

# ISRAEL DISCOUNT BANK LTD.

Registration no.: 520007030

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

FAO: The Tel Aviv Stock Exchange Ltd.  
www.tase.co.il

T170 (Public/  
Accompanying Page)

Magna transmission date: July 13, 2022  
Reference No.: 2022-01-089110

**Supplementary Report to the Report filed on June 27, 2022 whose reference number is: 2022-01-079597**

Main details added/completed: *Several changes have been added to the Outline's text (which has been marked-up for the changes) at the request of the Tel Aviv Stock Exchange Ltd.*

## OUTLINE OF SECURITIES OFFERING TO EMPLOYEES

### **Regulation 2 and 8 of the Securities Regulations (Particulars of Outline of Securities Offering to Employees), 2000**

1. An outline of a securities offering to employees is hereby being filed.
2. Commencement date of the period for granting the securities to the employees is July 13, 2022.
3. The date of the Board of Directors' decision regarding the securities offering to employees: June 27, 2022.
4. The securities being offered:

|   |
|---|
| <p><b>1</b> Type of security: <i>Option</i> _____</p> <p>Listed on the Stock Exchange: <i>No</i> Stock Exchange Security Registration Number _____</p> <p>Number of securities being offered: <i>10,000,000</i></p> <p>The percentage of the Company's issued and paid-up capital that the number being offered represents (non-diluted):</p> <p>Of the capital: <i>0.80%</i> of the voting <i>0.80%</i></p> <p>The percentage of the Company's issued and paid-up capital that the number being offered represents (fully diluted):</p> <p>Of the capital: <i>0.80%</i> of the voting <i>0.80%</i></p> |
|---|

Types of allottees

|   |       |
|---|-------|
| <i>Employee who is not the CEO or a director or a controlling shareholder</i> | _____ |
|---|-------|

5. Type of consideration *For no consideration*

6. The Outline is attached below

*For the purpose of item 4 – The percentages are on the theoretical assumption of the full exercise of the options that can be allotted pursuant to the Outline. The computation of the number of exercise shares with the full dilution of the aforesaid options was made solely on a theoretical assumption, since, according to the terms of the plan, a ceiling price is prescribed on the exercise date of the options in the present allotment (as set forth in section 2.3.6 of the Outline), as well as the exercise shares that shall actually be allotted as a result of exercising the options that shall reflect the monetary benefit value that shall be embodied in the options on the date of their exercise (a Net Exercise mechanism).*

*The Immediate Report has been signed by:*

*Barak Nardi, Executive Vice President, Head of the Strategy, Finance and Holdings Division*  
*Hagit Meirovitz, Executive Vice President, Chief Legal Counsel*

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@ddbanc.co.il](mailto:michal.sd@ddbanc.co.il)

Prior names of the reporting entity:

Name of person making electronic report: Sokolov-Danoch, Michal Position: Corporate Secretary Name of Employing Company:  
Address: 23 Yehuda Halevi St., Tel Aviv 6513601, Israel Tel: 972-3-5145582; Fax: 972-3-5171674 Email: [michal.sd@dbanc.co.il](mailto:michal.sd@dbanc.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.***

**ATTACHMENT**

**ISRAEL DISCOUNT BANK LTD**

**(“The Bank”)**

**OUTLINE**

**For an offering of securities to officers responsible to the CEO, as these shall be from time to time, and to other employees of the Bank (collectively “the Allotees”) pursuant to Section 15B(1)(a) of the Securities Law, 1968 (“the Securities Law”), the Securities Regulations (Particulars of Outline of Securities Offering to Employees), 2000 (“the Outline Regulations”) and the Securities Regulations (Periodic and Immediate Reports), 1970 (“the Reports Regulations”);**

**OF**

**Up to 10,000,000 non-listed share options that, upon fulfillment of certain terms as set forth below, shall be exercisable into up to 10,000,000 registered ordinary “A” shares of the Bank, of NIS 0.1 par value each, subject to adjustments (“the Options”), including Options from the above number which, after having been allotted, the Allottee’s entitlement to receive the Options shall have expired or where said entitlement shall have been revoked, and the Options shall not be exercised into shares, and shall be returned to the Options pool, all being subject to the matters set forth below;**

**TOGETHER WITH A**

**PRIVATE OFFERING REPORT**

**Pursuant to the Securities Regulations (Private Offering of Securities in a Listed Company), 2000 (“the Private Offering Regulations”) and the Reports Regulations;**

**OF**

**Up to 3,939,972 non-listed Options (from the total number included in this Outline), which are exercisable into up to 3,939,972 registered ordinary “A” shares of the Bank, of NIS 0.1 par value each, subject to adjustments, to 33 employees of the Bank, 9 of whom are officers<sup>1</sup> of the Bank responsible to the CEO, including Options from the above number which, after having been allotted, the Allottee’s entitlement to receive the Options shall have expired or where said entitlement shall have been revoked, and they shall not be exercised into shares, and shall be returned to the Options pool, all being subject to the matters set forth below.**

**The Options are being offered to the Allotees, for no consideration, provided that they are not and shall not be a “stakeholder” or an interested party of the Bank (as this term is defined in the Securities Law) by virtue of their holdings in the Bank’s shares, including following the exercise of the Options into shares.**

**The Outline shall apply to the Allotees, subject to completing any process required pursuant to any law, including the provisions of Section 102 of the Income Tax Ordinance [New Version], 1961 (“the Ordinance” or “the Income Tax Ordinance”) and the rules legislated pursuant thereto, as amended from time to time (“the Rules”), should these apply, and the provisions of the Securities Law and the regulations promulgated thereunder.**

**Date of the Outline: June 27, 2022 [\(as updated on July 13, 2022\)](#)**

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<sup>1</sup> As this term is defined in the Companies Law, 1999.

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## CHAPTER 1 – INTRODUCTION

### 1.1. General

#### 1.1.1. Definitions

The terms set forth below shall have the meanings specified opposite them, unless the written context requires otherwise:

**“The Companies Law”** - The Companies Law, 1999.

**“The Manager” and/or “the Plan Manager”** - The Bank’s Board of Directors or a committee appointed by the Bank’s Board of Directors, which has been authorized by it to manage the Plan, subject to the provisions of the Companies Law.

**“Exercise Shares”** - Ordinary “A” shares allotted by the Bank to an Allottee and/or to a Trustee following the exercise of Options granted to the Allottee, all being subject to the terms of the Plan, the allotment agreement, the terms of the tax track and this Outline. The Exercise Shares shall be listed on the Tel Aviv Stock Exchange (“**TASE**”) after being allotted.

**“Plan”** - As defined in section 1.2.2 below.

1.1.2. On June 27, 2022, the Bank’s Board of Directors approved the filing of this outline (“**the Outline**”), which enables the grant of up to 10,000,000 non-listed Options to the Allottees for no consideration, each Option being exercisable into one registered ordinary “A” share of the Bank of NIS 0.1 par value each (“**Ordinary Share**”) (“**the Total Offered Options**” or “**the Pool**”),, which also includes the grants within the framework of the present allotment (as defined in section 1.1.3 below).

In the event of an Allottee’s right to an Option that was granted to him expiring and/or being revoked, and hence not being exercised by him, the Option shall be returned to the Pool that serves the Bank and from which the Bank may grant Options in accordance with the provisions of the Plan and the Outline, at its sole discretion.

1.1.3. In addition, on the same date, the Bank’s Board of Directors approved, following approval by the Bank’s Compensation Committee, the allotment of up to 3,939,972 Options (from the Total Offered Options), which are not listed on TASE and are exercisable into up to 3,939,972 Ordinary Shares of the Bank, subject to adjustments, are being offered for no consideration to 33 employees of the Bank, 9 of whom are officers of the Bank<sup>2</sup> responsible to the CEO, including Options from the above number which, after having been allotted, shall have expired or where the Allottee’s right of receipt shall have been revoked, and they shall not be exercised into shares, and shall be returned to the Pool, in accordance with the plan and subject to the permits and approvals referred to in section 1.2 below (“the Present Allotment”).

1.1.4. The purpose of the Outline and the grant of the Options is to reward the officers and managers for their work and contribution to the Bank and to retain them long-term, while creating suitable

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<sup>2</sup>

As this term is defined in the Companies Law.

incentives and tying them into the Bank's objectives, all the while taking into consideration the restrictions of the Compensation of Officers of Financial Corporations Law (Special Approval and Non-Allowance of Expense for Tax Purposes due to Excessive Compensation), 2016, and while maintaining the Bank's risk management framework. For further details regarding the reasoning of the Compensation committee and the Board of Directors in connection with the Present Allotment, refer to section 4.3 below.

- 1.1.5. The allotment of the Options to the Allottees, who are officers of the Bank responsible to the CEO, shall be carried out also in accordance with the provisions of the compensation policy for the Bank's officers, as this shall be from time to time ("the Compensation Policy"). For details regarding the Bank's Compensation Policy, which was approved by the Bank's general meeting on March 18, 2020, as amended on May 18, 2021, refer to the Bank's Immediate Reports dated February 24, 2020 and May 18, 2021 (reference nos. 2020-01-015952 and 2021-01-085890, respectively).

