

ISRAEL DISCOUNT BANK LTD.

Registration no. 520007030

The securities of the corporation are listed for trading on the Tel Aviv Stock Exchange

Abbreviated name: Discount

Address: 23 Yehuda Halevi St., Tel Aviv 6513601, Israel

Tel: 972-3-5145582; 972-3-5145544; Fax: 972-3-5171674

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Transmission date: December 2, 2015

Reference: 2015-01-171672

Israel Securities Authority
www.isa.gov.il

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

Immediate Report Regarding Change in Memorandum and/or Articles of Association

Regulation 31C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970

1. On *December 2, 2015* it was resolved *at a General Meeting* to *amend the Articles of Association* of the Corporation.
2. Nature of the change:
Amendment to Article 75A, which prescribes that the amount of the maximum amount of the indemnification shall not exceed, cumulatively, 15% of the Regulatory Capital, and in place thereof, that the maximum indemnification amount shall not exceed 25% of the accounting equity.
3. Text of the change:
See section 4.3 the Immediate Report regarding the convening of the Meeting.
4. Date on which the change takes effect: *December 2, 2015*
5. Attached are the Articles of Association following the amendment: *See Appendix A below*
6. Attached is the Memorandum of Association following the amendment: _____

The Report has been signed on behalf of the Corporation, in accordance with Regulation 5 of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, by Adv. Michal Sokolov-Danoch, Corporate Secretary of the Bank.

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

2015-01-159039 **2015-01-171642**

Prior names of the reporting entity:

Date of updating structure of form: November 4, 2015

Name of person making electronic report: Sokolov-Danoch, Michal; Position: Corporate Secretary
Name of Employing Company:
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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.

APPENDIX A

[This is a translation from the Hebrew and has been prepared for convenience only. In case of any discrepancy, the Hebrew version will prevail.]

ISRAEL DISCOUNT BANK LIMITED

A Company Limited by Shares

Company Articles of Association

Preamble

1. In these Articles of Association, unless the matter or the written form requires otherwise:

The “Company”	Israel Discount Bank Limited.
The “Law”	The Companies Law, 5759-1999 and the Regulations made thereunder, as they may be from time to time, as well as the sections of the Companies Ordinance which have not been cancelled.
The “Office”	The registered office of the Company at the time.
The “Register of Shareholders”	Within the meaning in the Law.
“Seal”	The common seal of the Company.
“Year”	The period from January 1 until December 31 of the same year, inclusive.
“In Writing” or “Written”	Including anything made in writing or in any manner in lieu of writing, or partly one and partly the other.
"Banking Ordinance"	The Banking Ordinance, 1941, as may be amended from time to time or any other arrangement that may replace it.
"Banking corporation having no core controlling interest"	Within the meaning of this term in the Banking Ordinance.
“Committee for the Appointment of Directors”	A committee for appointing directors, appointed pursuant to the Banking (Licensing) Law

“External director”	As defined in the Companies Law, 5759-1999 or in Directive 301 of the Proper Conduct of Banking Business Directives
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2. A term not defined in Article 1 above shall have the meaning determined in section 1 of the Companies Law, unless this is contrary to the written matter or its contents.
3. The headings in these Articles of Association are intended for the sake of convenience only and shall not affect the interpretation of the Articles of Association.

Limitation of Liability

4. The liability of the shareholders is limited, as set forth in the Memorandum of Association of the Company.

Objectives of the Company

5. The objectives of the Company are as set forth in the Memorandum of Association of the Company.

Authorized Capital

6. The authorized share capital of the Company is NIS 225,515,201.60 par value. The share capital is divided as follows:
 - A. Class A ordinary shares of NIS 0.1 par value each – 2,255,150,000.
 - B. 40,000 6% cumulative preferred shares of NIS 0.00504 par value each (equivalent to 10 pounds sterling each).
7. The rights granted by the shares:

A. Class A ordinary shares

The Class A ordinary shares rank equally among themselves for all intents and purposes.

Each Class A ordinary share vests in its owner the right to be invited, to participate in and vote at general meetings of the Company, the right to receive dividends or profits, if any, and the right to participate in a distribution of surplus assets of the Company at the time of winding up.

Each Class A ordinary share has one vote at any voting.

B. 6% cumulative preferred shares of NIS 0.00504 par value each (equivalent to 10 pounds sterling each)

To the preferred shares shall be attached the following special rights:

- (1) The right to a fixed cumulative preferred dividend at the rate of 6% (six percent) per annum on the capital for the time being paid up thereon.
- (2) The right in a winding up to have the capital paid up thereon and all arrears of dividend up to the date of the commencement of the winding up paid off in priority to any payment of capital on the shares of IL 1, shares of IL 10 and "B" shares of IL 1 in the Company, but with no further or other right to participate in the profits or assets of the Company.
- (3) The fixed cumulative dividend of 6% (six per cent) payable on the preferred shares and return of the paid-up capital thereon in a winding up of the Company shall be linked to the rate of exchange of the Israeli pound to the pound sterling, that is, five Israeli pounds and four agurot are equal to one pound sterling. If on the due date of payment to the holders of the preferred shares on account of dividend or on account of repayment of capital in a winding up (hereinafter referred to as "the Determining Date") the price of the pound sterling shall be different from IL 5.04, the Company shall pay for every IL 5.04 of such dividend and/or capital such an amount in Israeli pounds as may be equivalent to one pound sterling at its price on the Determining Date.

