pension benefits (3) severance pay expenses are included at current cost without actuarial components.~~



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agreements for unlimited periods). Moreover, the Bank's employees enjoy unique compensation components under the provisions of the said collective arrangement.

11.3 In deciding the terms of service and employment of officers of the Bank, the Compensation Committee and the Board of Directors intend to address, inter alia, the gaps between the terms of service and employment of the officers and the terms of the Bank's employees.

12. Reimbursement of amounts granted to officers of the Bank

12.1 Reimbursement under the provisions of the Companies Law

12.1.1 Without derogating from any remedy available to the Bank by law, if it is found that an officer has received payment in connection with his terms of service and employment, based on data which were found to be materially erroneous and which were restated in the financial statements of the Bank, and in light of the restatement of the data the officer should have been paid a lower amount than he was actually paid, the officer will reimburse to the Bank, on demand, any such payment.

12.1.2 If it is found that a part or all of a component of the terms of service and employment has not been paid to an officer, based on data which were found to be materially erroneous and which were restated in the financial statements of the Bank, and in light of the restatement of the data he should have been paid a higher amount than he was actually paid, the Bank will credit the officer with the unpaid part of the payment and will confer upon him any right that he would have been granted had the terms of service and employment been calculated based on the restated data in the first place.

12.1.3 The provisions of sections 12.1.1 and 12.1.2 above will apply during a period of three years from the payment date, and no later than after the elapse of two years from the termination date of the officer's employment at the Bank.

12.1.4 The Compensation Committee and the Board of Directors may decide on the reimbursement dates so that these will fall within a reasonable period, taking into account the amount required to be reimbursed.

12.2 Reimbursement under the Supervisor's Directive

12.2.1 Variable compensation will be granted and paid subject to the stipulation that it can be reimbursed from the officer to the Bank if exceptional circumstances should exist, particularly those set forth in sections 12.2.2 and 12.2.3 below.

12.2.2 The officer is a party to conduct that caused the Bank exceptional harm, including: illegal activity, breach of the duty of loyalty, intentional or severely negligent breach of the Bank's policy, its rules and its procedures, subject to that set forth below:

12.2.2.1 For the purposes of this section, "exceptional harm" means an actual monetary expense for the Bank (including a company under its control) due to a fine and/or a monetary sanction from a competent authority and/or an absolute judgment and/or a final arbitration ruling and/or a settlement that has been granted the validity of a judgment, which obligates the Bank (including a company under its control) to make a payment, pertaining to the conduct referred to in section 12.2.2



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above, that is more than 5% of the Bank's equity at the time of the expense materializing, in accordance with its latest published consolidated financial statements. In order to remove any doubt, it is clarified that an accounting provision, made by the Bank on the basis of an estimate or an assessment prior to it becoming subject to a legal obligation to pay the expense, will not be considered an actual expense for this purpose and will not be deemed to fall within the definition of "exceptional harm". The actual monetary expense will be calculated after deducting amounts paid or expected to be paid by third parties to the Bank on account of the harm sustained by it and also after taking into account the recognition of tax losses.

- 12.2.2.2 Variable compensation will be reimbursable under this section 12.2.2 if granted in respect to a year in which the officer was subject to the circumstances referred to in section 12.2.2, viz. the officer was a party in that year to conduct that caused the Bank the aforementioned exceptional harm.
- 12.2.2.3 The amount to be reimbursed in the circumstances referred to in this section 12.2.2 is not be more than the difference between the variable compensation paid to the officer for the period in which the aforesaid conduct occurred and the variable compensation that would have been paid to the officer had the monetary expense caused to the Bank as stated in section 12.2.2.1 been attributed to that period (by attributing part of the expense, to the extent that it can be attributed, to each of the years in which such conduct occurred, and, in the event of such attribution not being possible, by dividing the expense on a linear basis over the years in the period).
- 12.2.3 Fraud or intentional improper conduct in regard to which erroneous data have been discovered and have been restated in the Bank's financial statements:
 - 12.2.3.1 For the purpose of this section, "restatement" is a restatement due to a material error in the Bank's financial statements.
 - 12.2.3.2 Variable compensation will be reimbursable under this section 12.2.3 if paid in respect to a period for which the Bank's financial statements have been restated, and if the restatement caused a change in the data on the basis which the officer was granted the variable compensation, provided that the officer was a party to the aforesaid fraud or improper conduct.
 - 12.2.3.3 The amount to be reimbursed in the circumstances referred to in this section 12.2.3 is not be more than the difference between the variable compensation paid to the officer for the aforesaid period and the variable compensation that would have been paid to the officer according to the Bank's restated financial statements for that period.
- 12.2.4 Activation of the reimbursement
 - 12.2.4.1 The Board of Directors is authorized to decide whether to require reimbursement in accordance with this section 12.2, provided that only directors who have no personal interest in the decision participate in the discussions and in taking the decision. The Board of Directors may appoint an independent committee of the Board of Directors or another committee, the composition of which it will decide, and whose members may include persons not serving as directors of the Bank