It should be noted that, on June 27, 2022, the Bank published a General Meeting Call Report, on the agenda of which is the amendment of the Compensation Policy.

- 1.1.6. Granting Options pursuant to this Outline and the Plan shall be performed from time to time, subject to obtaining approval from the relevant organs at the Bank and publishing reports as legally required.
- 1.1.7. Allotment of the Options to the Allottees by means of the Outline, shall be performed in accordance with the provisions of Section 15B(1)(a) of the Securities Law, the Outline Regulations, the Private Offering Regulations, and the Reports Regulations.

## 1.2. Permits and Approvals

The allocation of the Offered Options pursuant to this Outline, is subject to receiving the cumulative approvals set forth below and full compliance with them is a prerequisite and an essential condition for executing the allotment to an Allottee;

- 1.2.1. Approvals of the Bank's relevant organs as legally required – as stated above, on June 27, 2022, the Bank's Board of Directors approved the Present Allotment as set forth in this Outline, subject to receiving all the approvals pursuant to the law and to the publication of this Outline.
- 1.2.2. 30 days after submitting the Plan for the approval of the Israel Tax Authority ("**ITA**") (so long as no objection has been received from the ITA) – the aforementioned allotment is in accordance with the 2022 equity compensation plan, which was approved by the Board of Directors and was submitted to the ITA on May 31, 2022 ("**the Plan**").
- 1.2.3. Receiving tax rulings – the Bank submitted requests to the ITA to receive tax rulings on the "green track" regarding the net exercise of employee's share options and regarding adjustment mechanisms following changes in the equity and the distribution of bonus shares and dividends, and the allotment shall be subject to such arrangements.
- 1.2.4. Receiving approval from the Tel-Aviv Stock Exchange Ltd. ("**TASE**") to list the Exercise Shares ("**the TASE Listing Approval**"). The Bank intends to take steps to obtain the aforesaid approval from TASE shortly after publishing this Outline.

The Bank's ordinary shares are listed on TASE. The Exercise Shares that are to be allotted to the Allottees at the time of exercising the Options shall be listed on TASE and shall be allotted in the name of the nominee company in whose name the Bank's securities are registered. The Options that shall be allotted pursuant to this Outline are not listed and shall not be listed on any stock exchange whatsoever.

1.2.5. The Bank shall act to obtain the approvals needed for the purpose of allotting the Options to the Allottees, should additional approvals be required, as stated.

### 1.3. **Granting the Options Pursuant to the Outline**

1.3.1. The Bank shall be entitled to. Options to the Allottees pursuant to the Plan and this Outline, following receipt of all the approvals needed for the allotment, as referred to in section 1.2 above.

1.3.2. It is hereby clarified that the allotment pursuant to this Outline shall not be performed for an Allottee who is an interested party by virtue of holdings in the Bank or who shall become an interested party in the Bank as a result of the allotment. For this purpose, an “**interested party**” – as this term is defined in the Securities Law. In addition, and allotment of Options shall not be performed for any of the Allottees who is not a “stakeholder”, as this term is defined in Section 270 of the Companies Law, or for an Allottee where no employer-employee relationship exists between him and the Bank at the time of the allotment.

1.3.3. The period for granting the Options to the Allottees pursuant to this Outline shall commence no earlier than 14 business days from the date of filing the Outline and shall terminate at the end of 36 months from the Outline’s publication date. The Bank is entitled to allot additional Options to existing or future Allottees, at different times and in different amounts, in accordance with the provisions of the Plan and subject to receiving the approvals pursuant to the law and to publishing reports as required.

1.3.4. Shortly after publishing this Outline, the Bank shall inform the Allottees of the publication of this Outline, or shall act in any other way that is legally permitted.

1.3.5. In the event of performing additional allotments pursuant to the Outline, the Bank shall deliver to each Allottee, at least 21 days prior to granting the Options, a copy of the Outline together with the reports referred to therein – to the Allottee’s workplace, or shall act in any other way that is legally permitted.

1.3.6. Generally, the allotment date for the purpose of this Outline shall be the date set pursuant to a specific decision of the Board of Directors (or the date decided upon by the Plan Manager) for the purpose of allotting the Options for the Allottees, in accordance with the provisions of the Plan and Section 102 of the Ordinance.

With regard to the Allottees included in the Present Allotment, the allotment date shall be July 17, 2022, provided that this is after the elapse of: (a) 30 days from the date of submitting the Plan to the ITA, as stated in section 1.2.2 above (so long as no objection has been received from the ITA); and (b) 14 business days from the date of filing this Outline, and that the TASE Listing Approval shall have been received prior to that date, then the allotment date shall be set as the date of receiving the TASE Listing Approval (“**the Allotment Date**”).

### 1.4. **Price of the Options**

The Options are being granted to the Allottees for no consideration. For details regarding the exercise price, refer to section 2.3.4 below.

### 1.5. **Powers of the Israel Securities Authority**

1.5.1. The Israel Securities Authority, including an employee thereof authorized for this purpose, is entitled – within 14 days of the Outline being filed – to order the Bank to furnish an explanation, details, information and documents pertaining to the Outline and to order the Bank to amend the Outline within a specified period.



- 1.5.2. In a situation where the Israel Securities Authority orders the amendment of the Outline, the Authority is entitled to order the deferral of the commencement date of the period for granting the Options to a date that shall commence not earlier than three business days thereafter and not later than 14 business days from the date of publishing the amendment of the Outline, all as prescribed in the Outline Regulations.

## **CHAPTER 2 – PARTICULARS OF THE OFFERING AND THE OFFERED SECURITIES**

### **2.1. Particulars of the Offered Securities**

- 2.1.1. As stated above, within the framework of the Outline, up to 10,000,000 non-listed Options can be allotted to the Allottees for no consideration that, upon fulfillment of certain terms, are exercisable into up to 10,000,000 ordinary shares of the Bank within the exercise period defined below, subject to the adjustments set forth in section 2.4 below and all the other terms of the Plan and the terms of the Options that are set forth in this Chapter 2.

From the total number above, up to 3,939,972 Options shall be allotted within the framework of the Present Allotment, as referred to in section 1.1.3 above.

In a situation where the Allottee's entitlement to the Options granted to him shall have expired and/or shall have been revoked and shall not have been exercised, either wholly or partly, for any reason whatsoever, the Options shall be returned to the Pool that serves the Bank and from which the Bank may again grant Options to Allottees in accordance with the provisions of the Plan and the Outline, at its sole discretion.

- 2.1.2. Presented below is a calculation of the percentage of the Bank's ordinary share capital<sup>3</sup> and of its voting rights that the Exercise Shares represent, on the theoretical assumption that the Options are exercised in full.

It should be noted that the below mentioned is purely theoretical since, pursuant to the terms of the Plan, the Exercise Shares that shall actually be allotted as a result of exercising the Options shall reflect the monetary benefit value that shall be embodied in the Options on the date of their exercise (a "Net Exercise" mechanism), subject to the adjustments set forth in section 2.4 below<sup>4</sup>:

- 2.1.2.1. Under the aforementioned theoretical assumption of a full exercise of the Options that can be allotted pursuant to this Outline (including those in the Present Allotment), the Exercise Shares deriving from exercising all the Options shall represent, immediately following the exercise, 0.802% of the Bank's issued and paid-up capital and 0.802% of the Bank's

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<sup>3</sup> The Bank's authorized ordinary share capital, at the present date, stands at a par value amount of NIS 260,515,202, and is divided into 2,605,150,000 ordinary "A" shares of NIS 0.1 par value each (these shares are listed and have equal rights in both the capital and the voting) and 40,000 (6%) cumulative preferred shares of NIS 0.00504 par value each (each having an equivalent value of GBP 10), which were issued prior to Section 46 of the Securities Law taking effect and are non-listed). The Bank's issued and paid-up share capital, at the present date, is 1,237,011,293 ordinary "A" shares of NIS 0.1 par value each.

<sup>4</sup> Calculating the number of Exercise Shares for the aforesaid Options is purely theoretical since, pursuant to the terms of the Plan, the ceiling price shall be set on the date of exercising the Options in the Present Allotment (as set forth in section 2.3.6 below) and the Exercise Shares that shall actually be allotted as a result of exercising the Options shall reflect the monetary benefit value that shall be embodied in the Options on the date of their exercise (a "Net Exercise" mechanism).

voting rights (0.802% of the Bank's issued and paid-up capital and 0.802% of the Bank's voting rights, on a fully diluted basis).

2.1.2.2. Under the aforementioned theoretical assumption of a full exercise of the Options being allotted to the Allottees within the framework of the Present Allotment, the Exercise Shares deriving from exercising all the aforesaid Options shall represent, immediately following the exercise, 0.317% of the Bank's issued and paid-up capital and 0.317% of the Bank's voting rights (0.317% of the Bank's issued and paid-up capital and 0.317% of the Bank's voting rights, on a fully diluted basis).

2.1.3. The sale of the Exercise Shares, including giving instructions to a Trustee for the sale, wholly or partly, shall be subject to the Bank's Approval for Using Internal Information procedure.

