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Bank Hapoalim B.M.

September 27, 2023

To:
Israel Securities Authority
Via Magna

To:
Tel Aviv Stock Exchange Ltd.
Via Magna

Re: Immediate Report (the “Report”) on the Convening of an Annual General Meeting of Shareholders of Bank Hapoalim B.M. (the “Bank”)

Further to the advance notice issued by the Bank regarding the intention to convene an annual meeting of shareholders of the Bank, and pursuant to the Companies Law, 1999 (the “**Companies Law**”); the Securities Regulations (Periodic and Immediate Reports), 1970 (the “**Report Regulations**”); the Companies Regulations (Announcement and Notification of a General Meeting and a Class Meeting at a Public Company and Addition of an Item to the Agenda), 2000 (the “**Announcement and Notification Regulations**”); and the Companies Regulations (Voting in Writing and Position Papers), 2005 (the “**Voting in Writing Regulations**”), the Bank is honored to announce that the annual General Meeting of the shareholders of the Bank (the “**Meeting**”) will convene on **Wednesday, November 8, 2023, at 4:00 p.m., at the offices of the Bank at 63 Yehuda Halevi Street, Tel Aviv (6th floor, room 608)**; on the agenda are the items and resolutions described below.

1. Items on the agenda of the Meeting and form of proposed resolutions

1.1. Item no. 1 on the agenda – Discussion of the financial statements and the report of the Board of Directors of the Bank for the year 2022

Discussion of the audited financial statements of the company as at December 31, 2022, and the reports of the Board of Directors and board of management for the year ended on that date (jointly, the “**2022 Periodic Report**”).

No vote will be held on this matter.

The 2022 Periodic Report, issued by the Bank on March 9, 2023 (reference no. 2023-01-025158), can be viewed on the Israel Securities Authority distribution website, at <http://www.magna.isa.gov.il> (the “**Distribution Website**”), and on the website of the Tel Aviv Stock Exchange Ltd., at <http://maya.tase.co.il> (the “**TASE Website**”).

1.2. Item no. 2 on the agenda – Approval of reappointment of the external auditors of the Bank

1.2.1. As at the date of the report, Somekh Chaikin (KPMG), Certified Public Accountants, and Ziv Haft (BDO), Certified Public Accountants, serve jointly as the auditors of the Bank, and were appointed as such until the end of the annual General Meeting called under this report.

1.2.2. At the recommendation of the Audit Committee of the Board of Directors of the Bank (following a process it conducted; see details below) and the Board of Directors of the Bank, it is proposed to reappoint Somekh Chaikin (KPMG), Certified Public Accountants, and Ziv Haft (BDO), Certified Public Accountants, as the Bank’s joint auditors, until the end of the next annual General Meeting of the Bank.

The recommendation on the reappointment is based on a complex of considerations and circumstances, including: the impression of the Audit Committee and the Board of Directors of the Bank with the professional quality and level of service of the external auditors, the examination process that has been conducted prior to the previous General Meeting, in the framework of which the candidacy of additional accounting firms was examined, and the recommendation of the Bank Management.

The recommendation was received by the Audit Committee and the Board of Directors by a majority. One of the directors was of a minority opinion that, in principle, one of the serving accounting firms should be replaced with another firm, in light of the benefit of refreshing the position of the external auditors after long years of service, even if there is high satisfaction with the professional quality and level of service.

- 1.2.3. The Bank implements the guidelines of the Basel Committee regarding external audit in banking corporations in respect of the Audit Committee and its relationship with the external auditors, pursuant to the provision of Section 36(D)(3A) of Proper Conduct of Banking Business Directive 301, as well as the rules of conduct suggested to directors for promoting the quality of the audit on the financial statements (Best Practice), as they were published by the Securities Authority in October 2021. In this framework, inter alia, and prior to formulating the recommendation on the reappointment of the external auditors, the Audit Committee conducted a discussion about the evaluation of the effectiveness and performance of the external auditors, including with regards to the competence of the audit teams and the compliance of the external auditors with the rules of independence.
- 1.2.4. Details about the fee of the external auditors of the Bank for 2022, for audit and additional services, which was determined by the Board of Directors of the Bank, are included in the Interim Report for 2022 (on page 391).

Form of the proposed resolution:

To approve the reappointment of Somekh Chaikin (KPMG), Certified Public Accountants, and Ziv Haft (BDO), Certified Public Accountants, as the joint auditors of the Bank, until the end of the next annual General Meeting of the Bank.

1.3. Items 3-5 – Appointment of two external directors pursuant to the Companies Law

- 1.3.1. At this Meeting, two external directors are to be elected for appointment in accordance with the provisions of the Companies Law for a term of office of three years, out of the three candidates proposed by the Committee for the Appointment of Directors at Banking Corporations, which was appointed according to Section 36A of the Banking (Licensing) Law, 1981 (the “**Banking Law**” and the “**Director Appointment Committee**,” respectively). They are:
 1. Ms. Ronit Abramson Rokach (proposed for election as Item no. 3 on the agenda).
 2. Ms. Michal Halperin (proposed for election as Item no. 4 on the agenda).
 3. Ms. Michal (Cohen) Kremer (proposed for election as Item no. 5 on the agenda).

One term of service of the Companies Law external director shall commence on the later of February 5, 2024 (the second term of service of Ms. Ronit Abramson Rokach, who serves as a Companies Law External Director at this time, ends on February 4, 2024), and the date of approval or non-objection of the Supervisor of Banks to the appointment, pursuant to the provisions of Section 11A of the Banking Ordinance, 1941 (the “**Supervisor,**” the “**Supervisor Appointment Approval,**” and the “**Banking Ordinance,**” respectively).

The second term of service shall commence on the later of April 12, 2024 (upon the end of the term of service of Ms. Dalia Lev, who serves as a Companies Law External Director at this time) and the date of approval of the Supervisor of Banks to the appointment.

1.3.2. In July 2023 the Companies Law proposal was published (amendment no. 37) (corporate governance in companies without a controlling shareholder), 5783-2023 (“**the Law Proposal**”), which deals with the amendment of the corporate governance rules in public companies that have no controlling shareholder, including, inter alia, cancelling the obligation to appoint external directors in a company without a controlling shareholder and determining the obligation for a majority of independent directors. The transitional provision in the Law Proposal stipulates that the term of office of external directors that serve on the day of commencement of the law shall end at the end of their three years of service or on the date of the first General Meeting, on the agenda of which is the appointment of independent directors, the early of the two, and that they can be reappointed as independent directors.

The Bank is a banking corporation without a controlling core, and due to the corporate governance rules that already apply to it today and which are stipulated mainly in the Banking Ordinance, inter alia: (a) it is required that all the directors in office (not only the external directors) have no affinity to the Bank, to Bank's office holders, or Substantial Holders in the Bank, and their term of office is limited to up to three-year terms of office (for a total of nine years), so that, in fact, all of the directors serving in the Bank are actually independent; (b) all of the directors (and not only the external directors as is common in other public companies) are appointed by the General Meeting in any case for a period of 3 years; (c) in the Banking Ordinance (Section 11E(a)(5)), there is a limitation on the replacement of more than half of the directors at that General Meeting; (d) the candidates for the position of directors at the Bank, in general, and at this General Meeting in particular, are proposed by the Committee for the Appointment of Directors (and not by the Board of Directors, as in another public company) after a complex examination and selection process.