The expression "the price of the pound sterling" or "its price" shall mean the Bank of Israel's selling rate for the pound sterling existing on the Determining Date for bankers' telegraphic transfers on London.

With respect to dividends or arrears of dividend, the day when such dividend or arrears of dividend are declared shall be considered as the due date of payment; with respect to arrears of dividend in the case of a winding up or return of capital in a winding up – the day of the commencement of such winding up shall be considered as the due date of payment of such arrears of dividend or return of capital.

- (4) The preferred shares shall not entitle the holders to receive notice of or attend or vote at any general meeting by virtue of their holding thereof unless either:
 - a. at the date of the notice convening the general meeting the dividend thereon is one year in arrear,
 - b. the business of the Meeting includes the consideration of a resolution for reducing the capital by repaying the whole or any part of the capital paid on the preferred shares, or for the sale of the undertaking of the Company, or for altering the objectives of the Company, or for winding up the Company, or any resolution varying or abrogating any of the special rights or privileges attached to the preferred shares – and in which case they shall only be entitled to vote on any such resolution.

- (5) If and whenever a change shall occur in “the price of the pound sterling”, the Company shall have the right – but not be obliged – with the consent of the holders of the preferred shares but not otherwise – to exchange the preferred shares by way of conversion and/or allotment of new shares or in any other way which it will deem fit, for new preferred shares carrying the same rights and privileges for a nominal amount equal to “the price of the pound sterling” as it will be after the change as aforesaid multiplied by ten for each share held at the time of the exchange.

Alteration of Rights

8. If the share capital is divided into different classes of shares, the Company may, unless otherwise provided in the terms of issue of the shares of a particular class, vary, amend or cancel the rights attached to any class, either while the Company is a going concern or when the Company is wound up or about to be wound up, on condition that the holders of all the shares of a particular class issued agree in writing or that it is approved by a resolution adopted at a separate general meeting of the holders of the shares of that class.
9. The provisions of these Articles of Association relating to general meetings shall apply to any separate general meeting as referred to in Article 8, mutatis mutandis.
10. The special rights granted to the holders of the shares or class of shares issued with preferred rights or other special rights shall not be deemed altered by the creation or issue of additional shares of equal rank, unless stipulated otherwise in the terms of issue of such shares.

Shares

11. Apart from the provisions of Article 58 below, the Company shall not allot shares that are not fully paid up at the time of the allotment.

Share Certificates

12. A shareholder shall be entitled to one share certificate attesting to his ownership of the shares registered in his name. Each share certificate shall specify the number of shares for which it is issued. The certificates shall be issued under the Seal and signed by one director and the Company Secretary or any person appointed for this purpose by the Board of Directors.

The Board of Directors may decide that a signature or signatures shall be made in any other manner as it deems fit.
13. The Board of Directors may determine rules relating to the conditions according to which a new share certificate may be issued in case of loss, destruction or damage of the original certificate. Without derogating from the aforesaid, payment may be collected for the issue of a new share certificate.

14. The certificates of shares registered in the name of two or more persons shall be delivered to the person whose name appears first in the Register of Shareholders.
15.
 - A. Subject to the restrictions in these Articles of Association, the shares shall be transferable.
 - B. A transfer of shares shall be carried out in writing in a regular or acceptable manner and signed by the transferor and transferee (“deed of transfer”).
 - C. Each deed of transfer shall be submitted to the Office for registration together with the certificate of the shares being transferred and any other proof demanded by the Company regarding the transferor’s title to the shares or his right to transfer them.
 - D. All deeds of transfer to be registered in the Register of Shareholders shall remain in the possession of the Company, although any deed of transfer which the Company refuses to register in the Register of Shareholders shall be returned to the sender at his demand.
 - E. To the extent that the name of the transferee is not registered in the Register of Shareholders – or where the share is registered with a stock exchange member, to the extent that it is not registered with the stock exchange member – the transferor shall be regarded as the shareholder.
16. Payment may be collected for registration of any change in ownership in the Register of Shareholders, including on account of registration of a certificate of inheritance, probate certificate, certificate of administration of estate, court order, change of name certificate, power of attorney, death certificate or marriage certificate or any other document submitted in relation to an assignment of a share or in relation to any change of registration of a right of ownership in the share.

Assignment of Shares

17. Where the Company is convinced that the legal conditions for the assignment of a right to a share have been satisfied, the person entitled to registration of the share in his name by virtue of the assignment may order the Company to perform such transfer which the holder of the share by virtue of which the aforesaid right was assigned to him could have performed, into the name of any other person instead of being registered in his own name as shareholder.

Share Warrants (Bearer Share Certificates)

18. Cancelled [9.9.13].

Increase of Capital

19. New shares shall be issued under such terms and with such rights and privileges ordered by the general meeting that passed the resolution regarding their creation, and in particular it shall be permitted to issue such shares with a preferred right or with a restricted right with regard to dividends or a distribution of the assets of the Company and with special voting rights or without any voting rights.

Power to Borrow

20. Any deeds of obligation, promissory notes, debentures, series of debentures, deferred deeds of obligation or other securities may be issued at a discount, premium or in any other manner and with special privileges in relation to redemption, repayment to the Company, lotteries, allotment of shares and participation and voting at general meetings of the Company, appointment of directors or other matters.