## 2.2. **Trustee**

In accordance with the provisions of Section 102(b)(2) and 102(b)(3) of the Income Tax Ordinance, the Options that shall be allotted pursuant to the plan and the Outline, on the capital gains through a trustee track, shall be allotted in the name of a Trustee who shall be appointed by the Bank (heretofore and hereafter: "**the Trustee**"), in accordance with the terms of the capital gains through a trustee track.

## 2.3. **Exercising the Options**

### 2.3.1. Vesting periods

Unless prescribed otherwise by the Plan Manager, subject to meeting the vesting performance goals (as set forth in section 2.3.3 below), and to the Allottee being employed at the Bank and/or at a related company of the Bank on the vesting date (subject to the provisions of the Plan in relation to termination of shall vest on the following dates:

2.3.1.1. half of the Options shall vest and shall be exercisable two years after the Allotment Date ("**the First Batch**").

2.3.1.2. half of the Options shall vest and shall be exercisable three years after the Allotment Date ("**the Second Batch**").

The date that each of the Option batches vests shall be called: "**the Original Vesting Date**".

### 2.3.2. Exercise periods/expiration date

The Options included in the First Batch and in the Second Batch shall be exercisable from the Original Vesting Date of each batch until two years after the aforesaid date ("**the Exercise Period**"). Notwithstanding the aforesaid, if – on the last date for the Options expiration – the Options' exercise by the Allottee shall be prohibited in light of prescribed lock-up periods or periods during which restrictions apply in accordance with the Bank's policy regarding prohibiting the use of internal information, then the Exercise Period shall finish at the end of a time period equivalent to the number of consecutive days during which the restrictions applied prior to the Options' last expiration date, as stated.

Each batch of Options that shall not have been exercised by the end of the Exercise Period relevant to it, including Options that have vested, shall expire and shall be canceled and the Options from that batch shall be returned to the Pool that serves the Bank, and from which the Bank may grant Options to Allottees in accordance with the provisions of the Plan and the Outline, at its sole discretion.

Subject to the legally required approvals, the Plan Manager may decide, at his sole discretion, that certain circumstances justify extending the Exercise Period of all or some of the Options, this being in relation to all the Allottees or some of them, and subject to the Compensation Policy for the Bank's officers.

### 2.3.3. Vesting performance goals

Subject to that stated in section 2.3.1 above, each batch of options allotted to an Allottee shall vest on the date prescribed for vesting, subject to the Bank complying with the cumulative terms set forth below:

- 2.3.3.1. the total capital adequacy ratio and the common equity tier 1 ratio, according to the Bank's consolidated annual financial statements, in the two calendar years that ended prior to the vesting date of the First Batch and in the calendar year that ended prior to the vesting date of the Second Batch, shall not fall below the minimum ratios prescribed in the directors of the Supervisor of Banks;
- 2.3.3.2. the rate of the Bank's return on equity, according to the Bank's consolidated annual financial statements ("**the ROE Rate**"), in the two full calendar years that ended prior to the vesting date of the First Batch, shall not fall below an average of 7%, while the ROE Rate, in the calendar year that ended prior to the vesting date of the Second Batch, shall not fall below 7%.

The terms set forth in sections 2.3.3.1-2.3.3.2 above shall be referred to hereinafter together as "**the Vesting Performance Goals**".

In the event of failing to meet the Vesting Performance Goals referred to in section 2.3.3.2 above on the Original Vesting Date of a particular batch, the compliance testing of this performance goal shall be deferred in relation to said batch to the following year ("**the Deferred Vesting Date**"), so long as the Options have not expired (deferring the expiration date of the aforesaid Options), and the aforementioned batch shall vest subject to the following: (a) in relation to non-compliance with the First Batch's Vesting Performance Goal – the ROE Rate in the three calendar years preceding the Deferred Vesting Date shall not fall below an average of 7%; (b) in relation to non-compliance with the Second Batch's Vesting Performance Goal – the ROE Rate in the calendar year preceding the Deferred Vesting Date shall not fall below 7%.

If the aforesaid are not fulfilled on the Deferred Vesting Date, the Allottee shall not be entitled to exercise any of the Options included in the relevant batch (without prejudice to the Options included in the other batches) and the Allottee's entitlement to them shall expire and these options shall be returned to the Pool that serves the Bank, and from which the Bank may grant Options to Allottees in accordance with the provisions of the Plan and the Outline, at its sole discretion.

### 2.3.4. Exercise price

~~Unless prescribed otherwise by the Plan Manager, the~~The exercise price of the Options allotted pursuant to this Outline shall be fixed at least as the average of the closing prices of the Bank's shares on TASE in the 30 trading days that preceded the date that the grant was approved by the Bank's Board of Directors (or the Plan Manager), with the addition of a premium ~~of 5% that shall be prescribed, should one be prescribed by the Board of Directors or the Plan Manager~~ ("**the Exercise Price**"), with a premium of 5% having been prescribed in relation to the Present Allotment. The Exercise Price shall be subject to the adjustments set forth below.

In accordance with the aforesaid and subject to the adjustments referred to in section 2.4 below, the Exercise Price for each Option allotted to the Allottees in the Present Allotment is NIS 19.66<sup>5</sup>.

It should be emphasized that, in accordance with the terms of the Options, the exercise shall be executed solely by means of a “Net Exercise” (cashless) mechanism, whereby, rather than the Exercise Price actually being paid by the Allottees, it is purely theoretical for the purpose of calculating the benefit value, as set forth below.

#### 2.3.5. Exercise method

The Options can be exercised pursuant to this Outline and pursuant to the Plan, upon fulfillment of the following provisions:

- 2.3.5.1. Subject to the provisions of this Outline and the provisions of the Plan, the Allottee shall be entitled to exercise the Options, wholly or partly, during the Exercise Period, by sending an exercise notice, in writing and signed by the Allottee, to the Bank’s registered office and to the Trustee, which shall include, inter alia, the name of the Allottee and his ID number, the number of Options that the Allottee is interested in exercising and the total Exercise Price paid for them (“**the Exercise Notice**”). The Exercise Notice shall be delivered to the Bank and the Trustee only on a trading day before 17:00 and, in such a case, the day of the Exercise Notice’s receipt shall be deemed that trading day and, in the event of it being received after 17:00, the day of the Exercise Notice’s receipt shall be deemed the first trading day thereafter (“**the Day of the Exercise Notice’s Receipt**”).
- 2.3.5.2. The Bank and the Trustee shall be entitled to prescribe provisions and/or to change the format of the Exercise Notice and the manner in which it is sent as well as prescribing additional rules and restrictions in relation to the exercise of the Options, all being in accordance with and subject to the provisions of the law, the terms of Section 102 and the Rules and the ITA’s guidelines, as well as receiving the ITA’s advance approval (if required).
- 2.3.5.3. Subject to the provisions of the law, the terms of Section 102 and the Rules and the ITA’s guidelines, as well as receiving the ITA’s advance approval (if required), the Allottee shall be obliged to exercise the Options, wholly or partly, using a mechanism for exercising the Options into shares based on the benefit component (“Net Exercise”), whereby the Allottee shall be entitled to receive shares that reflect the benefit component embodied in the share options being exercised (“**the Benefit Component**”). In order to remove any doubt, it is hereby clarified that, under this exercise method, the Options are exercisable into the number of shares that reflect only the Benefit Component. The Allottee shall not pay the Exercise Price, which serves only for calculating the Benefit Component. The number of Exercise Shares to be allotted to the Allottee pursuant to this mechanism shall be determined in accordance with the ITA’s guidelines and the Plan Manager shall be entitled, on the Allotment Date, to prescribe in the allotment agreement terms and restrictions in relation to the manner of implementing this mechanism, all being in accordance with and subject to the provisions of the law, the terms of Section 102 and the Rules and the ITA’s guidelines, as well as to receiving the ITA’s advance approval (if required).

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<sup>5</sup> For details regarding the closing price of the Bank's share on the trading day preceding the Board of Directors' decision to approve the Outline and the Present Allotment, refer to section 4.1 below.

2.3.5.4. It is hereby clarified that, for the purpose of calculating the number of Exercise Shares under the “Net Exercise” mechanism, the Plan Manager may prescribe, at the time of executing the allotments, provisions and terms regarding the implementation of the mechanism, with this being in accordance with and subject to the provisions of Section 102 and the ITA’s guidelines.

2.3.5.5. In any instance where, as a result of calculating the number of Exercise Shares under the “Net Exercise” mechanism, the Bank is required to allot fractions of a share, the Bank shall not allot fractions of a share, as stated, and the number of shares that shall be allotted to an Allottee shall be rounded down for any fraction of a share lower than 0.5 and shall be rounded up for any fraction of a share equal to or higher than 0.5.

2.3.5.6. The Bank shall capitalize to the share capital the par value of the Exercise Shares that are to be allotted, with this being from the profits, according to the meaning of this term in Section 302(b) of the Companies Law, from the share premium or from any other source included under equity in the Bank’s financial statements, and all being in conformance with and subject to the provisions of Section 304 of the Companies Law.

2.3.5.67. Exercise expenses

The exercise expenses and all commission associated with the exercise, if any, shall be borne by the Allottee.