Taking into account the Corporate Governance Rules and the aforementioned unique characteristics, which apply to the Bank as a banking corporation without a controlling core and subject to the provisions of the law as far as they allow on the relevant dates, **it is requested with regard to the appointments of the external directors in this General Meeting (as stated in Items 3-5 on the agenda), to receive the approval of the General Meeting in advance, that appointments will be for a term of office of three years, even if during this period, the Companies Law is amended in accordance with the aforementioned proposed law, and that, from the date of commencement onwards, they will be considered as independent directors if the**

obligation to serve as external directors in relation to the Bank is canceled, this, without re-appointments being required on by the General Meeting within the aforementioned three-year period.

For additional information regarding the appointment of the directors, see Section 2 of the Report. For details regarding the aforesaid candidates and the proposed resolutions, see Section 3 of the Report.

1.4. Items 6-7 on the agenda – Appointment of another (that is not external)

At this Meeting, one “other” director (that is not an external director in accordance with the Companies Law or pursuant to Directive 301) is to be elected for appointment for a period of three years, out of the two candidates proposed by the Committee for the Appointment of Directors. They are:

- a. Mr. Israel Trau (proposed for election as Item no. 6 on the agenda).
- b. Mr. Mohammad Sayed Ahmad (proposed for election as Item no. 7 on the agenda).

The term of office of the candidate to be elected shall commence on the later of November 24, 2023 (the first term of service of Mr. Israel Trau, who serves as an “other” Director, ends on November 23, 2023), and the Supervisor Appointment Approval date.

For additional information regarding the appointment of the directors, see Section 2 of the Report. For details regarding the aforesaid candidates and the proposed resolutions, see Section 3 of the Report.

1.5. Items 8 on the agenda – Amendment of the Bank’s Articles of Association

It is proposed to make several amendments to the Articles of Association of the Bank in the attached version as Appendix A to the Report (the proposed amendments are marked), which include, inter alia, an update of provisions and terms that were relevant in the past and are no longer in use (for example, provisions regarding the role of the Deputy Chairperson of the Board of Directors); adjusting provisions in the Articles of Association to the provisions of the law (including the Companies Law and the Proper Conduct of Banking Business Directives); updating the provisions with regard to appointments to the Bank Management and the Management work (Regulation 23); and updating the relevant terms to the provisions regarding indemnity and insurance regarding administrative enforcement proceedings (Regulation 24D), so that they will refer to additional legislation that include administrative enforcement proceedings, in parallel to an update on this matter in the letters of indemnity to office holders as well (a proposal to update the letters of indemnity is brought separately, see item 9 on the agenda of the General Meeting in Section 1.6 in the Report below).

Form of the proposed resolution:

To approve the amendments to the Articles of Association of the Bank, in accordance with the version of the article of association attached as Appendix A to the Report.

1.6 Item 9 on the agenda – Approval of granting updated letters of commitment for indemnity for office holders of the Bank

- 1.6.1 All the directors and office holders currently serving in the Bank hold letters of commitment for indemnity (“**Letter of indemnity**”), in accordance with the

remuneration policy of the Bank and with previous resolutions of the competent organs, including the General Meeting of the shareholders of the Bank (in January 2012 and in February 2016). For details about the existing letters of indemnity see Note 25.B.4 of the financial statements of the Bank for 2022.

- 1.6.2 In light of the time that has passed since the wording of the letter of indemnity given to the serving office holders was updated, it is proposed to approve granting updated letters of indemnity in the attached wording as Appendix B to this Report (the updates in the wording are marked in respect of the existing letter of indemnity).

The approval of granting the updated letters of indemnity to the office holders cannot harm the validity of previous resolutions or commitments of the Bank to indemnify directors and office holders of the Bank.

- 1.6.3 These are the main amendments to the wording of the proposed letter of indemnity: an update to the list of events that the Board of Directors is of the opinion that they are expected in view of the activity of the Bank in practice at the time of granting the commitment to indemnity which are detailed in the addition to the letter of indemnity. This, inter alia, given the changes to the legislation and to the activity of the Bank; the definitions pertaining to the indemnity in respect of administrative enforcement proceedings and regarding what is permitted by law were expanded (expenses for litigation and in some cases payment for victims of violation) also in respect of legislation from recent years that includes administrative enforcement proceedings (such as: The Financial Information Service Law, 5782-2021 and the Law for Regulating the Practice of Payment Services and Initiating Payment, 5783-2023), as well as in respect of other administrative enforcement / clarification proceedings that according to the law one can grant indemnity in respect of expenses or payment connected to them¹.

- 1.6.4 The Remuneration Committee at its meeting on September 21, 2023 and the Board of Directors of the Bank at its meeting on September 27, 2023, resolved to approve and recommend to the General Meeting of the Bank to approve the granting of the updated letters of indemnity to directors and the rest of the office holders of the Bank, who serve and will serve in the Bank from time to time, in the attached wording in Appendix B.

All the directors have a personal interest in this item, since the letter of indemnity is part of their terms of office in the Bank and will be granted to them.

- 1.6.5 The reasons of the Remuneration Committee and the Board of Directors for approving the granting of the updated letters of indemnity, item no. 9 on the agenda of the General Meeting, are as follows:

- 1.6.5.1 According to the letter of indemnity, the commitment for indemnity in respect of a financial liability pursuant to a ruling as stated in Section 260(A)(1) to the Companies Law is limited to events that according to the opinion of the Remuneration Committee are expected in light of the activity of the Bank in practice at the time of granting the commitment for indemnity, and also the

¹ See also item 8 on the agenda – adopting amendments to the Articles of Association of the Bank, which include, inter alia, also parallel adjustments in the Articles of Association of the Bank for the possibilities of indemnification in respect of administrative proceedings.

commitment for indemnity as stated is also limited to a standard that is reasonable, accepted and common in the market – 25% of the shareholders’ equity of the Bank according to the financial statements known at the time of the actual payment;

- 1.6.5.2 The update of the list of events for the letter of commitment for indemnity of directors and office holders in the Bank is reasonable under the circumstances considering the size, scope, complexity and activity of the Bank, and taking into account the business, legal and regulatory environment in which the Bank operates and the risks to which the Bank is exposed;
- 1.6.5.3 granting a commitment for indemnity for directors and office holders constitute an accepted protection in public companies, alongside directors and office holders liability insurance and granting an exemption, and they are designated to allow office holders to act freely and perform their duties properly and for the benefit of the Bank, taking into consideration the risks involved therein and the responsibility that lies with them by law and subject to the restrictions of the law.
- 1.6.5.4 Granting the updated letters of indemnity complies with the Articles of Association of the Bank (see footnote 1 above) and the remuneration policy of the Bank.

In light of the aforesaid reasons, granting the updated letters of indemnity is for the benefit of the Bank.

Form of the proposed resolution:

To approve the granting of the updated letters of indemnity to directors and office holders in the Bank, who serve and will serve in the Bank from time to time, in the version of the letter of indemnity attached as Appendix B to the Report.

1.7 Item 10 on the agenda – Approval of the remuneration policy to office holders in the Bank

It is proposed to approve the remuneration policy for office holders in the Bank, in the wording attached as **Appendix C** to the Report (“**The Remuneration Policy**” or **The New Remuneration Policy**”), pursuant to Section 267A to the Companies Law, Proper Conduct of Banking Business Directive 301A of the Supervisor of Banks (“**Directive 301A**”) and the provisions of the Remuneration to Office Holders in Financial Corporate Procurements Law (A Special Approval and Disallowance of Expenditure for Tax Purposes Due to Extraordinary Remuneration), 5776-2016 (“**The Remuneration Limitation Law**”), in force from January 1, 2024 for a period of three years.