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("the Committee"). The Committee will discuss the matter and will present its recommendations to the Board of Directors.

- 12.2.4.2 In accordance with the decision of the Board of Directors as referred to in section 12.2.4.1 above, the Bank will take all reasonable steps, including legal measures, in order to recover an amount equal to part or all of the variable compensation that was paid and that is reimbursable under sections 12.2.2 and 12.2.3 above, when the reimbursement criteria are met and subject to any law.
- 12.2.4.3 When deciding whether and to what extent it is reasonable to demand reimbursement of part or all of the variable compensation that was paid, as referred to in section 12.2.4.1 above, the Board of Directors will take all relevant considerations into account, including the degree of the officer's responsibility and the extent of his involvement in the matter.
- 12.2.4.4 Prior to a decision being taken by the Board of Directors pursuant to which an officer will be required to reimburse the variable compensation paid to him., wholly or partly, in accordance with the reimbursement criteria detailed in this document, an opportunity is to be granted for the officer's arguments to be heard. Arrangements for the process of hearing the arguments will be determined by the Board of Directors or by the Committee, which may, inter alia, decide that the hearing of arguments will be done in writing or before a person appointed for this purpose by the Board of Directors or by the Committee.
- 12.2.5 The reimbursement period
- 12.2.5.1 Variable compensation will be reimbursable for a period of five years from the date of its grant ("**the Reimbursement Period**"). The Reimbursement Period will also include the deferral period of the variable component.
- 12.2.5.2 The Reimbursement Period may be extended for up to a further two years in regard to an officer, when all the following conditions are fulfilled:
- 12.2.5.3 If, during the Reimbursement Period, the Bank opened an internal investigation or received a notice from a regulatory authority (including an overseas regulatory authority) that an investigation has been opened, unless the investigation was closed at least six months prior to the end of the Reimbursement Period ("**the Investigation**").
- 12.2.5.4 If the Bank believed that the Investigation might reveal that the reimbursement criteria, as referred to in section 12.2.2 and 12.2.3 above, have been met.
- 12.2.5.5 If the Bank's Board of Directors decided that circumstances exist for extending the Reimbursement Period for the officer, as referred to above.
- 12.2.5.6 When taking the decision regarding the extension, the Board of Directors will take all relevant considerations into account, including the degree of the officer's responsibility and the extent of his involvement in the matter. The extension period will end when the relevant Investigation terminates or when the extent of the officer's involvement is established.
- 12.2.6 Exemption from reimbursement



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Notwithstanding that stated previously in this document, when the total variable compensation granted to an officer for a calendar year does not exceed one sixth of the fixed compensation for that year, the reimbursement mechanism prescribed in this section 12.2 will not be activated in relation to said paid variable compensation.

13. **Immaterial change in the terms of employment**

13.1 In accordance with statutory provisions, the Compensation Committee (in relation to the Bank's CEO) or the Bank's CEO (in relation to the officers who report to the CEO) may approve an immaterial change in the terms of employment approved under this Policy, as provided in Section 272(d) of the Companies Law or as provided in Regulation 1B3 of the Relief Regulations, as the case may be.