2.3.6. Forced automatic exercise (ceiling on the exercise date)

2.3.6.1. In accordance with the Option terms and so long as the Plan Manager does not prescribe otherwise, in an instance where – following the vesting of any Options’ batch and prior to its expiration, the TASE closing price of the Bank’s share at the close of any trading day shall be equal to or exceed a price that is 70% above the closing price of the Bank’s share on the trading day preceding the date of the Board of Directors approving the grant<sup>6</sup> (in relation to the Present Allotment – an amount of NIS 31.65) (“ **the Ceiling Price**”), all the Options from said batch shall be exercised automatically and the Bank shall be deemed as having received, at the end of said trading day, an Exercise Notice in relation to all the Options from the batches that have vested<sup>7</sup>. In such an instance, the Bank shall allot to the Allottee the Exercise Shares under the “Net Exercise” mechanism, as set forth in section 2.3.5.3 above, without the Allottee needing to complete the Exercise Notice and without the Allottee having to weigh up whether to execute the exercise of the Options.

2.3.6.2. In order to remove any doubt, so long as – on a batch’s vesting date – the share price stood at the Ceiling price at the least, all the Options from that batch shall be exercised automatically and the Bank shall be deemed as having received, at the end of the vesting date (or on the first trading day thereafter, should the vesting date not fall on a trading day), an Exercise Notice from the Allottee in relation to all the Options from the batch

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<sup>6</sup> The closing price of the Bank's share on the trading day preceding the date of the Board of Directors approving the Present Allotment is NIS 18.62.

<sup>7</sup> Notwithstanding the aforesaid, in the event of the exercise date being prohibited in light of prescribed lock-up periods or periods during which restrictions apply in accordance with the Bank’s policy regarding prohibiting the use of internal information (“**Trading Prohibition Periods**”), the forced automatic exercise shall be deferred to the first trading day following the end of the Trading Prohibition Periods, so long as the TASE closing price of the Bank's share on the trading day preceding that date shall be equal to or higher than the Ceiling Price.

that had vested, and the rest of the provisions in section 2.3.6.1 above shall apply mutatis mutandis.

- 2.3.6.3. In order to remove any doubt, the Ceiling Price shall not be adjusted for a dividend distributed by the Bank following the Allotment Date, although the Ceiling Price shall be subject to the other adjustments detailed in section 2.4 below, in similar fashion to their application to the Exercise Price.

## 2.4. Adjustments

Upon the occurrence of any of the events referred to below, the Allottee's entitlement to exercise the Options granted to him shall be subject to the adjustments set forth below:

### 2.4.1. Merger, split and/or structural change

In the event of any merger, split, sale and/or other structural change in the Bank, and subject to the legal approvals, the ITA's guidelines and receipt of all the necessary approvals from the ITA (if required), the Bank's Board of Directors, at its sole discretion and without needing to receive the Allottees' consent, shall be entitled, but not obliged, to prescribe provisions regarding one or more of the possibilities detailed below:

- 2.4.1.1. if and how to accelerate the vesting period of the Options that have not vested (wholly or partly), and, to this end, to make changes in the Exercise Price or any of the other terms of the allotments, if and should this be required;
- 2.4.1.2. if and how the Options whose vesting period are not accelerated shall be canceled and/or sold and/or redeemed by the Bank and/or exchanged for other allotments and/or securities in another corporation, and, to this end, to make changes in the Exercise Price or any of the other terms of the allotments, if and should this be required;
- 2.4.1.3. if and how the allotments (including allotments whose vesting periods of been accelerated as stated above) shall be canceled, exercised, exchanged and/or sold by the Trustee or the Bank, as the case may be, for the Allottees;
- 2.4.1.4. If and how the Exercise Shares held for the Allottee by the Trustee shall be exchanged and/or sold and/or converted by the Trustee for the Allottee; and
- 2.4.1.5. to prescribe any provision and carry out any action and/or make any adjustment and/or change in connection with the Options and their terms, should this be required, at its discretion.

### 2.4.2. Capital split or unification

In any instance of splitting or unifying the Bank's share capital or any corporate capital event having a similar character and being of a material nature, the Bank shall make the changes or adjustments necessary in order to prevent a dilution or enlargement of the Allottee's rights within the framework of the Plan in relation to the number of Options that have not yet been exercised by the Allottee and have not yet expired and/or in relation to the Exercise Price of any allotments, as the case may be.

### 2.4.3. Distribution of profits (dividends)

If the Bank shall distribute profits (dividends) in cash to all its shareholders and the record date for entitlement to receive this profits distribution falls after the grant date of the Options but prior to their actual exercise date, the Exercise Price of each Option that has not yet been exercised prior to passage of the above record date shall be reduced by the full amount of the gross dividend per share

(up to the par value of the share), which was distributed as stated. In order to remove any doubt, it is hereby clarified that the Exercise Price shall in no event be less than the par value of the share.

#### 2.4.4. Distribution of a dividend in kind

If the Bank shall distribute a dividend in kind to all its shareholders, and the record date for entitlement to receive this dividend falls after the grant date of the Options but prior to their actual exercise date, the Exercise Price of each Option that has not yet been exercised prior to passage of the above record date shall be reduced by the amount of the benefit per share that is being distributed (up to the par value of the share), all being subject to and in accordance with the ITA's guidelines and to receiving the ITA's approval in advance (should this be necessary).

#### 2.4.5. Distribution of bonus shares in relation to the allotted Options

Should the Bank distribute bonus shares to all its ordinary shareholders, the Allottee's rights shall be safeguarded in the following manner: immediately after the record date for distributing the bonus shares (hereafter and in this subsection: "**the Record Date**"), the number of shares deriving from exercising the Options shall be increased by the number of shares that the Allottee would have been entitled to as bonus shares had the Options been exercised immediately prior to the Record Date for the distribution of the bonus shares. The Exercise Price of every Option shall not change as a result of increasing the number of Exercise Shares to which the Allottee is entitled due to the distribution of bonus shares. It is hereby clarified that the number of Exercise Shares to which the Allottee shall be entitled shall be adjusted only in the event of a distribution of bonus shares, as referred to in this subsection above, but not in the event of any other issuances (including issuances to interested parties). It is further clarified that the Allottee's right to an increase in the number of shares, due to a distribution of bonus shares as aforesaid, shall only actually apply in relation to Options that shall have actually been exercised by the Allottee, pursuant to the terms of the Plan.

#### 2.4.6. Rights offering in relation to the allotted Options

In the event of the Bank making a rights offering to its shareholders, the number of shares deriving from exercising the Options shall be adjusted for the Benefit Component in the rights, as expressed in the ratio between the TASE closing price of the share on the last trading day preceding the "ex-date" and the base price of the share "ex-rights".

2.4.7. The Bank shall retain a sufficient number of Ordinary Shares in its authorized capital to ensure performance of the right to exercise the Options being offered by it and, should it be necessary, shall cause its authorized capital to be increased. The aforesaid provisions shall be subject to being prescribed in a tax ruling on the matter from the ITA, should this be accepted. It is also clarified that other provisions in the Plan and in this Outline relating to the Exercise Shares shall also apply with regard to the bonus shares that shall be added to the Exercise Shares as stated above, mutatis mutandis.

2.4.8. In any instance where, as a result of the adjustments detailed in this section, the Bank is required to allot fractions of a share, the Bank shall not allot fractions of a share, as stated, and the number of shares that shall be allotted to an Allottee shall be rounded off to the nearest whole number (upward or downward, as the case may be).

2.4.9. Without derogating from the terms of this Outline and the terms of the Plan, it should be clear to the Allottee that everything stated in this section is subject to the ITA's guidelines and to receipt of the ITA's advance approval (if required).

2.4.10. Without derogating from the terms of this Outline and the terms of the Plan, it should be clear to the Allottee that the adjustments referred to in this section shall be made in accordance with and

subject to the TASE code and the relevant TASE regulations, as these shall be prescribe from time to time, and the Bank's Board of Directors shall select one of the ways specified in the TASE code for making the aforesaid adjustments, all being subject to the ITA's guidelines and to receipt of the ITA's advance approval (if required).

2.4.11. Without derogating from that stated in this section above, it is hereby clarified that the conversion into shares shall not be executed on the Record Date [for a distribution of bonus shares](#), for an offering by way of rights, for a distribution of profits, for a unification of capital, for a split of capital, or for a reduction in capital (each of the above being called: "a Corporate Event"). In addition, it is clarified that, where the "ex-date" of a Corporate Event falls before the Record Date of a Corporate Event, the conversion shall not be executed on the "ex-date", as stated.

2.4.12. The Allottee alone shall bear responsibility for all the tax implications that might apply as a result of making the adjustments pursuant to this section.