Form of the proposed resolution:

To approve the remuneration policy for the office holders of the Bank, in the attached wording as Appendix C to the Report, in force from January 1, 2024 for a period of three years, and to approve pursuant to Section 2(A) of the Remuneration Limitation Law that in accordance with the remuneration policy and the caps set thereof, the remuneration of office holders can exceed the remuneration level that

is set in the aforesaid Section with the approval of the Remuneration Committee and the Board of Directors, without an additional approval of the General Meeting.

For details regarding the approval of the remuneration policy, see Section 4 of the Report.

1.8 Item no. 11 on the agenda – Approval of the terms of service and employment of the CEO of the Bank

It is proposed to approve the terms of service and employment of the CEO of the Bank as set forth in Section 5 to the Report.

Form of the proposed resolution:

To approve the terms of service and employment of Mr. Dov Kotler as the CEO of the Bank in force from January 1, 2024 until December 31, 2026 pursuant to Section 5 to the Report, in accordance with Section 272 (C1) to the Companies Law and pursuant to Section 2(A) to the Remuneration Limitation Law.

For additional details pertaining to the approval of the terms of service and employment of the CEO of the Bank, see Section 5 to the Report.

2. Additional details regarding appointment of directors (items 3-5 on the agenda)

- 2.1 At this time, 10 directors serve on the Board of Directors of the Bank. Ahead of the annual Meeting referenced in this summons, the Committee for the Appointment of Directors was asked to propose candidates to the Bank for three offices: two external directors pursuant to the Companies Law (for the office of Ms. Ronit Abramson Rokach, whose second term of service ends in February 2024 and for the office of Ms. Dalia Lev, whose second term of service ends in April 2024); and one “other” director (for the office of Mr. Israel Trau, whose first term of service ends in November 2023).
- 2.2 The Committee for the Appointment of Directors proposed five candidates to this Meeting: three candidates for offices of external directors pursuant to the Companies Law, of which the Meeting must elect two directors; and two candidates for offices of “other” (non-external) directors, of which the Meeting must elect one director.
- 2.3 The Bank asked the Committee for the Appointment of Directors to propose candidates for office to the General Meeting, as to increase the chances of electing at least two women in the General Meeting and alternatively, at least one woman and one director from an unrepresented population, with the intention of implementing the policy of the Board of Directors regarding gender / sector diversity (see page 396 of the Periodic Report for 2022); that as much as possible, at least one of the candidates should have accounting and financial expertise, at least one of the candidates should have banking experience and that precedence shall be given that at least one of the candidates should be an experience attorney; and that all the candidates should have managerial or academic experience, personal integrity, as well as skills and ability to significantly contribute to the work of the Board of Directors in formulating strategy and policy and in fulfilling its functions in the areas of supervision and control.
- 2.4 Declarations of all of the candidates for service as directors regarding their fulfillment of all of the conditions established by law for service as directors at the Bank, including

with reference to the fact that it is a banking corporation without a controlling core, are attached to the Summons Report.

- 2.5 Voting shall be held separately with regard to each director; shareholders are permitted to vote for any of the candidates for service as a director.
- 2.6 Section 11A(a) of the Banking Ordinance states that “no person shall serve as an office holder of a banking corporation unless the Supervisor has been notified at least sixty days prior to the commencement of the office and the Supervisor has not given notice of objection to the said appointment, or has given notice of consent to the appointment, within that period.” Therefore, the service of the candidates to be elected is contingent upon approval of the appointment by the Supervisor.
- 2.7 If, prior to the actual commencement of the service of any of the elected directors, it emerges that the director will not commence service for any reason, any of the other candidates of the same qualification (i.e. qualification as a Companies Law External Director or qualification as an “other” director) who received the requisite majority for election (if such candidate exists) shall be considered to have been elected in their stead by the General Meeting.
- 2.8 The directors of the Bank (excluding the Chairman of the Board of Directors) are entitled to the payment of annual compensation in respect of their service, as well as participation compensation, in the maximum amounts payable to an external director or expert external director (as relevant) pursuant to the provisions of the Companies Regulations (Rules Regarding Remuneration and Expenses for External Directors), 5760-2000 (the “**Remuneration Regulations**”), as they may be from time to time and according to the rank of the Bank in each fiscal year. In addition, all directors are entitled to a letter of indemnity, pursuant to the resolution of the General meeting of January 3, 2012 (see Section 1.6 to the Report regarding the proposal to grant updated letters of indemnity that is brought for approval in this Meeting (item no. 9 on the agenda)), to a letter of exemption pursuant to the resolution of the General meeting of February 18, 2016; and they will be insured under a directors’ and officers’ liability policy of the Bank, which was approved by the General Meeting of the shareholders of the Bank on October 22, 2020 (see Section 1.7 regarding the remuneration policy that is brought for approval in this Meeting (item no. 10 on the agenda)).

3 The following is information, to the best of the knowledge of the Bank, regarding the candidates for service as directors, as required pursuant to Regulations 26 and 36B(a)(10) of the Report Regulations:

3.1 Item 3 on the agenda – Election of Ms. Ronit Abramson Rokach for an additional term of office as an external director pursuant to the Companies Law:

3.1.1 Information pursuant to Regulation 26 of the Report Regulations

| | |
|---------------------------------------|------------------------------|
| Director's name | Ronit Abramson Rokach |
| Identification number | 054121108 |
| Date of birth | August 17, 1957 |
| Address for service of process | 5 Shimshon St., Jerusalem |
| Nationality | Israeli |

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| Membership in board committees | Audit Committee (Chairperson), The Committee for Tracking the Implementation of the Settlements of the Bank with the US Authorities (Chairperson), Remuneration Committee, Risk Management and Control Committee, Corporate Governance and Stakeholders Committee |
| External director or independent director | Candidate for service as an external director pursuant to the Companies Law. |
| Accounting and financial expertise or professional qualifications | Has accounting and financial expertise and professional qualifications. |
| Expert director | Yes |
| Employee of the Bank, a subsidiary, a related company, or an interested party | No |
| Date of beginning of service as a director of the Bank | The later of February 5, 2024, and the Supervisor Appointment Approval date. |
| Education | LL.B Hebrew University of Jerusalem. |
| Occupation in last five (5) years | Serves as an external director of the Bank (as of February 2018); legal advisor in the fields of companies, securities and banking. |
| Service as a director at additional corporations | Member of the Executive Committee of Shiluv - Institute for Family and Couple Therapy (registered association); the Jerusalem Foundation (registered association); Beit Berl Academic College (registered association), and in Ronit Abramson Legal Services Ltd. |
| Family member of an interested party of the Bank | No |
| A director considered by the Bank to have accounting and financial expertise for the purpose of compliance with the minimum number established by the Board of Directors pursuant to Section 92(A)(12) of the Companies Law | Yes |

3.1.2 Qualifications of the candidate

Based on her education, professional experience, and qualifications, and on the declaration of Ms. Ronit Abramson Rokach and the information she provided, Ms. Ronit Abramson Rokach assessed by the Board of Directors of the Bank as **having accounting and financial expertise and professional qualifications** according to the provisions of the Companies Regulations (Conditions and Tests for Directors with Accounting and Financial Expertise and Directors with Professional Qualification), 2005 (the “**Expertise and Qualification Regulations**”) (and with respect to the professional qualifications, also according to Directive 301) and as **a person who, due to her education, experience, and qualifications, is highly proficient and has a thorough understanding of the Bank’s core business**, according to the Remuneration Regulations.