13.2 Within this framework, the Compensation Committee or the CEO, as the case may be, may approve, from time to time, during the Compensation Policy period, changes to the terms of service and employment of an officer, which are in line with the Compensation Policy, such that the result of such changes for each officer, at the time of the change, is not expected to exceed 7% annually in relation to the annual cost of the relevant officer's compensation, as it was on the date of approving the Compensation Policy, or in relation to the annual cost to the Bank of the officer's compensation in the prior calendar year, whichever is the greater. Such changes will be considered to be changes that are immaterial relative to the existing compensation at that time. If the change does not relate to a quantitative value, its materiality will be examined based on its nature and the case at hand.

13.3 It is clarified that a change that is not considered to be an immaterial change is to be approved as prescribed by law.

14. **The Compensation Policy period**

The Compensation Policy will be in effect for a three-year period of up to six months, starting from the date that General Meeting approves the Compensation Policy (and in relation to annual bonuses, it will apply to the bonus years 2020 through 2022 (inclusive)). If the General Meeting does not approve the Compensation Policy, and the Board of Directors decides to adopt it despite the said objection of the General Meeting, the Compensation Policy will be in effect for three years from the date of the Board of Directors' aforesaid approval.

15. **Miscellaneous**

15.1 Changes may be made in the identity of the officers and in the type of positions or jobs the holders of which will be deemed as officers. Persons who served as officers in a specific year and whose terms of service and employment were subject to this Compensation Policy, will not necessarily continue serving as officers in the following years and their terms of service and employment will not be subject to this Policy, and vice versa.

15.2 The Bank may change the terms of service and employment of any officer at any time and will not be required to apply to the officer the same terms of service and employment that applied to him in previous years.

15.3 The Compensation Committee and the Board of Directors may review, from time to time, the Compensation Policy and the need for its adaptation if material changes occur in the circumstances



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that existed during its formulation or for other reasons, as well as the adaptation of compensation plans for officers at the Bank to the Compensation Policy.

- 15.4 The results of the indicators used in calculating the entitlement to bonuses pursuant to this policy will be reported to the Compensation Committee and to the Board of Directors.
- 15.5 An officer is not to receive compensation in any form whatsoever from any of the Bank's material holders, in accordance with the meaning of said term in the Banking (Licensing) Law, 1981, including their relatives or corporations under their control that do not belong to the banking group. This section will not apply to a director who is not an external director but will apply to the Chairman of the Board of Directors.
- 15.6 In a situation where the expense for the remuneration cost that the Bank bears, directly or indirectly, in a tax year, for an officer, exceeds the "maximum amount for payment", as defined in Section 4 of the Compensation Law, part of the compensation for the officer will be disallowed as an expense of the Bank for tax purposes, in accordance with the provisions of Section 4 of the aforesaid law.

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ATTACHMENT 2

ISRAEL DISCOUNT BANK LTD. (“the Bank”)

Voting Ballot in Conformance with the Companies Regulations (Voting Ballot and Position Papers), 2005 (“the Regulations”)

FIRST PART

1. **Name of the Company:** Israel Discount Bank Ltd.

2. **Type of General Meeting, and date and place where it is to be held:**

An Annual General Meeting of the shareholders of ordinary “A” shares of the Bank (“the General Meeting”). The General Meeting shall be held on **Tuesday, August 2, 2022 at 12:30** at the offices of the Bank at 23 Yehuda Halevi Street (17th floor), Tel Aviv, Israel (“the Bank’s Offices”). If the General Meeting is adjourned, it shall take place on **Wednesday, August 3, 2022 at 12:30**, at the Bank’s Offices.

3. **Details of the topics on the agenda, which can be voted upon by means of a Voting Ballot:**

3.1. **Topic no. 1.2 on the agenda – Appointment of independent auditors and authorization of the Board of Directors to fix their fees**

The proposed resolution:

To reappoint Ziv Haft as independent auditors and Somekh Chaikin as independent auditors until the end of the 2023 Annual General Meeting, and to authorize the Bank’s Board of Directors to fix the fees of the independent auditors.

For additional information, refer to section 1.2 of the immediate report regarding the convening of the Annual General Meeting that is attached to the Voting Ballot (“the Call Report”).

3.2. **Topic no. 1.3 on the agenda – Appointment of directors to the Board of Directors of the Bank – 301 external director**

To elect one (1) director, with the status of external director, as this is defined in Directive 301 of the Proper Conduct of Banking Business Directives (“Directive 301”).