General Meetings

21. Any good faith defect in convening or conducting a general meeting, including a defect deriving from non-fulfillment of a provision or term determined in the Law or in these Articles of Association including with respect to the manner of convening or conducting the general meeting, shall not disqualify any resolution adopted at the general meeting and shall not render defective the deliberations held thereon, subject to the provisions of any law.

Deliberations at General Meetings

22. The quorum for holding a general meeting is the participation of one or more shareholders, attending in person or by proxy, holding (individually or cumulatively) at least one-fifth of the voting rights in the Company, within half an hour of the time scheduled for opening the meeting.
23. The chairman of the Board of Directors shall be entitled to sit as chairman of the general meeting. Where there is no chairman of the Board of Directors, or if he is not present at the general meeting within 30 minutes of the time scheduled for holding such meeting, or if he does not wish to sit as chairman of the meeting, the Company Secretary shall open the meeting and the shareholders present may elect a chairman for that meeting from among those directors present at the meeting. If no directors are present at the meeting, or they do not wish to sit as chairman of the meeting, the shareholders and/or their proxies will choose one of their number to be chairman.

24. If within half an hour of the time scheduled for opening the meeting a quorum is not present, the meeting shall be dissolved if convened at the demand of the shareholders. In any other case it shall be adjourned to the same day of the following week at the same time and place, or to any other day, hour and place as determined by the Board of Directors by notice to the shareholders. Where no quorum is present at a meeting adjourned as aforesaid, one shareholder present in person or by proxy shall constitute a quorum and he may consider the matters for which such meeting was called.
25. Subject to the provisions of any law, a resolution put before the general meeting for a vote shall be decided in a poll according to number of votes of those persons voting, without taking abstentions into account. In the case of any dispute as to whether a particular voter's vote should be accepted or disqualified, the matter shall be decided by the chairman of the meeting.
- A declaration by the chairman that a resolution of the general meeting has been carried or rejected, unanimously or by any majority whatsoever, shall be prima facie evidence of the fact, without any necessity to prove the number of votes (or their relative proportion) recorded in favor of or against such proposed resolution.
- Subject to the provisions of the Law for a different majority and Article 27 of the Articles of Association, resolutions of the general meeting shall be adopted by a simple majority.
- 25A. A resolution passed at the general meeting by the majority required to amend the Articles of Association, which amends any of the provisions of these Articles of Association, shall be considered as a resolution for the amendment of these Articles of Association, even if this is not expressly stated in the resolution.

Votes of Shareholders

26. Subject to the provisions of any law, in the case of joint holders of a share, any one of them may vote at any meeting, either in person or by proxy with respect to such share, as if he were the sole party entitled to vote. Where more than one joint holder of a share participated personally or by proxy, the person whose name appears first in the Register of Shareholders with respect to the share shall vote, or in the confirmation from the stock exchange member regarding ownership of the share (hereinafter, "Confirmation of Ownership") or in any other document as determined by the Board of Directors with regard to this matter, as the case may be.
27. An instrument appointing a proxy shall be deposited at the Office no less than forty eight hours prior to the time of the meeting or the adjourned meeting (as the case may be). Notwithstanding the aforesaid, the general meeting may decide, by a majority of 75% of the votes of those persons voting that the instrument of appointment deposited at the Office at a date later than the above shall grant voting power in the name of the shareholder. An instrument of appointment shall not be valid upon the expiration of twelve months from the date of its signature.

28. A vote cast pursuant to the terms of the instrument of appointment shall be valid even if the person granting authority died or became incompetent prior to this or the instrument of appointment was cancelled, unless Written notice of the death, incompetence or cancellation was received at the Office prior to the meeting.
29. The instrument of appointment of a proxy shall be drafted in the form determined by the Board of Directors from time to time, in the following form or as close to it as circumstances permit:

I _____ I.D. no. / company no. _____ of _____, being a shareholder of Israel Discount Bank Limited. hereby appoint _____ I.D. no. _____ of _____ (or in his absence _____ I.D. no. _____ of _____) as my proxy to vote for me in my name and on my behalf at the general meeting of the Company to take place on the ____ day of the month of _____ in the year _____ and at any adjourned meeting, with respect to ____ class _____ shares.

Signed this ____ day of the month of _____ in the year _____.

30. The instrument of appointment shall note the class and number of shares with respect to which it is given. Where the instrument of appointment fails to note the number of shares with respect to which it is given or a higher number of shares is noted than the number of shares registered in the Register of Shareholders in the name of the shareholder or stipulated in the Confirmation of Ownership, as the case may be, the instrument of appointment shall be deemed to have been given with respect to all the shares of the shareholder registered in the Register of Shareholders or stipulated in the Confirmation of Ownership, as the case may be.
31. Without derogating from the provisions of these Articles of Association with regard to appointing a proxy for voting, a shareholder holding more than one share shall be entitled to appoint more than one proxy, subject to the following provisions:
- A. Each instrument of appointment shall note the class and number of shares with respect to which it is given.
- B. Where the total number of shares of any particular class stipulated in the instruments of appointment given by one shareholder exceeds the number of shares of the same class registered in his name or stipulated in the Confirmation of Ownership, as the case may be, all the instruments of appointment given by the shareholder in question shall be cancelled.

Directors

32. The number of directors shall be at least seven and not more than fifteen.
33. The term of office of a director shall commence on the date of his appointment or on a later date, as determined at the time of appointment.