In addition, Ms. Ronit Abramson Rokach is considered to have **banking experience**, as defined in Directive 301.

Ms. Ronit Abramson Rokach has signed a declaration according to the requirements of Sections 224B and 241 of the Companies Law. Her declaration is attached to the Report and may also be reviewed at the registered office of the Bank.

3.1.3 Resolution of the Audit Committee regarding negligible ties

The Audit Committee has determined, based on facts presented to it and on the basis of the candidate's declarations, that the following ties and circumstances in relation to the candidate or anyone with whom she maintains a close relationship do not constitute affinity pursuant to the Banking Ordinance and Directive 301, as they are retail business ties or negligible ties, and that they do not constitute affinity pursuant to Section 240(b) of the Companies Law, or alternatively, at most they constitute negligible ties that do not constitute affinity, pursuant to the Companies Regulations (Matters that Do Not Constitute Affinity), 2006 (the “**Lack of Affinity Regulations**”):

Accounts at the Bank with positive balances of the candidate, relatives thereof, of a high education institute in which Ms. Abramson Rokach is a member in the Executive Committee, and ties between the Bank / the Bank Group and the candidate, her relatives or close associates thereof that are ties of a service provider with a customer in the ordinary course of business, and which include, or may include, management of current accounts and securities accounts, deposits and savings plans, credit cards, credit and credit facilities, investment portfolio management, pension advising, various insurance policies, or other financial products/services provided by the Bank Group or by Substantial Holders of the Bank; as well, for the sake of caution, legal services that are provided by the law firm in which the spouse of the candidate is a partner to a company in which the CEO of the Bank served in the past as the Chairperson of the Board of Directors prior to his appointment in the Bank, where he has a minority holding.

Form of the proposed resolution:

To approve the appointment of Ms. Ronit Abramson Rokach for an additional term of office as an external director pursuant to the Companies Law of the Bank for a period of three years (including as stated in Section 1.3.2 to the Report), as detailed in the Report.

3.2 Item 4 on the agenda – Election of Ms. Michal Halperin as an external director pursuant to the Companies Law

3.2.1 Information pursuant to Regulation 26 of the Report Regulations

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| Director's name | Michal Halperin |
| | 059714824 |
| Date of birth | June 21, 1966 |
| Address for service of process | 29 Kiryati St., Ramat Gan |
| Nationality | Israeli |

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| Membership in board committees | To be determined. Candidate for service as an external director pursuant to the Companies Law. Shall be a member of at least the Audit Committee and the Remuneration Committee |
| External director or independent director | Candidate for service as an external director pursuant to the Companies Law. |
| Accounting and financial expertise or professional qualifications | Has professional qualifications. |
| Expert director | Yes |
| Employee of the Bank, a subsidiary, a related company, or an interested party | No |
| Date of beginning of service as a director of the Bank | The later of February 5, 2024 or April 12, 2024 (as the case may be) and the Supervisor Appointment Approval date. |
| Education | LL.B – The Hebrew University of Jerusalem Mediator – Ne’eman Institute |
| Occupation in last five (5) years | 2022-present: founder of the “Begin at 800” project. 2021-present: research fellow at Harvard Kennedy School 2016-2021 Director General, Israel competition authority |
| Service as a director at additional corporations | Begin at 800 Ltd. (public-benefit association) and Michal Halperin (2007), attorney. |
| Family member of an interested party of the Bank | No |
| A director considered by the Bank to have accounting and financial expertise for the purpose of compliance with the minimum number established by the Board of Directors pursuant to Section 92(A)(12) of the Companies Law | No |

3.2.2 Qualifications of the candidate

Based on her education, professional experience, and qualifications, Ms. Michal Halperin was assessed by the Board of Directors of the Bank as **having professional qualifications** according to the provisions of the Expertise and Qualification Regulations and also according to Directive 301, and as **a person who, due to her education, experience, and qualifications, is highly proficient and has a thorough understanding of the Bank’s core business**, according to the Remuneration Regulations.

Ms. Michal Halperin has signed a declaration according to the requirements of Sections 224B and 241 of the Companies Law. Her declaration is attached to the Report and may also be perused at the Bank’s registered office.

3.2.3 Resolution of the Audit Committee regarding negligible ties

The Audit Committee has determined, based on facts presented to it and on the basis of the declarations of the candidate, that the following ties and circumstances in relation with the candidate or anyone with whom she maintains a close relationship, do not constitute affinity pursuant to the Banking Ordinance and Directive 301, as they are retail business ties or negligible ties, and that they do not constitute affinity pursuant to Section 240(b) of the Companies Law, or alternatively, at most they constitute negligible ties that do not constitute affinity, pursuant to the Lack of Affinity Regulations:

Accounts at the Bank of the candidate, relatives thereof, and close associates thereof, ties between the Bank / the Bank Group and the candidate, (hereinafter: relatives and close associates thereof, that are ties of a service provider with a customer in the ordinary course of business, and which include, or may include, management of current accounts and securities accounts, deposits and savings plans, credit cards, credit and credit facilities, investment portfolio management, pension advising, various insurance policies, or other financial products/services provided by the Bank Group or by Substantial Holders / Substantial Shareholders of the Bank.

Form of the proposed resolution:

To approve the appointment of Ms. Michal Halperin for service as an external director pursuant to the Companies Law of the Bank for a period of three years (including as stated in Section 1.3.2 to the Report), as detailed in the Report.

3.3 Item 5 on the agenda – Election of Ms. Michal (Cohen) Kremer for a term of office as an external director pursuant to the Companies Law

3.3.1 Information pursuant to Regulation 26 of the Report Regulations

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| Director's name | Michal (Cohen) Kremer |
| Identification number | 024133993 |
| Date of birth | January 20, 1970 |
| Address for service of process | Shefayim, P.O. Box 129, 6099000 |
| Nationality | Israeli |
| Membership in board committees | To be determined. As an external director pursuant to the Companies Law shall be a member of at least the Audit Committee and the Remuneration Committee. |
| External director or independent director | Candidate for service as an external director pursuant to the Companies Law. |
| Accounting and financial expertise or professional qualifications | Has Professional qualifications |
| Expert director | Yes |
| Employee of the Bank, a subsidiary, a related company, or an interested party | No |
| Date of beginning of service as a director of the Bank | The later of April 12, 2024, and the Supervisor Appointment Approval date. |

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| Education | LL.B – The Hebrew University of Jerusalem. MBA in the Managers Program – Bar Ilan University |
| Occupation in last five (5) years | 2017-2022 – VP and legal Advisor of Viola Group |
| Service as a director at additional corporations | Shefayim Agriculture, Business, Holdings and Management – An Agriculture Cooperative Association Ltd. |
| Family member of an interested party of the Bank | No |
| A director considered by the Bank to have accounting and financial expertise for the purpose of compliance with the minimum number established by the Board of Directors pursuant to Section 92(A)(12) of the Companies Law | No |

3.3.2 Qualifications of the candidate

Based on her education, professional experience, and qualifications, , Ms. Michal (Cohen) Kremer was assessed by the Board of Directors of the Bank as having **professional qualifications** according to the provisions of the Expertise and Qualification Regulations and also according to Directive 301, and as **a person who, due to her education, experience, and qualifications, is highly proficient and has a thorough understanding of the Bank’s core business**, according to the Remuneration Regulations.