The election at this General Meeting is between the candidates proposed by the Committee for the Appointment of Directors at Banking Corporations appointed pursuant to Section 36A of the Banking (Licensing) Law, 1981 (“the Banking Law”) and pursuant to Sections 11D(a)(1) and (2) of the Banking Ordinance, 1941 (“the Banking Ordinance”):

4.10.11 Mr. Danny Yamin

4.10.12 Mr. Guy Richker



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The vote for each candidate shall be held separately. Those participating in the vote are entitled to vote for each of the candidates to serve as a director.

For further information, refer to section 2 of the immediate report regarding the convening of the Annual General Meeting that is attached to the Voting Ballot (“the Call Report”).

Presented below are details concerning the candidates for election, according to the best of the Bank’s knowledge:

In regard to topic 1.3.1 on the agenda – Election of Mr. Danny Yamin

Candidate’s name	Danny Yamin
ID no.	05526234
Date of birth	June 7, 1958
Address for service of court documents	17 Rothschild Street, Tel Aviv, Israel
Nationality	Israeli
Membership of Board of Directors’ committees	Not yet determined
External director as defined in the Companies Law	No. External director pursuant to Directive 301, in accordance with the classification of the Committee for the Appointment of Directors
Independent director as defined in the Companies Law	Yes, in accordance with the candidate’s declaration. Subject to the Audit Committee’s approval
Possesses accounting and financial expertise or professional qualifications	Refer to the candidate’s declaration and subject to the approval of the Bank’s Board of Directors
Date on which service as a director shall commence	Subject to the General Meeting’s approval and receipt of the Supervisor of Banks’s consent and not before February 1, 2023
Education/professional diplomas	Refer to the curriculum vitae and the candidate’s declaration attached to this immediate report
Employment in the last five years and details of the corporations in which he serves as a director	Refer to the curriculum vitae and the candidate’s declaration attached to this immediate report
Employee of the Bank, a subsidiary, a related company or an interested party of the Bank	No
Relative of another interested party in the corporation	No



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Decision of the Audit Committee:

- The Audit Committee has confirmed that the relations with the Bank and/or corporations under its control in the course of normal business, and the financial services provided by material holders/material shareholders to the candidate and/or his relations, which meet the criteria prescribed by the Supervisor of Banks in regard to “retail business relations” as referred to in section 2.7 above, do not constitute an “affiliation” and instead constitute insignificant relations in accordance with the Companies Law and the Banking Ordinance.
- The candidate serves as the CEO and as a director of Byte Acquisition (“the Company”), a special purpose acquisition company (SPAC) that made an issuance on NASDAQ for the purpose of acquiring/merging with a target company. Institutional bodies that are material holders/material shareholders of the Bank are investors in the Company at the date of acquisition/merger with the target company in accordance with the terms prescribed at the time of the initial investment. The Audit Committee has confirmed that, insofar as the business relations of the Company with the material holders/material shareholders of the Bank constitute an affiliation, these are insignificant in accordance with the Banking Ordinance and the Companies Law. Among the reasons for this are: the scope of the investment of the material holders/material shareholders in the Company; the status of the material holders/material shareholders of the Company as passive investors that are not involved in the Company’s management; the fact that the material holders and the material shareholders have no veto right over the acquisition/merger with the target company; the fact that the relations are with the Company in which the candidate serves as CEO; and that the candidate has declared that, from his perspective, the relations are insignificant.

The proposed resolution:

To appoint Mr. Danny Yamin as a director with the status of external director, as this is defined in Directive 301 of the Proper Conduct of Banking Business Directives, for a period of three years, with effect from February 1, 2023, subject to receiving the consent or non-objection of the Supervisor of Banks to the appointment.