34. The Company may grant the directors remuneration for their services.
35. The term of office of a director shall be terminated upon the occurrence of one of the following events:
- A. The fulfillment of one of the conditions determined in the Law for the termination of office;
 - B. He reached a settlement with his creditors within the framework of bankruptcy proceedings or winding up proceedings, if the director is a corporation.

36. A. The directors shall be appointed at the annual general meeting of the Company or at a meeting convened pursuant to Section 35A of the Banking (Licensing) Law, unless the Supervisor of Banks has approved that such a vote be taken at an extraordinary general meeting. Subject to any law, the term of service of a director is three years from the date of commencement of service.

The contents of this article in its revised wording shall not apply to directors who held office with the Company prior to it becoming a banking corporation having no core controlling interest; such directors shall be subject to the wording that was in force at that time, subject to the provisions of the Banking Ordinance.

Notwithstanding the contents of any other article in these Articles of Association and subject to the law, more than half of the directors who served immediately after the previous annual general meeting shall not be replaced at an annual general meeting of the Company, unless this has been approved by the Supervisor of Banks. If the number of directors who are to be replaced at a general meeting is more than half, as stated above, the half of the directors who will resign at that general meeting will be those who have served for the longest period, and the rest of the directors may continue to serve until the next annual general meeting. Where two or more directors of the aforementioned directors have served for equal periods, the directors to resign shall be decided by the general meeting.

- B. Notwithstanding the aforesaid, the provisions of the Law or the directives of the Supervisor of Banks, as the case may be, with regard to the appointment, termination of office and term of office, shall apply to an external director, and the aforesaid shall not apply to them.

This article shall also apply to a director appointed under Article 38.

37. Article 37 – Cancelled [29.6.14]

- 37A. At a general meeting, the vote on the appointment of directors or on the termination of their office shall be with respect to each candidate for appointment or with respect to each director, as the case may be, separately.
- 37B. The Board of Directors may not appoint directors of the Company nor may it propose candidates for the office of director to the Committee for the Appointment of Directors.

37C. Subject to the provisions of any law, a resolution of the general meeting on the appointment of a director or on the termination of his office shall be passed by a majority of the votes of the participants in the vote; in counting the votes of the participants in the vote, abstentions shall not be taken into account.

37D. 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 at the vote at the general meeting will be selected. If any of the selectees 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 at the vote at the general meeting, after the candidate who was disqualified as stated, will be the person selected.

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 will be taken at the adjourned meeting on whose agenda will be the appointment of the directors who won an equal number of votes.

38. Subject to the provisions of any law and the provisions of article 39A below, the general meeting may, at any time, terminate the office of a director, provided that the director is given a reasonable opportunity to present his position before the general meeting. Subject to the provisions of any law and the provisions of article 39A below, the general meeting may appoint another person as director in place of a director whose office has been terminated as aforesaid.

Notwithstanding the aforesaid, the provisions of the law or the directives of the Supervisor of Banks, as the case may be, shall apply to the termination of office of an external director.

39. Cancelled.

The Board of Directors of the Company – A banking corporation having no core controlling interest

39A. This article shall apply as long as the Company is a banking corporation having no core controlling interest, and shall take precedence over any other contradictory provision in these Articles of Association, as the case may be.

A. The proposal of candidates to the Board of Directors, their appointment and the termination of their office, including the maximum number of directors that may be replaced at the general meeting, will be done in accordance with the provisions of the Banking Ordinance.

- B. A proposal of candidates to serve as directors may be submitted by holders of more than two and a half percent of a particular class of the means of control or a body of holders who together hold not less than two and a half percent of a particular class of the means of control and not more than five percent, as stated in the Banking Ordinance. Such a proposal may be submitted no later than at the end of fourteen days from the date of publishing the preliminary notice regarding the appointment of directors, as defined in the Banking Ordinance.
- C. The periods of office of the directors, who are not external directors, shall not exceed the periods set forth in the Banking Ordinance, with the special provisions prescribed in the Banking Ordinance applying with regard to directors who hold office at the Company immediately prior to it becoming a banking corporation having no core controlling interest.
- D. No person shall be appointed as a director or shall hold office as a director if he does not meet the conditions stipulated in the Banking Ordinance, with the special provisions prescribed in the Banking Ordinance applying with regard to directors that hold office at the Company immediately prior to it becoming a banking corporation having no core controlling interest.

Proceedings of the Board of Directors

- 40. Subject to the provisions of any law, the Board of Directors may select a chairman for its meetings and determine the period in which he shall serve in office. If the chairman is absent from a meeting or part of a meeting, the directors present shall select another member of the Board of Directors to be chairman of that meeting, or part of the meeting.
- 41. Issues raised at the meeting of the Board of Directors shall be decided by a majority of the votes and in the event of a tied vote, the chairman of the Board of Directors shall have a second or casting vote.
- 42. Where the office of a director has become vacant, the Board of Directors may continue to act in any matter as long as the number of directors does not fall below the minimum number of directors determined in Article 32. Where the number of directors has fallen below this number, the Board of Directors may not act except for the purpose of calling a general meeting with the object of appointing additional directors, but not for any other purpose.
- 43. All activities carried out in good faith at a meeting of the Board of Directors or by a committee of directors or by any person acting as a director shall be valid, even if it is later discovered that there was a defect in the appointment of the director or such person acting as aforesaid, or that all or any of them was or were disqualified, exactly as if each such person had been duly appointed and was qualified to be a director.