## 2.5. **The Plan's Management**

### 2.5.1. Powers

Subject to the provisions of the law, the Bank's incorporation documents and any other decision of the Bank's Board of Directors, the Plan's Manager shall be authorized, at his sole discretion and subject to the provisions of the Plan, this Outline, the tax track, including Section 102 of the Ordinance and the Rules, and the ITA's guidelines, and subject to receipt of the ITA's advance approval (if required), to exercise all the powers and authorities (subject to receiving the Board of Directors' approval, if such approval is required by law), whether these powers and authorities have been granted to him expressly in the Plan or whether these powers and authorities are required or needed in order to manage the Plan, including:

- 2.5.1.1. to determine who shall be the Allottees pursuant to the Plan;
- 2.5.1.2. to prescribe the terms of the grant agreements, including the number of Options that are granted to each Allottee, the vesting dates, the vesting terms, the exercise terms, the manner of exercising the Options, the vesting and lock-up periods, and the Exercise Price;
- 2.5.1.3. the date and/or dates on which the Options shall be granted to the Allottees;
- 2.5.1.4. to what extent and under what circumstances shall it be possible to repay, cancel, attach, exchange, return to the Bank, or waive the Options;
- 2.5.1.5. to prescribe restrictions with regard to the transferability of the Options and/or the Exercise Shares;
- 2.5.1.6. to appoint a Trustee and to choose the tax track of an allotment through a trustee track;
- 2.5.1.7. to restrictions and terms that apply to the allotments including the Exercise Shares;
- 2.5.1.8. to interpret the terms of the Plan and to oversee the Plan's management;
- 2.5.1.9. to accelerate, either wholly or partly, the vesting dates of the Options granted to each Allottee;
- 2.5.1.10. to freeze, end or cancel the Plan or the Outline, wholly or partially and to amend or change the Plan and its provisions;
- 2.5.1.11. to prescribe the manner of exercising the allotments (e.g., Cashless/"Net Exercise");



- 2.5.1.12. to determine adjustment mechanisms in relation to the allotment terms subject to the provisions of the law, the ITA's guidelines, and receipt of the necessary approvals from the ITA (if required);
  - 2.5.1.13. to prescribe, amend, change, adjust, complete and cancel provisions and terms of the Plan and/or of this Outline and/or of a particular allotment agreement in accordance with the ITA's guidelines (should there be relevant guidelines);
  - 2.5.1.14. to decide whether there is "cause" for the arrangement's termination, as stated in section 2.7.3 below;
  - 2.5.1.15. to approve adjustments to the terms of the Options, where the manner of their execution is not expressly prescribed by the provisions of this Outline;
  - 2.5.1.16. to make the granting of the Options conditional on the Allottee granting power of attorney in relation to the exercise of the voting rights of the Exercise Shares, including after the end of the lock-up period;
  - 2.5.1.17. to decide whether the Exercise Shares shall be allotted from the Bank's dormant shares, including those that the Bank intends to acquire for this purpose;
  - 2.5.1.18. to determine and prescribe any other matter necessary to manage the Plan or this Outline.
- 2.5.2. The Plan Manager's interpretation regarding any section of the Plan or the allotment agreement shall be final and absolute.
- 2.5.3. The Bank does not undertake that the Plan or the Outline shall be recognized by the tax authorities for the purpose of conferring on the Allottees the benefits prescribed in Section 102. If the provisions of Section 102 and the Rules shall apply, the Outline, the Plan and the allotment agreement shall be subject to the terms of Section 102, the Rules and the approval of the assessing officer, if granted. Terms of Section 102 and the aforesaid assessing officer's approval, which are not expressly set forth in the Outline or in the Plan or in the allotment agreement, shall be deemed as applying to and obligating the Bank and the Allottees.

## 2.6. **Waiver of Options**

On any date prior to the expiration of the Options granted, the Allottee may waive the Options allotted to him by giving written notice at the Bank's head-office. The waiver notice shall set forth the number of Options allotted to the Allottee and which of them are being waived and should be signed by the Allottee.

Upon the Bank receiving the waiver notice, the Options shall be returned to the Pool, from which the Bank may grant Options to Allottees under the provisions of the Plan and this Outline.

## 2.7. **Termination of Employment**

### 2.7.1. **Termination of employment**

Unless prescribed otherwise by the Plan Manager in the allotment agreement, in the event of terminating the labor relations or terminating the engagement of the Allottee with the Bank and/or a related company of the Bank ("**the Engagement's Termination**") for any reason other than those described in sections 2.7.2 through 2.7.3 below, then the Allottee's Options exercise entitlement shall apply only with respect to Options that had vested up to the date of the Engagement's Termination (subject to the possibility of prescribing an acceleration of vesting as referred to in sections 2.15-2.16 below) and the Options shall be exercisable (subject to the restrictions prescribed in the Ordinance), unless they have expired prior thereto, according to the earlier of: (a) 180 days

from the date of the Engagement's Termination in the event of the Engagement's Termination being at the initiation of the Allottee or 12 months from the date of the Engagement's Termination in the event of the Engagement's Termination being at the initiation of the Bank and/or a related company of the Bank, all unless prescribed otherwise in the allotment agreement; or (b) the date on which the Exercise Period ends. At the end of said period, the Allottee's entitlement to waive the Options allotted for his benefit shall expire.

Unless the Plan Manager has decided otherwise, if the Options exercise by the Allottee during the above Exercise Period shall be prohibited in light of prescribed lock-up periods or in light of periods during which restrictions apply in accordance with the Bank's policy regarding prohibiting the use of internal information, then the Exercise Period shall be extended by the number of days during which the restrictions applied, so that the total Exercise Period shall be 180 days or 12 months (not necessarily consecutive), as the case may be, from the date of the Engagement's Termination (but in no event shall not extend beyond the end of the Exercise Period).

#### 2.7.2. Termination of employment as a result of disability, retirement or death

Unless prescribed otherwise by the Plan Manager in the allotment agreement, in the event of the Allottee's engagement being terminated as a result of death or disability (with the decision regarding whether the Allottee suffers from a disability being made at the absolute discretion of the Plan Manager), then the Options that have vested through the date of the Engagement's Termination shall be exercisable (subject to the possibility of prescribing in the allotment agreement an acceleration of vesting as referred to in sections 2.15-2.16 below), if they have not been exercised or expired prior thereto, in the event of death – by the Allottee's heirs, representatives or beneficiaries or, in the event of disability – by the Allottee or through his representative (as the case may be), during a period of 12 months from the aforesaid date of the Engagement's Termination, or by the end of the Exercise Period, whichever is the earlier.

#### 2.7.3. Termination of employment with cause

In the event of the Engagement's Termination as a result of "cause", all the Allottee's rights in connection with the Options granted to him pursuant to the Outline, whether or not the rights to exercise them had vested by the date of the Engagement's Termination, shall expire upon the Engagement's Termination, without payment of any consideration.

If, after terminating the engagement relationship and prior to exercising the Options, the Plan Manager shall determine that the Allottee has conducted himself in a manner that meets the definition of "cause" (whether before terminating the engagement relationship or thereafter), then the Allottee's entitlement to exercise the Options granted to him, which have not yet expired, shall expire on that date (without payment of any consideration).

The Plan Manager's determination regarding conduct that falls into the realm of "cause" shall be final for all intents and purposes in connection with this Plan.

**"Cause"** – for the purpose of this Outline – in connection with terminating employer-employee relations or terminating an Allottee's service with the Bank or a related company, "cause" means a reason or basis for terminating the aforesaid employment or service, in circumstances where the Allottee shall not be entitled to severance pay in accordance with the provisions of the law for reasons that include, among other things: dishonesty in relation to the Bank or a related company, a breach of fiduciary duty, and a material breach by the Allottee of: (1) an employment or service agreement, or (2) any other undertaking toward the Bank or a related company.

#### 2.7.4. Exceptions

In exceptional instances relating to the termination of the engagement between the Bank and/or a related company of the Bank with a particular Allottee, or events relating to the Bank itself, the Plan Manager may, at his sole discretion, extend the periods specified in sections 2.7.1-2.7.3 above, with this being subject to the ITA's guidelines, the provisions of Section 102 and the Rules.

#### 2.7.5. Change of workplace

Unless prescribed otherwise by the Plan Manager, the Allottee's entitlement to the Options granted to him under the Outline, or to their vesting, shall not be ended or expire solely as a result of the fact that the Allottee has left his work with the Bank to become an employee or officer of a related company or the reverse or has moved to from one related company to another.

### 2.8. Reimbursement

2.8.1 If it is discovered that an Allottee's entitlement to Options was determined on the basis of data found to be erroneous and which have been restated in the Bank's consolidated financial statements during the three years following the vesting date or the exercise date, as the case may be, of those Options and not later than two years after the termination date of the Allottee's employment with the Bank or with a related company of the Bank ("**the Options Whose Vesting was Determined Based on Erroneous Data**"), the following provisions shall apply:

2.8.1.1. The Options Whose Vesting was Determined Based on Erroneous Data and that have not yet been exercised, shall expire and shall not confer any entitlement, if and as long as they had not vested also on the relevant Deferred Vesting Date, in accordance with section 2.3.3 above.

2.8.1.2. The Allottee shall reimburse the Bank, within 60 days, with the amount of the monetary benefit (net, without deducted taxes and the commissions paid in connection with the exercise) relating to the Options Whose Vesting was Determined Based on Erroneous Data and which have been exercised by him.

For this purpose, the "amount of the monetary benefit" is the product obtained by multiplying: (a) the difference between the closing price of the Bank's share on the trading day preceding the exercise date and the adjusted Exercise Price; and (b) the number of shares actually allotted to the Allottee with respect to the Options Whose Vesting was Determined Based on Erroneous Data.