In regard to topic 1.3.2 on the agenda – Election of Mr. Guy Richker

Candidate’s name	Guy Richker
ID no.	025586041
Date of birth	December 17, 1973
Address for service of court documents	30 Harechesh Street, Tel Aviv, Israel
Nationality	Israeli
Membership of Board of Directors’ committees	Not yet determined
External director as defined in the Companies Law	No. External director pursuant to Directive 301, in accordance with the classification of the Committee for the Appointment of Directors
Independent director as defined in the Companies Law	Yes, in accordance with the candidate’s declaration. Subject to the Audit Committee’s approval
Possesses accounting and financial expertise or professional qualifications	Refer to the candidate’s declaration and subject to the approval of the Bank’s Board of Directors



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Date on which service as a director shall commence	Subject to the General Meeting's approval and receipt of the Supervisor of Banks's consent and not before February 1, 2023
Education/professional diplomas	Refer to the curriculum vitae and the candidate's declaration attached to this immediate report
Employment in the last five years and details of the corporations in which she serves as a director	Refer to the curriculum vitae and the candidate's declaration attached to this immediate report
Employee of the Bank, a subsidiary, a related company or an interested party of the Bank	No
Relative of another interested party in the corporation	No

Decision of the Audit Committee:

- The Audit Committee has confirmed that the relations with the Bank and/or corporations under its control in the course of normal business, and the financial services provided by material holders/material shareholders to the candidate and/or his relations, which meet the criteria prescribed by the Supervisor of Banks in regard to "retail business relations" as referred to in section 2.7 above, do not constitute an "affiliation" and instead constitute insignificant relations in accordance with the Companies Law and the Banking Ordinance.
- The candidate works at Google in a managerial position and is not defined as an officer of that company. The Audit Committee has confirmed that the business relations between Google (the candidate's employer) and the Bank/the Bank's subsidiaries, which constitute an affiliation, are insignificant in accordance with the Banking Ordinance and the Companies Law. Among the reasons for this are: that the scope of the relations are in insignificant amounts both for Google and for the Bank/the Bank's subsidiaries; that most of the engagements, rather than being direct, are through third parties; that the relations are with the employer of the candidate and not with the candidate himself, and the candidate is not involved in these relations and has no control over them; and the candidate has declared that, from his perspective, the relations are insignificant.

The proposed resolution:

To appoint Mr. Guy Richker as a director of the Bank with the status of external director, as this is defined in Directive 301 of the Proper Conduct of Banking Business Directives, for a period of three years, with effect from February 1, 2023, subject to receiving the consent or non-objection of the Supervisor of Banks to the appointment.

3.3. Topic no. 1.4 on the agenda – Amendment of the compensation policy for the Bank's officers, pursuant to Section 267A of the Companies Law

The proposed resolution:

To approve an amendment to the compensation policy for the Bank's officers, which is attached as **Appendix A** to the agenda, pursuant to Section 267A of the Companies Law.

For additional information, refer to section 3 of the Call Report.



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3.4. Topic no. 1.5 on the agenda – Approval of update to the terms of service of the Chairman of the Board of Directors, Mr. Shaul Kobrinsky, and amendment of the officers’ compensation policy accordingly

The proposed resolution:

To approve the update to the terms of service of the Chairman of the Board of Directors, Mr. Shaul Kobrinsky, as stated in section 4.7 of the Call Report.

For additional information, refer to section 4 of the Call Report.

For further details pertaining to all the topics placed on the agenda, refer to the Immediate Report regarding the convening of an Annual General Meeting that is attached to this Voting Ballot.

4. The time and place at which the full text of the proposed resolutions can be viewed:

The text of the proposed resolutions to be brought for approval at the General Meeting, the declarations of the candidates to serve as directors and the full text of the Bank’s Financial Statements and the Report of the Board of Directors for 2021 can be viewed at the Office of the Secretary of the Bank, 23 Yehuda Halevi Street, Tel Aviv, Israel, by prior arrangement (telephone no. +972-76-8054499), during regular business hours., as well as on the distribution website of the Israel Securities Authority and on the website of the Tel-Aviv Stock Exchange Ltd., whose addresses are given in section 10 below, and also on the website of the Bank (www.discountbank.co.il).

5. The majority required for the General Meeting to pass the resolutions on topics that can be voted on by means of a voting ballot:

5.1. For Topics no. 1.2-1.3 on the agenda

The majority required to pass a resolution to appoint a 301 external director is a simple majority of all the votes of holders of ordinary “A” shares voting at the General Meeting in person, by proxy, by means of a voting ballot or by means of an electronic voting system, and entitled to vote. In counting the votes of the said shareholders, abstentions shall not be taken into account.