Powers of Directors

44. The Board of Directors may exercise powers granted to the Chief Executive Officer pursuant to the following:
- A. Resolutions relating to the taking of credit in amounts as determined by the Board of Directors from time to time.
 - B. Execution and realization of fixed investments, including investment in a controlled corporation, whether domiciled in Israel or abroad, above a certain amount as determined by the Board of Directors.
 - C. Approval of an issue of shares (including options and convertible securities) by a controlled corporation, either in Israel or abroad, and any other issue of a controlled corporation with the guarantee of the Company, all excluding an issue of a company where all the means of control therein are held by the parent company and the issue is to the Company itself or a corporation controlled by the Company.
45. The Board of Directors shall determine powers of signature in the name of the Company.

Authorization of Transaction

46. Subject to the provisions of any law, a transaction of the Company with an officer therein and also a transaction of the Company with any other person in which the officer of the Company has a personal interest and which is not an exceptional transaction, requires the approval of persons carrying out business functions at the Company pursuant to the powers vested in them.

Appointment of Members of Management

47. Appointment of members of the management of the Company shall be carried out by the Chief Executive Officer, subject to the approval of the Board of Directors.

Seal

48. The Seal shall not be affixed on any document except upon a decision of the Board of Directors and, unless determined otherwise by the Board of Directors, one director and the Company Secretary or any other person appointed for this purpose by the Board of Directors shall sign any document on which the Company Seal is affixed, as aforesaid.

Reserve Fund

49. The Board of Directors may, prior to recommending the distribution of a dividend, set aside out of the profits any amount, as it deems fit, as a general fund or reserve fund for whatsoever contingencies or purposes as the Board of Directors shall determine at its discretion. The Board of Directors may divide the reserve fund into special funds and use any fund or part thereof for the business of the Company, without having to segregate them from the rest of the Company's assets, all at the discretion of the Board of Directors and according to the conditions it shall determine. Until it uses the aforesaid funds, the Company may invest the amounts set aside as aforesaid and the fund monies as it deems fit.

Dividends

50. A resolution of the Company on the distribution of a dividend shall be adopted at the general meeting after the recommendation of the Board of Directors has been put before it. The meeting may accept the recommendation or reduce the amount, but may not increase it.
- A shareholder is entitled to receive a dividend pursuant to the rights attached to the share.
- The shareholders entitled to a dividend are the shareholders on the date decided on by the general meeting.
51. No dividend or other benefit on account of a share shall bear interest vis-à-vis the Company.
52. The Board of Directors may deduct from any dividends, grant or other monies payable in relation to shares in the possession of a shareholder, whether he is an individual shareholder or a joint shareholder together with another shareholder – any monies due and payable from him which he is required to pay solely or jointly with any other person to the Company.
53. The Board of Directors or any person authorized by it may delay payment of a dividend or allotment of bonus shares or the grant of any other benefit due on the shares with respect to which a person is entitled to be registered as a shareholder by virtue of assignment or which a person is entitled to transfer under Article 17 of the Articles of Association until such person is registered as shareholder with respect to those shares or until such shares are transferred as stated in Article 17 of the Articles of Association.
54. Where several persons are registered as joint holders of a share, each of the joint holders may give valid receipts for dividends and payments on account of the dividends and other money due with respect to the share in question.
55. A notice regarding a declaration of a dividend shall be given to shareholders entitled to the dividend in the manner determined in these Articles of Association.

56. A dividend may be paid to any person registered in the Register of Shareholders in any acceptable manner. Without derogating from the aforesaid, a dividend may be paid by check sent by mail to the address of the shareholder entitled to the dividend, pursuant to the registration in the Register of Shareholders, or, in the case of joint holders, to the person whose name appears first in the register with respect to the joint title. Any such check shall be drawn up to the order of the person to whom it was sent.

Notwithstanding the above, the Board of Directors may determine that a dividend in an amount lower than a specific amount to be determined by it shall not be sent and/or paid by check unless the payment is made at the Office or at any other place to be determined by the Board of Directors.

Where any dividend has not been claimed within one year after its declaration, the Board of Directors may invest or use it in another manner for the benefit of the Company until claimed.

Dividend in Kind and Capitalization of Profits

57. The Board of Directors may recommend to the general meeting that a dividend is paid, wholly or partly, by the distribution of certain assets, including by fully paid-up securities of another company or by several of these methods. The meeting may accept the recommendation or reduce the amount but may not increase it.
58. The Board of Directors may recommend to the general meeting an allotment of bonus shares. In this regard, the Board of Directors shall recommend to the general meeting that part of the profits of the Company (within the meaning in the Law), a premium on shares, another source included in the equity presented in its latest financial statements or any other source permitted by the Law be converted into share capital (hereinafter, the "Amount for Distribution of Bonus Shares"). The Amount for Distribution of Bonus Shares shall be divided between those shareholders who were entitled to receive it had it been distributed by way of dividend and in the same proportion, in such manner that they shall be in possession of quasi-equity and that all or part of this capitalized money shall be used in the name of those shareholders in full payment – either according to the nominal value or with the addition of whatever premium is set forth in the recommendation – of the unissued shares of the Company and which shall be distributed accordingly.

The Board of Directors shall recommend to the general meeting whether the bonus shares issued as aforesaid shall be of one class only for all the shareholders without taking into account the class(es) of shares held by them or that each such shareholder shall be issued bonus shares of the same class for each class of shares held by him.