Ms. Michal (Cohen) Kremer has signed a declaration according to the requirements of Sections 224B and 241 of the Companies Law. Her declaration is attached to the Report and may also be perused at the registered office of the Bank.

3.3.3 Resolution of the Audit Committee regarding negligible ties

The Audit Committee has determined, based on facts presented to it and on the basis of the candidate's declarations, that the following ties and circumstances in relation to the candidate or anyone with whom she maintains a close relationship do not constitute affinity pursuant to the Banking Ordinance and Directive 301, as they are retail business ties or negligible ties, and that they do not constitute affinity pursuant to Section 240(b) of the Companies Law, or alternatively, at most they constitute negligible ties that do not constitute affinity, pursuant to the Lack of Affinity Regulations:

Accounts at the Bank with positive balances and ties between Bank / Bank Group and the candidate, relatives thereof, or close associates thereof that are ties of a service provider with a customer in the ordinary course of business, and which include, or may include, management of current accounts and securities accounts, deposits and savings plans, credit cards, credit and credit facilities, investment portfolio management, pension advising, various insurance policies, or other financial products/services provided by the Bank Group or by Substantial Holders / Substantial Shareholders of the Bank;

Employee-employer ties between the candidate and a group of venture capital funds and the controlling shareholders thereof, which ended in August 2022, with which the Bank Group (as well as Substantial Holders in the Bank) ties

(investments in funds and in respect of the Bank also bank-customer relations) during the ordinary and ongoing course of business, inter alia, considering the scope of the business and activity of the Bank and during the time that will pass until the entry into force of the appointment (April 2024).

Form of the proposed resolution:

To approve the appointment of Ms. Michal (Cohen) Kremer for office as an external director pursuant to Directive 301 of the Bank for a period of three years (including as stated in Section 1.3.2 to the Report), as detailed in the Report.

3.4 Item 6 on the agenda – Election of Mr. Israel Trau for an additional term of office as an other director (non-external director)

3.4.1 Information pursuant to Regulation 26 of the Report Regulations

| | |
|--|---|
| Director's name | Israel Trau |
| Identification number | 053641775 |
| Date of birth | December 16, 195 |
| Address for service of process | 4 Pnina Salzman , Tel Aviv |
| Nationality | Israeli |
| Membership in board committees | Credit Committee, Audit Committee and the Strategy and Business Development Committee |
| External director or independent director | According to his declaration and pursuant to the determination of the Audit Committee, he complies with the qualification condition for his classification as independent to the extent it will determined in the future to classify him as such. |
| Accounting and financial expertise or professional qualifications | Has accounting and financial expertise and professional qualifications. |
| Expert director | Yes |
| Employee of the Bank, a subsidiary, a related company, or an interested party | No |
| Date of beginning of service as a director of the Bank | The later of November 24, 2023, and the Supervisor Appointment Approval date. |
| Education | BA in Humanities (expanded Geography) - Tel Aviv University. Senior Management Course L.H.V business administration, and an advanced course in investments and the capital market, L.H.V business administration – Tel Aviv University |
| Occupation in last five (5) years | Serves as a director in the Bank (from November 2020); from 2019 serves as a business advisor for several companies and projects and serves as an external director in Aviation Links Ltd. served as CEO of Bank Igud Le-Israel Ltd. 2014-2018) |
| Service as a director at additional corporations | Aviation Links Ltd. (external director) |

| | |
|--|-----|
| Family member of an interested party of the Bank | No |
| A director considered by the Bank to have accounting and financial expertise for the purpose of compliance with the minimum number established by the Board of Directors pursuant to Section 92(A)(12) of the Companies Law | Yes |

3.4.2 Qualifications of the candidate

Based on his education, professional experience, and qualifications, and further to previous resolutions of the Board of Directors, Mr. Israel Trau was assessed by the Board of Directors of the Bank as having **accounting and financial expertise and professional qualifications** according to the provisions of the Expertise and Qualification Regulations, and as **a person who, due to his education, experience, and qualifications, is highly proficient and has a thorough understanding of the Bank's core business**, according to the Remuneration Regulations.

Mr. Israel Trau signed a declaration according to the requirements of Sections 224B and 241 of the Companies Law. His declaration is attached to the Report and may also be perused at the registered office of the Bank.

In addition, Mr. Israel Trau is considered to have **banking experience**, as defined in Directive 301.

3.4.3 Resolution of the Audit Committee regarding negligible ties

The Audit Committee has determined, based on facts presented to it and on the basis of the candidate's declarations, that the following ties and circumstances in relation to the candidate or anyone with whom he maintains a close relationship do not constitute affinity pursuant to the Banking Ordinance and Directive 301, as they are retail business ties or negligible ties, and that they do not constitute affinity pursuant to Section 240(b) of the Companies Law, or alternatively, at most they constitute negligible ties that do not constitute affinity, pursuant to the Lack of Affinity Regulations:

Accounts at the Bank of the candidate, relatives thereof, and close associates thereof, and ties between the Bank and the candidate, which are service provider-customer ties during the ordinary course of business, which include or may include managing current accounts and securities, deposits and saving plans, credit cards, credit and credit facilities, investment portfolio management, pension advising, various insurance policies, or other financial products/services provided by the Bank Group or by Substantial Holders / Substantial Shareholders of the Bank.

In connection with the possibility that it will be determined in the future about the classification of Mr. Israel Trau as an independent director) as the term is defined in the Companies Law), the Audit Committee determined that the qualification conditions set forth in Section 240(B) to (F) to the Companies Law are fulfilled for Mr. Israel Trau.

Form of the proposed resolution:

To approve the appointment of Mr. Israel Trau to an additional term of office of an other director (non-external director) in the Bank for a period of three years, as detailed in the Report.

3.5 Item 7 on the agenda – Election of Mr. Mohammad Sayed Ahmad as an "other" (non-external) director

3.5.1 Information pursuant to Regulation 26 of the Report Regulations

| | |
|--|--|
| Director's name | Mohammad Sayed Ahmad |
| Identification number | 025821745 |
| Date of birth | July 16, 1974 |
| Address for service of process | 24 Pal Yam St., Jerusalem |
| Nationality | Israeli |
| Membership in board committees | To be determined. |
| External director or independent director | According to his declaration and pursuant to the determination of the Audit Committee, he complies with the qualification condition for his classification as independent to the extent it will be determined in the future to classify him as such. |
| Accounting and financial expertise or professional qualifications | Has accounting and financial expertise and professional qualifications. |
| Expert director | Yes |
| Employee of the Bank, a subsidiary, a related company, or an interested party | No |
| Date of beginning of service as a director of the Bank | At the later of the date of November 24, 2023 and the Supervisor Appointment Approval date. |
| Education | B.A in Economics and Business Administration, B.A in Accounting and Complementary Studies , LL.B - The Hebrew University of Jerusalem. Holds a Diploma in Mediation from the Institute for Lawyers' Training. |
| Occupation in last five (5) years | 2007 – present: practice law in an independent firm, prepares economic opinions for courts and for arbitration courts. Appears in the list of liquidators and officers of the Official Liquidator and of the registrar of Associations and Religious Associations. |
| Service as a director at additional corporations | No |
| Family member of an interested party of the Bank | No |

| | |
|--|-----|
| A director considered by the Bank to have accounting and financial expertise for the purpose of compliance with the minimum number established by the Board of Directors pursuant to Section 92(A)(12) of the Companies Law | Yes |
|--|-----|

3.5.2 Qualifications of the candidate

Based on his education, professional experience, and qualifications, Mr. Mohammad Sayed Ahmad was assessed by the Board of Directors of the Bank as having **accounting and financial expertise and professional qualifications** according to the provisions of the Expertise and Qualification Regulations and, and as **a person who, due to his education, experience, and qualifications, is highly proficient and has a thorough understanding of the Bank's core business**, according to the Remuneration Regulations.