2.8.2. Without derogating from that stated in this section, the grant of the Options shall be subject to the reimbursement provisions pursuant to section 12.2 of the Compensation Policy, where, for the sole purpose of granting the Options, "exceptional harm" as defined in section 12.2.2 of the Compensation Policy, shall be reduced from 5% to 3% of the Bank's equity.

### 2.9. Transfer of Rights on Death

Transferring the grants and/or the Exercise Shares in accordance with a will or in accordance with the inheritance laws, shall be valid and shall obligate the Bank, only after the following signed and notarized approvals have been furnished to the Bank:

2.9.1. a written request for the transfer and a copy of the legal document that creates or confirms the right under the law of said person to act in relation to the Allottee's estate and that creates or confirms the entitlement of the transferee.

2.9.2. the written consent of the transferee to pay any sum relating to the Options and the Exercise Shares and any right deriving therefrom, as well as his consent to make any payment required in accordance

with the provisions of the Plan and the provisions of the tax track, including Section 102 and the Rules and also his consent to comply with all provisions of the Plan and the allotment agreement;

- 2.9.3. any other proof that, in the Plan Manager's opinion is necessary in order to establish the entitlement to transfer the Options and/or the Exercise Shares and/or any right deriving therefrom, as well as the validity of the transfer.

## 2.10. The Trust Arrangements and the Lock-Up Period Pursuant to the Ordinance

### 2.10.1. Allotment through a trustee track

The Options shall be allotted pursuant to the provisions of the capital gains through a trustee track. In accordance with the requirements of Section 102 of the Ordinance, the Bank shall appoint just one Trustee who shall hold the Options in trust for the benefit of the Allottees during the lock-up period, the Exercise Shares and also all the rights conferred by virtue thereof, including bonus shares, to which the same tax track shall apply.

In accordance with the requirements of Section 102 of the Ordinance, the Bank has appointed a Trustee (I.B.I. Trust Management) that shall hold the Options in trust for the benefit of the Allottees during the lock-up period, the shares that shall be allotted following the exercise of the Options and also the rights conferred by virtue thereof, including bonus shares, to which the same tax track shall apply.

The lock-up period of the Options granted under the capital gains through a trustee track shall be at least 24 months from the date of allotting the Options to an Allottee through a Trustee, or during a different period, as prescribed in any amendment to Section 102 of the Ordinance and the Rules (as long as the Options have vested and/or have been exercised into shares prior to the end of the lock-up period, the shares shall also be subject to the lock-up period). The Plan Manager shall instruct the Trustee with regard to the manner of transferring the Exercise Shares and the additional rights (as defined below) at the trust's termination (after the end-date of the lock-up period).

During the lock-up period, and subject to the terms of Section 102 and the Rules, the Allottees may not exercise, sell, transfer from the Trustee's possession, or carry out any action in relation to the Options or the Exercise Shares, until the end-date of the lock-up period (unless appropriate approval is received from the ITA, including approval for the continued application of the provisions pursuant to Section 102 of the Ordinance).

If an Allottee instructs that the Options and/or the Exercise Shares be sold or transferred from the possession of the Trustee, as referred to above, prior to the end-date of the lock-up period ("**a Breach**"), the Allottee shall pay all the taxes that need to be paid following the Breach pursuant to Section 7 of the Rules and, should the Trustee be subject to the obligation to deduct withholdings, the Trustee shall be entitled to take any action to this end, including selling the shares and deducting the withholdings from the proceeds received therefrom.

During the lock-up period, the Trustee shall not conduct any transaction or take any action in relation to the Options and the Exercise Shares, nor shall he transfer them, assign them, withdraw them, attach them, or pledge them voluntarily and shall not grant a power of attorney or transfer deed in relation to them, irrespective of whether these take effect immediately or at a future date, apart from a transfer by virtue of a will or pursuant to the law, and then only after payment of the tax applicable due to their allotment or after the Trustee has guaranteed the payment of the aforesaid tax. Upon transferring the Options and/or the Exercise Shares, as aforesaid, by virtue of a will or pursuant to the law, the provisions of Section 102 and the provisions of the Rules shall apply to the Allottee's heir or to the transferee.

In the event of a rights distribution with respect to the Exercise Shares, including bonus shares (and including any rights that might be distributed by virtue of the allotments) (“**the Additional Rights**”) – the Additional Rights shall be allotted to the Allottees through the Trustee and shall be held by the Trustee until the end of the lock-up period of the rights in relation to which the Additional Rights were allotted and the terms of the tax track shall apply to these Additional Rights.

Nothing in the aforesaid shall be taken as preventing the Bank from prescribing lock-up periods in the allotment agreement that are longer than the lock-up period prescribed, inter alia, by Section 102 and the Rules and the additional lock-up periods shall be subject to the provisions in the allotment agreement.

#### 2.10.2. Cumulative terms

The lock-up period (if one exists) is likely to be congruent with all in addition to the vesting period specified in the allotment agreement. If the lock-up period and the vesting period are congruent with one another, neither of them constitutes a substitute for the other and each of them constitutes a term in and of itself.

#### 2.10.3. Trust agreement

The appropriate terms and conditions of the trust, which arise from the capital gains through a Trustee tax track, a detailed in the trust agreement that shall be signed between the Bank and the Trustee (“**the Trust Agreement**”).

### 2.11. Period for the Shares to be Held in Trust

The Exercise Shares and the Additional Rights that were allotted by the Bank to the Trustee shall be held by the Trustee for the benefit of the Allottee for a period that shall not exceed five years from the vesting date of the entire grant. The Plan Manager shall instruct the Trustee as to the manner of transferring the Exercise Shares and the above Additional Rights. In addition, at the end of this period, the Trustee shall have the right to transfer the shares to the Allottee, except for part of the shares that the Trustee shall sell at his discretion, as required in order to pay the tax (unless the Allottee shall take responsibility for the whole tax payment).

### 2.12. Rights as a Shareholder of the Bank

Upon exercising the Options, the rights of the Exercise Shares shall rank pari passu with the Bank’s shares for all intents and purposes, and the rights attached thereto shall include the right to dividends, bonus shares or other rights, where the record date for receiving such rights falls on the date of their being granted to the Allottee through a Trustee or later (hereafter in this section: “**the Rights**”). The Options shall not entitle the Allottee and/or the Trustee to the aforesaid Rights that are attached to the Bank’s shares or to any other right not expressly prescribed in this Outline, in the Plan or in the allotment agreement.

In any instance where the Allottee shall be entitled to receive the Rights and, on the record date for a Rights distribution, the Exercise Shares were held by the Trustee in accordance with the provisions of the Plan, the Rights shall be transferred to the Trustee and held by the Trustee until the end of the lock-up period, and the terms of the tax track shall apply to these Additional Rights, all being in accordance with that prescribed in the allotment agreement.

For the adjustments with respect to a dividend distribution prior to exercising the Options, refer to section 2.4 above.

2.13. **Absence of Special Employment Rights**

Nothing in the Plan, this Outline or the fact of actually granting the Options to the Allottee shall be deemed as granting the Allottee any right during the course of his employment and/or the provision of services to the Bank and/or to a related company of the Bank, nor as standing in the way of the Bank and/or a related company of the Bank, in any manner, in exercising its right to terminate the employment of the Allottee at any time and/or as derogating therefrom, nor shall it be deemed as increasing or decreasing the salary and/or any other compensation that is granted to the Allottee.

2.14. **Restrictions on the Transfer of the Options and the Exercise Shares**

No transaction in the Options and/or Exercise Shares may be carried out for their sale, assignment, transfer, pledge, attachment, grant of a power of attorney or transfer deed in relation to them, irrespective of whether these take effect immediately or at a future date, or any other action, apart from a transfer by virtue of a will or pursuant to the inheritance laws, and then only after payment of the tax applicable due to their allotment and/or exercise and/or after guaranteeing payment of the aforesaid tax. On transferring the shares by virtue of a will or pursuant to the inheritance laws, the provisions of the compensation plan shall apply to the Allottee's heir or transferee, as the case shall be, as shall the provisions of the allotment agreement and the tax track, including Section 102 and the provisions of the Rules, all being in accordance with the provisions of Section 102, the Rules and the ITA's guidelines.

The Trustee shall not transfer the Options to any third party, including the Allottee, other than in accordance with instructions received from the Plan Manager.

2.15. **Acceleration**

Subject to the legal approvals, the Plan Manager may decide, at his sole discretion, that certain circumstances, which shall be set out in his decision or in the allotment agreement (including in the event of a change in control of the Bank, as defined therein), justify accelerating the vesting period and/or lock-up period, wholly or partially, with this being in relation to all or some of the Allottees and subject to the law.

2.16. **Lock-Up Period**

In addition to the lock-up period, within the framework of a public offering of the Bank's securities guaranteed by an underwriting commitment or within the framework of an overseas offering of the Bank's securities, the Plan Manager may decide, from time to time, that the Exercise Shares shall be subject to an additional lock-up period of up to 180 consecutive days, or to a longer period should this be recommended by the Bank's Board of Directors, during which time the Allottees or any part of them shall not be entitled to sell these shares. The contents of this section are subject to the provisions of Section 102 and the Rules, where applicable. It should be noted that the Bank's Board of Directors shall be entitled to prescribe, from time to time, general restrictions on the Bank's employees, including the Allottees, with regard to the lock-up periods adjacent to the end of a calendar quarter and through to the publication of the Bank's financial statements with respect thereto, during which time they shall not be entitled to sell the Exercise Shares (and/or to exercise the allotments).