The bonus shares shall be issued and distributed as fully paid-up shares.

59. For the purposes of Article 58, holders of share warrants shall be treated as persons entitled to receive such part of the amount capitalized under the resolution according to the same article which enabled such holder to be attributed with the shares included in the share warrants and so that the Board of Directors will be able to allot them the shares or debentures to which they are entitled, they shall deliver the share warrants so that the fact of the allotment shall be recorded on them. Where the holders of the share warrants fail to claim, within six months or such longer period determined by the Board of Directors, the shares or debentures to which they are entitled, the Board of Directors may allot and issue them to trustees to keep them in trust for the benefit of the holders until they claim them, in addition to granting such trustees powers regarding the realization of the shares for the purpose of distribution and for other requirements as the Board of Directors shall consider to be beneficial, and any such allotment and issue shall constitute full consideration for any benefit in the capitalized amount which these holders of the share warrants have.
60. For the implementation of any resolution under the three previous articles, the Board of Directors may resolve as it deems fit any problem arising in relation to the distribution, and in particular, to issue certificates for fractions of shares and determine the value for the purpose of distribution of specific assets and to decide that payments in cash shall be paid to the shareholders on the basis of the value determined for this purpose, or that fractions with a monetary value of less than ten New Israeli Shekels shall not be taken into account in adjusting the rights of all parties, and it may grant cash or these specific assets to trustees in trust for the benefit of the persons entitled to the dividend or capitalized fund, as the Board of Directors may consider to be beneficial. Wherever necessary, a document should be submitted pursuant to Section 291 of the Companies Law, and the Board of Directors may appoint a person to sign such a document in the name of the persons entitled to the dividend or capitalized fund and such an appointment shall be valid.

Auditing of Accounts

61. An auditor shall be appointed at every annual general meeting and shall serve in office until the conclusion of the subsequent annual general meeting. Notwithstanding the aforesaid, the general meeting may appoint an auditor to serve in office for a longer term, which shall not extend beyond the conclusion of the third annual general meeting after the meeting at which he was appointed.

Internal Auditor

62. The chairman of the Board of Directors shall be the internal auditor's organizational superior.

Notices

63. Subject to the provisions of any law, no notice of a general meeting shall be delivered to every shareholder registered in the Register of Shareholders.

- 63A. The convening of a general meeting, on the agenda of which is the appointment of directors or the termination of their office, is to be done in conformance with the provisions of the Banking Ordinance.
64. Subject to the provisions of any law, a notice from the Company to the shareholders which must be given under these Articles of Association and/or under the Law may be delivered either personally to the shareholder or by mail to his address registered in the Register of Shareholders or by publication in at least two daily newspapers appearing in Israel.
65. Any registered holder of shares whose registered address is not in Israel may notify the Company from time to time in writing of an address in Israel to be considered his registered address within the meaning in Article 64. Respecting those shareholders not having a registered address in Israel, a notice displayed at the Office shall be deemed to have been delivered to them from the time of its display.
66. Where a notice has been sent by mail, delivery shall be deemed to have been performed on the day on which the letter containing the notice was handed in at the post office, where the address is according to the address registered in the Register of Shareholders and postage fees have been paid in advance. A signed Written certificate of the Company Secretary or any other official of the Company that the above conditions have been satisfied shall serve as conclusive evidence thereof.
67. A notice to a person to whom a right to a share has been assigned under the Law, by way of transfer or by any other way, but whose name and address have not yet been registered in the Register of Shareholders, shall be valid if duly delivered to the address of the person from whom the right to such share derives, as registered in the Register of Shareholders.
68. Subject to the provisions of any law, any notice or document sent by mail or delivered according to the registered address of the shareholder according to these Articles of Association shall be deemed, even if said shareholder has died prior to this, whether or not the Company has been notified of his death, to have been duly notified with respect to the registered shares, whether they are held by such person individually or they are held jointly with others, until another person is registered in his place as holder or joint holder thereof. Such delivery shall be deemed sufficient delivery of the notice or document to his heirs, executors or administrators and to any persons having a common interest with him in these shares.
69. Any notices with respect to registered shares to which several persons are entitled jointly shall be given to the person whose name appears first in the Register of Shareholders, and subject to the provisions of any law, a notice given in this manner shall be sufficient notice to all the holders of these shares.
70. Where a notice has been published in the newspapers, delivery shall be deemed to have been performed on the day on which the newspapers appeared and the date of appearance mentioned in the newspapers shall serve as conclusive evidence thereof.

Winding Up

71. In the case of winding up the Company, either voluntary winding up or any other form of winding up, the liquidator may, with the approval of the general meeting, distribute among the participants any part of the assets of the Company in kind, and he may, with a similar approval vest any part of the assets of the Company in trustees to hold in trust for the benefit of all or part of the participants, as the liquidator deems fit with a similar approval.

Exemption, Indemnity and Insurance

With regard to Articles 72-76A:

“breach of duty of care” – provided that it was not done intentionally or recklessly, only negligently.

“distribution” – grant of a dividend or undertaking to grant a dividend, directly or indirectly, in addition to an acquisition; and for this purpose, **“acquisition”** – the acquisition or grant of funding for the acquisition, directly or indirectly, by the Company or its subsidiary or any other corporation controlled by the Company, of shares in the Company or of securities convertible to shares in the Company or capable of realization for shares of the Company, or redemption of redeemable securities which are part of the equity of the Company and including an undertaking to do any of the above, all provided that the seller is not the Company itself or any other corporation wholly owned by the Company, all according to the meaning given to this term in the Law.