Mr. Mohammad Sayed Ahmad signed a declaration according to the requirements of Section 224B of the Companies Law. His declaration is attached to the Report and may also be perused at the Bank's registered office.

3.5.3 Resolution of the Audit Committee regarding negligible ties

The Audit Committee has determined, based on facts presented to it and on the basis of the declarations of the candidate, that the following ties and circumstances in relation to the candidate or anyone with whom he maintains a close relationship do not constitute affinity pursuant to the Banking Ordinance and Directive 301, as they are retail business ties or negligible ties, as well as not constituting an affinity pursuant to Section 240(B) to the Companies Law, or alternatively at most they constitute negligible ties that do not constitute affinity, pursuant to the Companies Regulations:

Accounts at the Bank of the candidate and his relatives, including a public-benefit company that the candidate serves as its liquidator / trustee under supervision of the court, and ties between the Bank / the Bank Group and the candidate, his relatives, or those close to him, which are ties of a service provider with a customer in the ordinary course of business, and which include, or may include, management of current accounts and securities accounts, deposits and savings plans, credit cards, credit and credit facilities, investment portfolio management, pension advising, various insurance policies, or other financial products/services provided by the Bank Group or by Substantial Holders of the Bank.

In connection with the possibility that it will be determined in the future about the classification of Mr. Mohammad Sayed Ahmad as an independent director) as the term is defined in the Companies Law), the Audit Committee determined that the qualification conditions set forth in Section 240(B) to (F) to the Companies Law are fulfilled for Mr. Mohammad Sayed Ahmad.

Form of the resolution proposed to the General Meeting:

To approve the appointment of Mr. Mohammad Sayed Ahmad to the office of other director (non-external director) of the Bank for a period of three years, as detailed in the Report.

4 Additional details regarding Item 10 on the agenda – Approval of remuneration policy for office holders in the Bank

It is proposed to approve the remuneration policy for office holders in the Bank, in the wording attached as **Appendix C** to the Report (“**the Remuneration Policy**” or “**the New Remuneration Policy**”) pursuant to Section 267A to the Companies Law, Directive 301A to Proper Conduct of Banking Business Directives of the Banking Supervision Department (“**Directive 301A**”) and the provisions of the Remuneration Law for Office Holders in Financial Corporations (A Special Approval and Disallowance of Expenditure for Tax Purposes Due to Extraordinary Remuneration), 5776-2016 (“**The Remuneration Limitation Law**”), in force from January 1, 2024 for a period of three years.

4.1 Background and details in connection with the previous remuneration policy and the new remuneration policy

4.1.1 The remuneration policy for office holders of the Bank (“**The Previous Remuneration Policy**”) was approved by the General Meeting of the shareholders of the Bank on October 22, 2020, and was updated by it in respect of the remuneration of the Chairperson of the Board of Directors on August 11, 2022².

4.1.2 In recent months, the Remuneration Committee has held discussions on a new remuneration policy for office holders in the Bank. The new remuneration policy is aligned with the Bank and its work plans and implements the understandings and conclusions that were learned at the time of implementation of the previous remuneration policy and the remuneration plans pursuant thereof.

4.1.3 The remuneration policy which is brought for the approval of the General Meeting was planned according to the provisions and restrictions of the applicable law, including the Remuneration Limitation Law, the Companies Law and Directive 301A.

4.1.4 Pursuant to the Remuneration Limitation Law, an engagement of the Bank with an employee, which includes provision of remuneration that the “expected expenses” in respect of it, as its definition in the Remuneration Limitation Law, exceeds NIS 2.5 million per year³ (excluding pension payment and severance pay by law) (“**Remuneration Bracket**”), requires special approvals by the Remuneration Committee, the Board of Directors and the General Meeting of the corporation. In addition, pursuant to the Remuneration Limitation Law, the ratio between the “expected expenses” in respect of the remuneration (according to the definition of the Remuneration Limitation Law) and the expense due to the lowest remuneration (according

² See report of the Bank on summoning the General Meeting from September 7, 2020 (reference. No. 2020-01-093667) and report on the results of the General Meeting from October 22, 2020 (reference. No. 2020-01-115482) (“**Report on summoning the General Meeting 2020**”), and also report on summoning the General Meeting from July 3, 2022 (reference. No. 2022-01-083005) and report on the results of the General Meeting from August 11, 2022 (reference. No. 2022-01-102217) about updating the Chapter on the Remuneration of the Chairperson in the Remuneration Policy.

³ Linked to the CPI that was known on April 12, 2016, and in accordance with the definition of “remuneration” in the Remuneration Limitation Law (the amount at the date of this summon stands at about NIS 2.83 million).

to the cost of a full time position and pursuant to the Remuneration Limitation Law), shall not exceed a ratio of 35 times (“**the Salary Ratio Cap**”)⁴. The approval of the remuneration policy shall also constitute an approval of granting remuneration to an office holder in the Bank pursuant to Section 2(A) of the Remuneration Limitation Law.

4.2 Considerations and objectives of the new remuneration policy and the composition of remuneration according to it

- 4.2.1 The new remuneration policy was determined according to the considerations detailed in Section 267B to the Companies Law and includes, inter alia, addressing topics that are detailed in Part A to the First Addendum A to the Companies Law and includes provisions as detailed in Part B to this Addendum.
- 4.2.2 The main objectives of the new remuneration policy are (a) motivating the office holders in the Bank to act for the creation of a long term economic value for the Bank and its stakeholders, in a manner that strengthen the link between the remuneration and the creation of value for its stakeholders; (b) basing the annual bonus (insofar as it is granted) on the return of equity of the Bank and on a comparative index, meeting quantitative and qualitative personal performance goals, as well as on plans and goals that are aligned with the overall strategy plan of the Bank and its secondary units and the work plans deriving thereof, and also in accordance with the discretion component of the Responsible Officer. Some of the variable remuneration shall be paid in share-based instruments; (c) adjusting the remuneration to the risk appetite of the Bank, given that the annual work plans are built while taking into account the scope of the risks and their various types that the Bank is willing to take. Accordingly, the variable remuneration is based also on performance goals that express the risk appetite components; (d) creating a remuneration structure that reflects compliance with general goals of the Bank in the risk management area and the compliance pursuant to the law and the procedures of the Bank; (e) advancing a remuneration structure that takes into consideration the effect of the remuneration gaps between different ranks in the Bank on the work relations in the Bank and supports maintaining proper relations; (f) adjusting the remuneration to the type of activity and the responsibility of the office holders and their skills, so that upon determining the remuneration of the office holder, his education, skills, expertise, professional experience and achievements shall be considered, as well as taking into account his role, areas of responsibility and previous salary agreements that were signed with him; (g) remuneration of organizational functions that are involved in oversight and control shall be determined based on standards that take into consideration the importance and sensitivity of these roles.
- 4.2.3 An additional main goal of the new remuneration policy is building a remuneration model that will facilitate maintaining the competitiveness of the Bank in recruiting and retaining qualitative manpower for senior managerial roles. According to this view, the amount of the remuneration will be proportionate and will take into account the market conditions, the

⁴ As of this date, the Salary Ratio Cap in the Bank is about NIS 3.412 million.

remuneration structure in the Bank and the regulatory restrictions on the remuneration.