2.17. **Transferring the Restricted Shares to the Trustee**

The Bank shall act to transfer the Exercise Shares pursuant to the Plan to the Trustee (to a TASE account in the name of the Trustee with a TASE member), with this being through to the date of the Exercise Shares being released from the Trustee's possession or their sale by the Trustee for the Allottee as stated.

## 2.18. Taxation

- 2.18.1. All the tax implications pursuant to any law that shall arise as a result of the grant, vesting, exercise, holding, transfer, sale (including waiver) of the Options and/or of the Exercise Shares by or for the Allottee, or any other action and/or deed of commission and/or omission by the Bank and/or a related company and/or the Trustee and/or the Allottee in connection with the Options and/or the Exercise Shares, shall apply solely to the Allottee and shall be paid by the Allottee. Without derogating from the generality of the aforesaid, the Bank and/or a related company and/or the Trustee shall deduct the taxes that they are required to deduct pursuant to the law, regulations and Rules, including withholdings.
- 2.18.2 The Allottee agrees to indemnify the Bank and/or a related company and/or the Trustee and to exempt them from any liability relating to the deduction and payment of said taxes, interest and penalties and any other payment, including with respect to charges whose source was a requirement to deduct tax or a failure to deduct tax from any payment made to the Allottee.
- 2.18.3. The Bank or the Trustee, as the case may be, shall not transfer the Exercise Shares to the Allottee until all the obligatory payments referred to above have been paid in full.
- 2.18.4. In the event of the Allottee's death, this section shall apply, mutatis mutandis, to the Allottee's legal heirs.
- 2.18.5. It is hereby clarified that the Bank does not undertake that the allotments made by virtue of this Outline, including allotments pursuant to Section 102, do indeed comply with the terms of Section 102 and/or the terms of the tax track chosen by the Bank. In addition, it is hereby clarified that any grant pursuant to Section 102, which does not comply with the terms of the provisions of Section 102 and the Rules, shall be deemed to be a grant made pursuant to Section 3(i) or Section 102(c), as the case may be.
- 2.18.6. Any time that a payment is required to be made by the Allottee and/or the Bank and/or a related company and/or the Trustee (including by means of withholdings) in connection with the Options and/or the Exercise Shares, the Bank and/or a related company and/or the Trustee shall be entitled to deduct withholdings and to also demand in advance that the Allottee provides a sufficient sum (as shall be determined by the Bank or the Trustee) to cover any such withholdings requirement and, in any situation where the Options and/or the Exercise Shares or any other assets, other than cash, are transferred, as a result of the vesting and/or exercise of the allotments, the Bank and/or a related company and/or the Trustee shall have the right to deduct withholdings with respect to said transfer as well as the right to demand in advance that the Allottee transfer a sufficient monetary amount to cover the withholdings requirement; if this amount is not transferred in time, the Bank and/or related company and/or Trustee shall have the right to retain and/or attach and/or set-off the Options and/or the Exercise Shares or any other assets, wholly or partially, as well as to retain and/or attach the sale proceeds until the aforesaid payment is transferred by the Allottee and/or to deduct the aforesaid tax payment as withholdings and/or to set it off against the sale proceeds.
- 2.18.7. It is hereby clarified that, in all matters relating to allotments pursuant to Section 102, the terms of the Plan, the Outline and the allotment agreements shall be applied and interpreted subject to the requirements and provisions of Section 102, the ITA's guidelines and the approval of the assessing officer to the Plan, as required by virtue of Section 102, as well as any tax ruling, if such shall be received in connection with this Outline. Any provision and/or condition by virtue of Section 102, the Rules and the ITA's guidelines that are required for the purpose of receiving/retaining the entitlement to the tax benefits granted pursuant to Section 102 and which are not expressly mentioned in the Plan and/or in the Outline and/or in the allotment agreement shall be treated as

being included in the Plan and/or the Outline and/or the allotment agreement (as the case may be and shall obligate the Bank, the Trustee and the Allottee. Should any of the provisions of the Plan and/or the Outline and/or the allotment agreement result in the Plan and/or the Outline and/or the allotment agreement not being entitled to the tax benefits granted pursuant to Section 102, then these provisions shall not apply with regard to an allotment through a Trustee or to the shares deriving therefrom, unless the ITA instructs otherwise.

2.18.8. Prior to paying the applicable tax referred to in section 7 of the Rules, the Options or the Exercise Shares shall not be capable of being transferred, assigned, mortgaged, attached or otherwise being voluntarily pledged, and no power of attorney or transfer deed shall be granted in relation to them, irrespective of whether these take effect immediately or at a future date, apart from a transfer by virtue of a will or pursuant to the law; upon transferring the Options and/or the Exercise Shares, as aforesaid, by virtue of a will or pursuant to the law, the provisions of Section 102 and the provisions of the Rules shall apply to the Allottee's heir or to the transferee.

**The contents of this section above relate to the law in Israel as it is applied on the date of the Outline. The provisions of the law in connection with the tax aspects pertaining to the Options granted pursuant to this Outline and/or the Exercise Shares that shall derive therefrom could change from time to time. The aforesaid also does not purport to be an authorized interpretation of the legal provisions pertaining to the taxes that could apply in connection with the Options and/or the Exercise shares that shall derive therefrom and are not presented as an alternative to seeking professional legal advice on this topic. As is customary when investing in securities, it is the Allottees' responsibility to consider the various tax aspects and tax implications relating to their investments and to seek counsel from their professional advisors, including legal and tax advice, taking into consideration their own particular circumstances.**

## 2.19. The Allotment Agreement

2.19.1. A letter from the Bank to the Allottee, in which notice is given to the Allottee regarding the decision to allot him Options in accordance with the provisions of the Plan. The allotment agreement shall provide details, inter alia, of the following matters: (1) the Exercise Price; (2) the number of Options being granted to the Allottee; (3) the vesting period; and (4) any other terms and conditions that the Plan Manager deems fit and proper to include in the notice in connection with a specific Allottee, provided that the terms and conditions are in conformity with the Outline, the Plan, the Ordinance, the Rules and the tax rulings, should such apply.

2.19.2. The Allottee's receipt of the allotment and/or the Exercise Shares (including receipt through a Trustee), in accordance with the Plan, constitutes the Allottee's consent that: (1) he agrees and confirms that he has received and read the Plan and the allotment agreement, that he has agreed to these and that he undertakes to act in accordance with them; (2) he undertakes to fulfill all the terms, conditions and provisions that apply by virtue of the tax track, including those set forth in Section 102, the Rules, and also the provisions of the Outline, the Plan, the allotment agreement and the trust agreement; and (3) subject to the provisions of the tax track, including the terms of Section 102 and the Rules, he undertakes not to sell or withdraw the Options and/or the Exercise Shares from the trust before the end of the lock-up period (and the additional lock-up periods, if such shall be prescribed).

2.19.3. Approval by the Bank's competent organs for the Allottee's inclusion in the Plan is a pre-condition for the Allottee joining the Plan.



#### 2.20. **Absence of Other Rights with Respect to the Options**

Subject to the provisions of the Plan, no person other than the Allottee shall have any rights whatsoever in relation to the Options allotted to the Allottee pursuant to the Plan.

#### 2.21. **Expenses and Consideration**

The Bank shall bear all the expenses associated with executing the Plan and the Outline, including expenses and costs relating to the services provided by the Trustee in connection with the Plan, other than as stated in section 2.3.5.6, and except for the Trustee's sale and/or exercise commissions that shall be paid by each Allottee.

#### 2.22. **Relating to the Allottees**

There is no obligation to relate to each of the Allottees in a similar fashion and the Bank is entitled to grant allotments having different terms and conditions.

#### 2.23. **Contradictions**

In the event of a contradiction between the terms of the Plan and the Outline, on the one hand, and the allotment agreement, on the other hand, the provisions of the Plan and the Outline shall prevail, unless it is expressly prescribed otherwise in the allotment agreement, and without prejudicing the powers and/or rights granted to the Bank and/or to the Plan Manager pursuant to the allotment agreement.

#### 2.24. **Applicable Law**

The authorized courts in Tel Aviv shall have sole and exclusive jurisdiction in all matters relating to the Plan and this Outline and the law to be applied thereto shall be the laws of the State of Israel.

### **CHAPTER 3 – THE RIGHTS THAT ACCOMPANY THE BANK'S SHARES**

The rights of the Exercise Shares will rank pari passu with the those of the existing shares in the Bank's capital (the Bank's ordinary "A" shares), for all intents and purposes. For details regarding the rights that accompany the Bank's shares, refer to the wording of the Bank's Articles of Association, which are presented here by way of this reference, as published by the Bank on August 8, 2017 (reference no. 2017-01-081396). For details regarding the arrangements, as set forth in Section 26(d) of the Securities Regulations (Particulars of Prospectus, its Structure and Form), 1969, which are prescribed in the Bank's Articles of Association in conformance with the Companies Law, refer to section 2.4 of the shelf prospectus from June 17, 2020, which was published by the Bank on June 16, 2020 ((reference no. 2020-01-062628).