“act” – including an act of commission and an act of omission.

“administrative proceeding” – any of the following proceedings:

- (1) Proceeding pursuant to Chapters 8-C, 8-D or 9-A of the Securities Law, 5728-1968 (hereinafter, the “Securities Law”);
- (2) Proceeding pursuant to Chapters 7-A, 7-B and 8-A of the Regulation of Engagement in Investment Advising, Investment Marketing and Investment Portfolio Management Law, 5755-1995 (hereinafter, the “Advising Law”);
- (3) Proceeding pursuant to Chapters 10, 10-A and 11-A of the Joint Investment Trusts Law, 5754-1994 (hereinafter, the “Joint Investment Trust Law”);
- (4) Proceeding pursuant to Chapter 9-A of the Supervision of Financial Services (Insurance) Law, 5741-1981 (hereinafter, the “Supervision of Insurance Law”);
- (5) Proceeding pursuant to Chapter 5 of the Supervision of Financial Services (Provident Funds) Law, (hereinafter: the “Supervision of Provident Funds Law”);

- (6) Proceedings pursuant to Chapter 7-A of the Restrictive Trade Practices Law, 5748-1988;
- (7) Any other or further administrative enforcement proceeding for which indemnification of expenses and/or payments associated therewith is legally permitted.

“officer” – as this term is defined in the Companies Law and also as this term and the term “senior officer” are defined in the Securities Law, as well as in every other law to which an officer of the Company is subject in fulfilling his duties with the Company and/or with a subsidiary and/or during his service in office on behalf of the Company and/or a subsidiary with a related company and/or with another corporation in which the Company and/or a subsidiary has a direct or indirect holding.

“party injured by a violation”: a party who was injured by a violation as described under any of the following legislation:

- (1) Section 52BBB(a)(1)(a) of the Securities Law with regard to an administrative proceeding pursuant to the Securities Law, the Advising Law or the Joint Investment Trust Law;
- (2) Section 92U of the Supervision of Insurance Law, with regard to an administrative proceeding pursuant to the Supervision of Insurance Law and/or the Supervision of Provident Funds Law.
- (3) Any other legislation with regard to which an administrative proceeding can take place.

72. Exemption

The Company may exempt an officer of the Company from all or part of his liability for damage in consequence of breach of his duty of care vis-à-vis the Company, to the maximum extent permitted by the provisions of any law, except following a breach of the duty of care in a distribution.

73. Indemnification and insurance of employees

- A. An employee of the Company who is not an officer of the Company shall be indemnified from Company monies on account of the responsibility he undertook as an employee of the Company in his defense in any legal proceeding, either civil or criminal, in which a judgment is handed down in his favor or in which he is acquitted, and the Company may indemnify him for any monetary obligation imposed on him in favor of any other person on account of any act performed by virtue of his being an employee of the Company.

- B. Without derogating from the authority of the Company to indemnify or insure an employee in accordance with the provisions of any law, it is hereby clarified that the Company may indemnify, including by means of an advance indemnification, or insure an employee of the Company who is not an officer of the Company, from Company monies, for payment to a party injured by a violation or for expenses incurred in relation to an administrative proceeding, inclusive of reasonable litigation expenses and including attorneys' fees.

74. Indemnification with respect to service in office with another company

- A. The Company may give an advance undertaking of indemnity to any person including an officer of the Company serving in office or who served in office as a representative of the Company, or at its request as a director of another company in which the Company holds shares, directly or indirectly, or in which the Company has an interest (hereinafter, "Director of Another Company") due to the liability as set forth in subsection D(1) below, imposed on him due to any act performed by virtue of his being a Director of Another Company, provided that the undertaking is limited to events which in the view of the Board of Directors of the Company are anticipated in light of the actual activities of the other company at the time of giving the undertaking of indemnity, and also for the amount or criteria determined by the Board of Directors as reasonable in the particular circumstances.

The undertaking of indemnity shall note the events and the amount or criteria as set forth above.

- B. The Company may give an advance undertaking to indemnify a Director of Another Company for expenses or a monetary obligation, as appropriate, as set forth in subsections D(2), (3), (4), (5) and (6) below.
- C. Without derogating from the provisions of subsection A and subsection B above, the Company may indemnify a Director of Another Company retroactively.
- D. The indemnity referred to in subsections A, B and C above, respectively, shall be on account of a liability or expense imposed on a Director of Another Company in consequence of an act performed by virtue of his being an officer therein, as follows:
 - (1) A monetary obligation imposed upon him for the benefit of another person under a judgment, including a judgment handed down in a settlement or arbitral award sanctioned by the court;
 - (2) Reasonable litigation expenses, including attorneys' fees, incurred by him or charged by the court in a proceeding filed against him by or on behalf of the other company or by another person, or for a criminal charge of which he was acquitted or for a criminal charge in which he was found guilty of an offense not requiring proof of criminal intent;

- (3) Reasonable litigation expenses, including attorneys' fees, incurred by a Director of Another Company in consequence of an investigation or proceeding conducted against him by an authority empowered to conduct an investigation or proceeding and which ended without the filing of an indictment against him and without imposing on him any monetary obligation in lieu of the criminal proceeding or which ended without the filing of an indictment against him but with the imposition of a monetary obligation in lieu of a criminal proceeding for an offense not requiring proof of any criminal intent or in connection with a monetary sanction.