5.2. For Topic no. 1.4 on the agenda

The majority required to pass the resolution as prescribed in Section 267A of the Companies Law (taking into account that the Bank is a banking corporation having no core controlling interest):

- a. The votes comprising the majority shall include a majority of all the votes of holders of ordinary “A” shares participating in the vote, other than those having a personal interest in approving the appointment; in counting the total votes of the said shareholders, abstentions shall not be taken into account; **or**
- b. The total opposing votes among the shareholders included in section (a) above does not exceed two percent (2%) of the total voting rights in the Bank.



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5.3. For Topic no. 1.5 on the agenda

The majority required to pass the resolution as prescribed in Section 273 of the Companies Law and also as prescribed in Section 2(a) of the Compensation of Officers of Financial Corporations Law (Special Approval and Non-Allowance of Expense for Tax Purposes due to Excessive Compensation), 2016 (“the Compensation Law”)¹ (taking into account that the Bank is a banking corporation having no core controlling interest):

- a. The votes comprising the majority shall include a majority of all the votes of holders of ordinary “A” shares participating in the vote, other than those having a personal interest in approving the appointment; in counting the total votes of the said shareholders, abstentions shall not be taken into account; **or**
- b. The total opposing votes among the shareholders included in section (a) above does not exceed two percent (2%) of the total voting rights in the Bank.

Notwithstanding the aforesaid, the Bank’s Board of Directors may approve the amendment of the Compensation Policy, even if the General Meeting has opposed its approval, provided that the Compensation Committee and, subsequently, the Board of Directors shall resolve – on the basis of detailed reasons and after having re-discussed the Compensation Policy – that approval of the Compensation Policy, despite the opposition of the General Meeting, is in the best interests of the Bank.

5.4. It should be noted that Article 37D of the Bank’s Articles of Association states the following:

“Should the number of candidates for appointment as directors, who receive a majority of the votes of the participants in the vote at the General Meeting, exceed the number of positions available for said appointment, the candidates who gained the most support in the vote at the General Meeting shall be selected. If any of the electees is disqualified from serving as a director for any reason, including pursuant to a decision by the Supervisor of Banks, the candidate who gained the greatest amount of support in the vote at the General Meeting, after the candidate who was disqualified as stated, shall be the person elected.

If a decision needs to be made between candidates who received an equal number of votes at the General Meeting, and among these candidates there is a person who is standing for an additional period of service, that person shall be considered as having gained the greatest amount of support at the vote at the General Meeting.

Where both candidates for director are standing for election for the first time, or have been serving for identical periods, a further vote shall be taken at the adjourned General Meeting on whose agenda shall be the appointment of the directors who won an equal number of votes.”

¹ As the compensation for the Chairman of the Board of Directors exceeds the ceiling set in Section 2(a) of the Compensation Law, the resolution is being submitted for the approval of the General Meeting also with the majority prescribed in Section 2(a) of the Compensation Law.



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6. Pursuant to Regulation 36D(d) of the Securities Regulations (Periodic and Immediate Reports), 1970 and the Regulations, an interested party, a senior officer, an institutional investor and a party with a personal interest in passing the resolutions on topics 1.4 through 1.5 on the agenda, who is voting at the General Meeting on the aforesaid resolutions, shall notify the Bank of this before the vote at the General Meeting or, if voting by means of the voting ballot, shall note this in the designated place in the Second Part of the voting ballot, if he is a party with a personal interest in the resolution, an interested party, a senior officer or an institutional investor, and shall furnish a description of the affiliation/characteristic, and, if voting by means of a legal representative, the voter or his legal representative shall provide the aforesaid details in relation to the legal representative too. In addition, details shall be provided on any relationship between the voter (not having a personal interest) or the legal representative (not having a personal interest) and the Bank, including employer-employee relations, business relations, etc., and/or a senior officer of the Bank, and of the nature of such relationship.

It is clarified that, if a shareholder or his legal representative has not marked the Voting Ballot, or has marked it "Yes", but has not provided the aforesaid details – his vote shall not be counted.