For details regarding the rights of the Allottees as shareholders of the Bank during the lock-up period, refer also to section 2.12 above.

### **CHAPTER 4 – ADDITIONAL DETAILS**

#### 4.1. **Details Regarding Prices of the Bank's Share**

Presented below are details regarding the highest and lowest closing price, in NIS, of the Bank's share on TASE during the years 2020 and 2021 and also from the beginning of 2022 through to shortly before the publication date of this Outline (where the closing price was the same for several trading days in each of the aforesaid periods, the price shown is that for the first trading day):

| Period | Highest Closing Price (in agorot) |            | Lowest Closing Price (in agorot) |            |
|--------|-----------------------------------|------------|----------------------------------|------------|
|        | Price                             | Date       | Price                            | Date       |
| 2020   | 1,610                             | 02/01/2020 | 888                              | 22/03/2020 |
| 2021   | 2,094                             | 30/12/2021 | 1,220                            | 06/01/2021 |
| 2022   | 2,326                             | 13/01/2022 | 1,773                            | 16/06/2022 |

The closing price of the Bank's share on June 26, 2022 (the trading day preceding the date on which the Board of Directors resolved to approve the Outline and the Present Allotment) is NIS 18.62.

#### 4.2. **The financial Value of the Options Pursuant to this Outline**

4.2.1. The fair value of the Options that can be granted to Allottees pursuant to this Outline and the fair value of the Options that shall be granted within the framework of the Present Allotment, as of the date of the Present Allotment's approval by the Board of Directors, is NIS 39,850 thousand and NIS 15,701 thousand, respectively.

4.2.2. The number of Options that shall be allotted for an Allottee who is an officer shall reflect the fair value as of the date of the grant being approved by the Board of Directors, at a level of three monthly salaries for each vesting year and, for an allottee who is an executive, the number of Options shall be at a level of two monthly salaries for each vesting year.

4.2.3. The fair value of the Options is based on a binomial option pricing model, which is consistent with "Black and Scholes". For the purpose of computing the number of options that derive from the fair value, the Bank relied on an evaluation of the Options' value conducted by Cognum Financial Consulting Ltd., which was conducted based on the following assumptions:

- (a) The closing price of the Bank's share (the underlying asset) as of June 26, 2022 (shortly before the Board of Directors' decision) is NIS 18.62.
- (b) The Exercise Price of the Options – as stated to in section 2.3.4 above<sup>8</sup>.
- (c) The Exercise Period of the Options – as stated in section 2.3.2 above. It has been assumed that an Allottee shall not exercise the Options until the end of the Exercise Period.
- (d) Dividend yield – the Exercise Price of the Options is subject to adjustments with respect to distributions of dividends and bonus shares and, accordingly, it has been assumed that the expected dividend yield rate is 0%.
- (e) Risk-free interest rate – the interest rate is 2.59% in relation to the First Batch and 2.62% in relation to the Second Batch. These interest rates are based on the maturity yield rates of government bonds having an average duration similar to the lifespan of the Options.
- (f) Volatility (standard deviation) of the share – the expected volatility during a lifespan appropriate to the First Batch is 28.36% and 26.49% in relation to the Second Batch. These rates are based on the standard deviation of the daily yield of the Bank's share price for historical periods similar to the expiration periods of the Options.

#### 4.3. **Summary of the Compensation Committee and Board of Directors' Reasoning for the Present Allotment**

4.3.1. The grant of the Options is intended to reward the officers and managers for their work and contribution to the Bank and to retain them long-term, while creating suitable incentives and tying

<sup>8</sup>

The Exercise Price of the Options included in the Present Allotment.

them into the Bank's objectives, all the while taking into consideration the restrictions of the Compensation of Officers of Financial Corporations Law (Special Approval and Non-Allowance of Expense for Tax Purposes due to Excessive Compensation), 2016, and while maintaining the Bank's risk management framework, as approved by the Bank's Board of Directors.

- 4.3.2. The grant of the Options is of major value, inter alia, from the aspect of being able to retain existing officers and managers, and also from the aspect of being able to recruit new manpower of the highest quality, thereby enabling the Bank to maintain a senior management team of the highest standard, manifesting strong dedication to the Bank.
- 4.3.3. The grant of Options to the Bank's officers, pursuant to the above Outline, is being carried out in accordance with provisions of the Compensation Policy and does not deviate from the limits specified therein; the grant of Options for other executives is also being done based on the principles of the Compensation Policy.
- 4.3.4. The fair value of the Options for the vesting year is in accordance with the restrictions prescribed in the Compensation Policy and is reasonable and measurable and does not result in the ratio between the variable compensation and the fixed compensation set in the Compensation Policy being exceeded.
- 4.3.5. The Exercise Price of the Options has been determined according to the average of the Bank's ordinary share price on TASE during the 30 trading days that preceded the date that the grant of the Options was approved by the Board of Directors, with the addition of a premium of 5%. In accordance with this, the monetary benefit to which the Allottees shall be entitled is contingent upon the Bank's ordinary share price on TASE rising above the Exercise Price, with this being in direct contrast to the grant of restricted shares where a monetary benefit is conferred on the employee even in circumstances of the share price decreasing in comparison to the price prior to the grant.
- 4.3.6. The grant of the Options is contingent on attaining the performance goals for vesting in a manner that places emphasis on proven and effective risk management that does not encourage risk-taking beyond the Bank's risk appetite and facilitates maintaining a strong capital base.
- 4.3.7. In accordance with the Compensation Policy and the Companies Law, in the event of equity compensation that is not settled in cash, the Bank shall consider, on the date of deciding to grant the aforesaid compensation, setting a maximum amount that shall apply on the exercise date. For this purpose, the maximum amount has been set as the share value on the exercise date, whereby the monetary benefit value for the Allottees is limited in a way that assists in creating an appropriate balance between the incentives for the Allottee and the lack of incentive to take excessive risks.
- 4.3.8. In light of the aforesaid, in the opinion of the Compensation Committee and the Board of Directors of the Bank, compensation by way of granting Options is preferred over the grant of restricted shares, in circumstances where the value of the benefit embodied in the Options is limited by a maximum amount since, on the one hand, this provides a stronger incentive to achieve better performance and, on the other hand, counterbalancing conditions are created that are intended to prevent the taking of excessive risks, including making the vesting of the Options conditional upon the Bank meeting the regulatory capital restrictions that apply to it.
- 4.3.9. In light of the aforesaid, in the Opinion of the Compensation Committee and the Board of Directors of the Bank, the grant of Options to the Allottees is reasonable and fair in the given circumstances and benefits the Bank.

4.4. **Details of the Consideration**

The Options shall be granted to the Allottees for no consideration as part of the terms of their employment and the compensation they receive from the Bank. An Exercise Price has been set for the Options, whereby, upon fulfilling certain terms as set forth above, the Allottees shall become entitled to exercise the Options into Exercise Shares, with this being done solely by means of a “Net Exercise” mechanism, as set forth above.

4.5. **Name of Each Material Shareholder or Officer of the Bank Who, to the Best of the Bank’s Knowledge, Has a Personal Interest in the Consideration and the Nature of the Personal Interest of Each of Them**

To the best of the Bank’s knowledge, other than the personal interests of the officers among the Allottees in the offering of the options for no consideration, and all being in accordance with the Plan and with the Outline, no material shareholder or other officer of the Bank has a personal interest in the consideration.

4.6. **Details of Agreements Between the Allottees and Bank’s Shareholders or Other Allottees**

To the best of the Bank’s knowledge, no written or oral agreements exist between the Allottees and another shareholder of the Bank, or between all or some of the Allottees and another Allottee or other Allottees, or between them and other parties with regard to the acquisition or sale of the Bank’s securities or with regard to the Bank’s voting rights.

4.7. **Viewing of Documents and Referral to the Periodic Report., the Interim Report and the Immediate Reports**

Attention is hereby drawn to the 2021 Periodic Report that the Bank published on March 9, 2022 (reference no. 2022-01-027652), as well as the reports that the Bank has published since then.

The aforementioned documents can be viewed on the website of the Israel Securities Authority, whose address is [www.magna.isa.gov.il](http://www.magna.isa.gov.il), on the website of TASE, whose address is: [www.maya.tase.co.il](http://www.maya.tase.co.il), and at the offices of the Bank at 23 Yehuda Halevi Street, Tel Aviv 6513601, Israel, by prior arrangement (telephone no. +972-76-8054499), during normal business hours, on any workday between Sunday and Thursday (inclusive).

4.8. **Details Regarding the Bank’s Representatives for the Purpose of Attending to This Outline**

Adv. Ofer Hanoach and Adv. Roei Reis, external legal counsels, at the Round Building, 132 Menachem Begin Road, Tel Aviv, Israel, telephone: +972-3-6074510, fax: +972-3-6914164.

Yours sincerely,

**Israel Discount Bank Ltd.**

**Signed by:**

**Barak Nardi, Executive Vice President, Head of the Strategy, Finance and Holdings Division**

**~~Orit Caspi~~Hagit Meitovitz, Executive Vice President, ~~Head of the Human Resources Division~~Chief Legal Counsel**