In this paragraph, the terms “**ended without the filing of an indictment in a matter which commenced with the opening of a criminal investigation**” and “**monetary obligation in lieu of a criminal proceeding**” have the meaning accorded them in the Law.

- (4) A monetary obligation imposed and/or to be imposed upon him for the benefit of a party injured by a violation.
- (5) Expenses incurred and/or to be incurred by the officer in connection with an administrative proceeding, which was conducted with regard to him, inclusive of reasonable litigation expenses and including attorneys' fees.
- (6) Any liability or other expense on account of which it is permitted or shall be permitted to indemnify a director.

75. Indemnification of an officer

- A. The Company may give an advance undertaking to indemnify an officer therein on account of a liability as set forth in subsection D(1) below, provided that the undertaking is limited to events which in the view of the Board of Directors are anticipated in light of the actual activities of the Company at the time of giving the undertaking of indemnity, and also for the amount or criteria determined by the Board of Directors as reasonable in the specific circumstances. The undertaking of indemnity shall note the events and the amount or criteria as set forth above.
- B. The Company may give an advance undertaking to indemnify an officer therein for expenses or a monetary obligation, as appropriate, as set forth in subsections D(2), (3), (4), (5) and (6) below.
- C. Without derogating from the provisions of subsection A and subsection B above, the Company may indemnify an officer therein retroactively.
- D. The indemnity referred to in subsections A, B and C above, respectively, shall be on account of a liability or expense imposed on an officer in consequence of an act performed by virtue of his being an officer therein, as follows:
 - (1) A monetary obligation imposed upon him for the benefit of another person under a judgment, including a judgment handed down in a settlement or arbitral award sanctioned by the court;

- (2) Reasonable litigation expenses, including attorneys' fees, incurred by an officer or charged by the court in a proceeding filed against him by or on behalf of the Company or by another person, or for a criminal charge of which he was acquitted or for a criminal charge in which he was found guilty of an offense not requiring proof of criminal intent;
- (3) Reasonable litigation expenses, including attorneys' fees, incurred by an officer in consequence of an investigation or proceeding conducted against him by an authority empowered to conduct an investigation or proceeding and which ended without the filing of an indictment against him and without imposing on him any monetary obligation in lieu of the criminal proceeding or which ended without the filing of an indictment against him but with the imposition of a monetary obligation in lieu of a criminal proceeding for an offense not requiring proof of any criminal intent or in connection with a monetary sanction.

In this paragraph, the terms **“ended without the filing of an indictment in a matter which commenced with the opening of a criminal investigation”** and **“monetary obligation in lieu of a criminal proceeding”** have the meaning accorded them in the Law.

- (4) A monetary obligation imposed and/or to be imposed upon him for the benefit of a party injured by a violation.
- (5) Expenses incurred and/or to be incurred by the officer in connection with an administrative proceeding, which was conducted with regard to him, inclusive of reasonable litigation expenses and including attorneys' fees.
- (6) Any liability or other expense on account of which it is permitted or shall be permitted to indemnify an officer.

75A. The maximum amount of the indemnities granted and to be granted by the Company to all the officers of the Company, and to all the officers of subsidiaries, shall not exceed, cumulatively, 25% (twenty five percent) of the Company's equity, according to the latest financial statements published shortly before the actual payment date of the indemnity. The aforesaid amount is in addition to amounts to be received under insurance policies, whether paid to the Company or an investee company of the Company, or whether paid to an officer.

76. Insurance of an officer

- A. The Company may insure an officer of the Company to the maximum extent permitted by the provisions of any law. Without derogating from the generality of the aforesaid and subject to the provisions of any law, the Company may enter into a contract to insure the liability of an officer therein for any obligation imposed on him due to an act carried out by virtue of his being an officer of the Company and/or for expenses incurred and/or to be incurred, in any of the following events:

- I. Breach of the duty of care vis-à-vis the Company or vis-à-vis any other person.
 - II. Breach of the duty of trust vis-à-vis the Company, provided that the officer acted in good faith and had reasonable grounds to assume that the act would not harm the welfare of the Company.
 - III. A monetary obligation imposed upon him as set forth in section 75D(1) above for the benefit of another person, including a monetary obligation to a party injured by a violation.
 - IV. Expenses incurred and/or to be incurred in connection with an administrative proceeding.
 - V. Any other event on account of which it is permissible or shall be permissible to insure the liability of an officer.
- B. In any instance where the insurance contract includes coverage of the Company itself (alongside coverage of the officer), the officer will take preference over the Company in receiving insurance compensation.

76A. Limitations on exemption, insurance and indemnification

Articles 72 (exemption), 73 (indemnification and insurance of employees who are not officers), 74 (indemnification of a representative of the Company in another company), 75 (indemnification of an officer) and 76 (insurance of liability of an officer) will not apply in any one or more of the following instances:

- A. Breach of duty of trust, except as stated in Article 76(A)(II);
- B. Breach of duty of care that was done intentionally or recklessly, except if it was done only negligently;
- C. An act performed with the intent of producing unlawful personal gain;
- D. A fine, civil penalty, monetary sanction or forfeit imposed on the officer.

Donations

77. The Company may donate a reasonable amount for a worthy purpose, even if the donation is not within the scope of business considerations.

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