7. **Voting and validity of the Voting Ballot:**

- 7.1. The Voting Ballot shall only be valid if the Confirmation of Ownership of the non-registered shareholder (namely, the person in whose favor the shares are registered with a Stock Exchange member and the shares are included among the shares registered in the shareholders' register in the name of the nominee company) is attached to it or a photocopy of the identity card, passport or certificate of incorporation, if the shareholder is registered in the shareholders' register.
- 7.2. A shareholder shall mark the manner of voting in regard to the topic on the agenda on the form that is the Second Part of this Voting Ballot.
- 7.3. An unregistered shareholder wishing to vote at the General Meeting in writing without attending the General Meeting and without sending a legal representative, shall deliver the Voting Ballot to the Bank's Offices or shall send it by registered mail, together with the Confirmation of Ownership, in accordance with the address that appears in the Second Part of the Voting Ballot, so that the Voting Ballot shall reach the Bank's Offices not later than four hours prior to the time scheduled for holding the General Meeting, viz., **by 08:30 on Tuesday, August 2, 2022.**
- 7.4. A shareholder, who is registered in the shareholders' register and who wishes to vote in writing, shall deliver the Voting Ballot to the Bank's Offices or shall send it by registered mail, together with a photocopy of his identity card, or a photocopy of his passport, or a photocopy of the certificate of incorporation, so that the Voting Ballot shall reach the Bank's Offices up to six hours prior to the time scheduled for holding the General Meeting, viz., **by 06:30 on Tuesday, August 2, 2022.**
- 7.5. As stated in the Immediate Report, an instrument of appointment of a voting proxy, a power of attorney or a copy certified by a competent party (an attorney, an accountant, etc.) is to be deposited at the Bank's Offices by **Thursday, July 28, 2022, at 12:30.**
- 7.6. A shareholder may receive the Confirmation of Ownership at a branch of the Stock Exchange member or by mail, if so requested. The said request is to be given in advance for a specific securities account. An unregistered shareholder may instruct that his Confirmation of Ownership be sent by means of the Electronic Voting System.



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- 7.7. A non-registered shareholder is entitled to receive by electronic mail, without charge, a link to the text of the Voting Ballot and the position papers on the distribution website, from the Stock Exchange member with whom his shares are held, unless the shareholder notified the member that he is not interested in receiving a link as aforesaid, or that he is interested in receiving Voting Ballots by mail, upon payment; the shareholder's notice regarding Voting Ballots shall also apply in regard to receipt of position papers.
- 7.8. After publication of the Voting Ballot, there could be changes in the agenda, including adding a topic to the agenda, and position papers might be published. In such an instance, the updated agenda and the position papers published in the Bank's reports can be viewed on the distribution website of the Israel Securities Authority and on the website of the Tel-Aviv Stock Exchange Ltd., as referred to in section 4.
- 7.9. If it should be requested that a topic be added to the agenda, and the Bank shall publish an updated Voting Ballot (that includes the aforesaid additional topic/s), then publication of the aforesaid updated Voting Ballot shall be effected on the date of publishing the updated agenda for the General Meeting, in accordance with the timetables set forth in Section 5B of the Companies Regulations (Notice and Announcement of a General Meeting and a Class Meeting of a Public Company and Addition of Topic to the Agenda), 2000.
- 7.10. An unregistered shareholder may vote by means of the Electronic Voting System. Voting shall be possible up to six hours prior to the time scheduled for holding the General Meeting, viz., **up to 06:30 on Tuesday, August 2, 2022.**
- 7.11. In accordance with Section 83(d) of the Companies Law, if a shareholder has voted in more than one way, his most recent vote will be the one that is counted. For this purpose, the vote of a shareholder in person or by means of a proxy will be deemed more recent than a vote by means of a voting ballot.
8. **Position papers:**
The last date for presenting position papers to the Bank is **up to ten (10) days prior to the date scheduled for holding the General Meeting**, and the last date for the Board of Directors to provide its response to position papers is **up to five (5) days prior to the date scheduled for holding the General Meeting**.
9. **Address of the Bank for delivering Voting Ballots and position papers:**
The Voting Ballots and position papers, if any, should be sent to Adv. Michal Sokolov-Danoch, Corporate Secretary, Israel Discount Bank Ltd., 23 Yehuda Halevi St. (18th Floor), Tel Aviv 6513601, Israel. One or more shareholders, who hold shares representing five percent or more of the total voting rights in the Bank, are entitled to view the Voting Ballots, as set forth in Regulation 10 of the Regulations. The number of shares constituting five percent of the total voting rights in the Bank is 61,850,564 (as of June 27, 2022).
10. **Addresses of the distribution website and the Stock Exchange website on which the Voting Ballots and position papers can be found:**
Distribution website of the Israel Securities Authority – <http://www.isa.gov.il>
Website of the Tel-Aviv Stock Exchange Ltd. – <http://www.maya.tase.co.il>
Website of the Bank – www.discountbank.co.il