- 4.2.4 As set forth in detail in the new remuneration policy and subject to the provisions of the applicable law, the remuneration package of the office holders (excluding directors) was determined so that it combines fixed and variable components in order to incentivize the said office holders (including the CEO of the Bank) to good performances while refraining from taking risks beyond the risk appetite of the Bank.
- 4.2.5 The remuneration package of the office holders (excluding directors) may include the fixed remuneration components as set forth in the new remuneration policy, the main of which are a monthly salary, social contributions and related benefits, and retirement payments that do not exceed what is customary for the rest of the employees of the Bank.
- 4.2.6 The variable remuneration for the office holders is comprised of variable bonuses, the main of which is an annual bonus and an equity remuneration of options for the Bank shares. The payment of the annual bonus for the office holders is contingent on fulfillment of threshold conditions of complying with the capital adequacy ratios. There is a possibility of approving a bonus under discretion in case of failing to comply with the threshold conditions up to the cap that is specified in the new remuneration policy and subject to the applicable law.
- 4.2.7 The variable remuneration according to the new remuneration policy is comprised of any non-fixed remuneration, including an annual bonus, a discretionary bonus, a special bonus (insofar as it is paid), a signing bonus for a new office holder, options for shares of the Bank, and retirement payments beyond the customary for the rest of the employees of the Bank. The annual bonus shall be calculated according to – (1) obtaining return on equity, (2) the compliance of the office holders with the mixture of goals (such as personal goals, unit goals and goals of the entire Bank), which will be pre-determined for him (KPIs), including risk and compliance metrics, (3) a comparative index component, and – (4) discretion of the person in charge of the office holder.
- 4.2.8 The CEO will be authorized to determine the KPIs for the office holders and managers that report to him that are not oversight and control officers and the compliance thereof, unless the Remuneration Committee and the Board of Directors will determine otherwise. As to managers that belong to the Oversight and Control Function, the KPIs, meeting them and the discretion component, or if relevant, the discretionary bonus, shall be approved by the Remuneration Committee and the Board of Directors according to a recommendation of teams that will be determined in respect of each officer, which may include the CEO and relevant directors (such as the Chairperson of the Board of Directors, the Chairperson of the Audit Committee, the Chairperson of the Risk Management Committee – according to the officer). KPIs will be assigned to these managers according to the importance and sensitivity of these roles.
- 4.2.9 The annual bonus shall be brought for the approval of the Remuneration Committee and the Board of Directors following the recommendation of the

CEO of the Bank (or the relevant team in the event of the Oversight and Control Functions as detailed above).

- 4.2.10 According to the new remuneration policy, the annual bonus cap shall not exceed 3 salaries regarding the CEO and 8 salaries⁵⁶ for the office holders that report to him⁷, subject to compliance with the cap according to the applicable law (if necessary, the said variable remuneration shall be cut short).

The remuneration of office holders in the Bank may be higher than the remuneration bracket and in such an event, the approval of the remuneration policy shall also constitute an approval for the engagement with the office holder (including updating the engagement conditions) pursuant to Section 2(A) to the Remuneration Limitation Law. Accordingly, the Remuneration Committee and the Board of Directors of the Bank may be entitled to approve remuneration of an office holder that reports to the CEO according to the remuneration policy, including updating of remuneration as stated, without the need for an additional approval of the General Meeting, provided the cost of the annual remuneration of the office holder (in terms of the Remuneration Limitation Law) does not exceed the salary ratio cap and the caps of the remuneration policy⁸. See Section 4.4 above as to the cost of remuneration for an office holder in the Bank, who is a member of Management that report to the CEO in the high rank, according to the remuneration policy that is brought for approval.

In the event that the total remuneration is higher than the cap specified in Section 2(A) to the Remuneration Limitation Law, part of the salary of the office holders will not be tax-deductible expense, all subject to the provisions of the Remuneration Limitation Law.

The proposed remuneration to the CEO of the Bank in accordance with the new remuneration policy is brought for approval of the General Meeting, as set forth in Section 5 to the Report.

- 4.2.11 the remuneration policy enables granting variable equity remuneration of options for shares of the Bank in accordance with the conditions specified thereof (the vesting period and conditions, exercise price and so forth).
- 4.2.12 The new remuneration policy includes arrangements of deferral and spreading of the variable remuneration component for office holders, when

⁵ In practice, the maximum average bonus for an office holder that is a member of Management in maximum performances shall not exceed 6.5 salaries, except with the approval of the Board of Directors pursuant to Section 13.2.5.1 to the Remuneration Policy.

⁶ The number of salaries may be higher with regards to an office holder that is not a member of Management but the total remuneration is lower.

⁷ The remuneration and structure of office holders that are not members of Management are similar to the principles of remuneration for a member of Management but is lower than it.

⁸ The office holders that report to the CEO that serve at the time of the Report, are as detailed in the headcount of office holders and stakeholders of the Bank (see immediate report from August 15, 2023, reference. No. 2023-01-093306), their remuneration conditions are in accordance with the previous remuneration policy and will be according to the remuneration policy that is brought for approval as part of this Report. Insofar as new office holders are appointed in the Bank, the provisions of the remuneration policy and the salary ratio cap will apply to them. The approval of the remuneration policy shall constitute an approval also for their remuneration pursuant to Clause 2(A) of the Remuneration Limitation Law.

50% of the annual variable remuneration may be deferred and spread over three years, subject to the Bank not recording a loss in its financial statements for the year preceding the payment date of the deferred component and that there is no material deviation from the capital adequacy ratios. The options, insofar as granted, may serve as a deferred variable component and in such an event, the performance conditions that were determined for them will apply.

- 4.2.13 Pursuant to the provisions of the Companies Law and Directive 301A, mechanisms of returning variable remuneration in circumstance of amending financial statements or under unusual circumstances in which damage is caused to the Bank, were set in the new remuneration policy.
- 4.2.14 The new remuneration policy includes provisions on the matter of retention of the rights upon retirement and the pensionary rights of the office holders in the Bank (past rights).

4.3 The main changes compared with the previous remuneration policy

The remuneration policy that is brought for approval is attached as an Appendix to the Report. The main changes compared with the previous remuneration policy are as follows:

- 4.3.1 Increasing the share of the variable remuneration in the total remuneration – as a result of converting the fixed equity remuneration component (that was customary in the previous remuneration policy) with a variable equity remuneration component (options), as well as of increasing the maximum annual bonus cap (See Section 4.3.4 below), and in spite of increasing contributions to an education fund, the share of the variable remuneration in the total remuneration is expected to increase in the total remuneration of members of Management at a high rank that report to the CEO from about 18% to about 32% in the KPIs.
- 4.3.2 Equity remuneration – the possibility of granting a fixed equity remuneration of blocked shares was cancelled. Instead, the policy enables granting an equity remuneration of options for shares of the Bank according to the conditions specified in the new policy.
- 4.3.3 The threshold conditions – the threshold condition was updated from complying with a minimum return on equity to complying with the minimum capital adequacy ratios required by the Banking Supervision Department.
- 4.3.4 Annual bonus – the return on equity component in the annual bonus was updated so that instead of a predetermined range for the entire period of the policy, the Board of Directors will predetermine a range for each year. A comparative index component was added to the annual bonus. The cap of the maximum annual bonus in maximum performances was updated from 5 salaries to up to 8 salaries⁹ for office holders that report to the CEO.
- 4.3.5 Converting part of the annual bonus to options – a possibility was added for the Board of Directors to determine that in lieu of some of the annual bonus (up to 3 salaries), vested options for the shares of the Bank will be granted at the same value.