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VOTING BALLOT –SECOND PART

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Name of the Company: Israel Discount Bank Ltd.

Address of the Company (for delivery and sending of Voting Ballots): Adv. Michal Sokolov-Danoch, Corporate Secretary, Israel Discount Bank Ltd., 23 Yehuda Halevi St., Tel Aviv 6513601, Israel

Company No.: 520007030

Date and hour of the General Meeting: Tuesday, August 2, 2022, at 12:30.

Type of General Meeting: Annual

Record date: July 3, 2022

Particulars of the shareholder

Name of shareholder - _____

ID No. - _____

If the shareholder does not hold an Israeli identity card -

Passport No. - _____

Country of Issue - _____

Valid through - _____

If the shareholder is a corporation -

Corporation Name. - _____

Corporation No. - _____

Country of Incorporation - _____

Provide details of any personal interest or other connection between the voter (of the kind included in section 6 above) or the legal representative and the Bank or a senior officer, including employer-employee relations, business connections, etc., and particulars of the nature thereof.



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Manner of Voting

Number of Topic on the Agenda	Manner of Voting ²			In regard to amending the Compensation Policy pursuant to Section 267A of the Companies Law and in regard to approving the update to the terms of service of the Chairman of the Board of Directors and amending the officers' Compensation Policy accordingly – do you have a personal interest in passing the resolutions? ³	
	For	Against	Abstain	Yes*	No
Topic No. 1.2 on the agenda Appointment of auditors and authorization of the Board of Directors to fix their fees					
Topic No. 1.3.1 on the agenda Appointment of Mr. Danny Yamin as a director with the status of "301 External Director"					
Topic No. 1.3.2 on the agenda Appointment of Mr. Guy Richker as a director with the status of "301 External Director"					
Topic No. 1.4 on the agenda Amendment of the Compensation Policy for the Bank's officers, pursuant to Section 267A of the Companies Law					
Topic No. 1.5 on the agenda Approval of update to the terms of service of the Chairman of the Board of Directors, Mr. Shaul Kobrinsky, and amendment of the officers' Compensation Policy accordingly					

Are you an interested party, a senior officer or an institutional investor? Yes _____ No _____

² Failure to indicate in the table and describe the nature of the personal interest or the other attachment of the shareholder shall be treated as an abstention from the vote on that topic.

³ A shareholder that does not complete this column or has marked it "Yes" but has not provided the aforesaid details – his vote shall not be counted.



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*** Please provide details if you stated that you are considered an interested party, a senior officer⁴ or an institutional investor⁵:**

*** Please provide details if you stated that you are considered as having a personal interest in topic no. 1.4 on the agenda:**

*** Please provide details if you stated that you are considered as having a personal interest in topic no. 1.5 on the agenda:**

Date: _____

Signature: _____

For shareholders who hold shares through a Stock Exchange member (pursuant to Section 177(1)) – this Voting Ballot is valid only with the attachment of Confirmation of Ownership, except in cases where voting is by means of the Electronic Voting System.

For shareholders who are registered in the shareholders' register of the Company – the Voting Ballot is valid with the attachment of a photocopy of the shareholders' identity card/passport/certificate of incorporation.

⁴ As the term "senior officer" is defined in Section 37(d) of the Securities Law.

⁵ As the term "institutional investor" is defined in Regulation 1 of the Companies Regulations (Voting Ballot and Position Papers), 5766-2005.