⁹ In practice, the maximum average bonus for an office holder that is a member of Management in maximum performance shall not exceed 6.5 salaries, except with the approval of the Board of Directors according to Section 13.2.5.1 to the remuneration policy. The number of salaries may be higher for an office holder who is not a member of Management but the total remuneration is lower.

4.3.6 Spreading the variable remuneration through the options – subject to the applicable law, the new policy enables perceiving the options vesting over time a spread of the variable remuneration in respect of a relevant year that is done from the date of granting them.

4.3.7 Performance conditions for the deferred variable remuneration – the new policy defines an additional condition in connection with the deferred component, according to which there will not be any material deviation from capital adequacy ratios. The performance conditions of the deferred variable remuneration shall be the performance conditions that will be determined for them at the date of granting them.

4.3.8 Payment in respect of non-competition – a possibility was added to the payment in respect of non-competition.

4.4 Below are details about the maximum remuneration to which a member of Management in the Bank that reports to the CEO and is in a higher rank in practice¹⁰, shall be entitled, in annual terms for 2024 (in NIS thousands and in terms of cost to the Bank without a salary tax) in accordance with the proposed remuneration policy:

| Year | Details of the remuneration recipient | | | | Remuneration (in NIS thousand) | | | | | | |
|------|---------------------------------------|---|--------------------|--|---------------------------------|-----------|---|-------------------------|---|---------------------------------------|---|
| | Name | Role | Position scope | | Salary and related benefits (1) | Bonus (2) | Payments and employer's contributions (3) | Share-based payment (4) | Total pursuant to the Remuneration Limitation Law (5) | Social and other contributions by law | Total remuneration pursuant to Regulation 21(6) |
| 2024 | Member of Management | Deputy CEO at the higher rank in practice | Full time position | | 1,908 | 964 | 170 | 370 | 3,412 | 286 | 3,698 |

(1) Including payment in respect of vehicle expenses, per diem and grossing up.

(2) With a maximum bonus discount

(3) Including payments and contributions to provident fund and National Insurance.

(4) Granting options with a vesting period and performance conditions.

(5) This amount does not include deposits and contributions for severance pay and remunerations (including disability) by law that are not included in the definition of “remuneration” for the purpose of the Remuneration Limitation Law.

(6) Not including salary tax.

4.5 Implementation of the previous remuneration policy

In the years of implementation of the previous remuneration policy, the remuneration of the CEO reached the salary ratio cap. Details about the remuneration of office holders in the

¹⁰ As of the date of the Report, 5 out of 11 office holders members of Management, who report to the CEO, are in a the highest degree in practice. The remuneration of new office holders that will be appointed/ promoted to this degree shall be similar to the one detailed in the table. There is a higher degree in the Bank for a member of Management who reports to the CEO, which is not in use in recent years. In respect of this degree (if use will be made in it in the future), the salary data and related benefits and a share-based payment are about 8% higher than those detailed in the table, and the total remuneration in accordance with Regulation 21 is about 1% higher (taking into account the cutting off due to the cap of the Remuneration Limitation Law).

Bank (including the Chairperson of the Board of Directors and the CEO) in the years 2021-2022 were included in the Interim Report of the Bank for 2022 (page 391-396).

4.6 Personal interest and participation in discussions of the Remuneration Committee and the Board of Directors

All the members of the Board of Directors may have a personal interest in approving the remuneration policy, deriving from the fact that the remuneration policy determines provisions also in relation to the term of office of directors in the Bank.

In the meeting of the Remuneration Committee from September 21, 2023, in which all the members of the Remuneration Committee participated, which was preceded by several meetings of the Remuneration Committee, in which the new remuneration policy was formulated. It was resolved to recommend to the Board of Directors of the Bank to approve the new remuneration policy attached as **Appendix C**.

In the meetings of the Board of Directors of the Bank from September 27, 2023 it was resolved to accept the recommendations of the Remuneration Committee and to adopt the new remuneration policy. All the directors participated in the meetings of the Board of Directors and the resolution was approved unanimously.

4.7 The main reasons of the Remuneration Committee and the Board of Directors for approving the remuneration policy in light of its goals

4.7.1 The new remuneration policy was planned in order to adjust the existing remuneration model in the Bank to the challenges it faces, to the remuneration in the banking market in Israel and to the existing regulation, the main of which is the Remuneration Limitation Law and Directive 301A, all while implementing the vast experience of the Bank, its insights and lessons from implementing short term and long term remuneration plans in the Bank until now and from implementing the previous remuneration policy.

4.7.2 The new remuneration policy was drafted after the Remuneration Committee and the Board of Directors examined and considered it in light of the strategy of the Bank, its work plans and risk appetite, and with the aim of leading to an long term increase in the value of the Bank, while emphasizing the stability of the Bank and alternating between achieving a return and taking risks, all while taking into account the regulatory directives that apply to the Bank.

4.7.3 The Remuneration Committee examined various alternatives for basing the annual bonus mechanism and the thresholds for its application, including the manner according to which the return on equity component will be determined and the possibility of adding comparative indices in respect of the banking system. After several discussions that were held on the matter, during which the advantages and disadvantages of the alternatives were presented, and the position of the CEO of the Bank was heard, the Remuneration Committee and the Board of Directors resolved to change the manner of determining the return on equity component in the annual bonus, so that it will be determined in advance by the Board of Directors each year rather than according to a predetermined range. They also resolved to add to the bonus mechanism a component of a comparative index. The directors noted that the provisions of the policy will enable flexibility during the years of the policy in the nature of the comparative index (which will be determined each year in advance) and in its scope.

- 4.7.4 The Remuneration Committee and the Board of Directors noted that there are mechanisms in the remuneration model that will enable remunerating office holders also in a situation in which there is no compliance with the thresholds, or when there is no remuneration for the return on equity component. This subject to the authority of the Board of Directors to reduce the variable remuneration should the circumstances justify it (for example, due to the financial condition of the Bank or its business results).
- 4.7.5 The new remuneration policy and the updated remuneration caps therein were also considered, in light of the desire to remunerate the office holders and the managers for their work and contribution to the Bank and to retain them for the long term, while creating adequate incentives and linking them to the goals of the Bank and its stakeholders, and while ensuring that the new remuneration policy, with the remuneration mechanism and remuneration levels included therein, shall reflect and express the goals of the Bank, its work plans and policy according to a long term perspective, as much as possible, and shall be able to retain leading key people in the Bank for the long term given the said limitations and to recruit talented managers.
- 4.7.6 In the framework of its discussions, the Remuneration Committee considered the main goals of the remuneration policy, as detailed in Section 4.2.2 above, and set the new remuneration policy according to them. This section is intended to maintain the flexibility of the Remuneration Committee and the Board of Directors of the Bank when approving the remuneration of the office holders and updating it in order to retain them in the Bank for the long term (see Section 4.7.5 of the new remuneration policy). The Remuneration Committee and the Board of Directors discussed the possibility of disallowance of expenditure for tax purposes in connection with some of the remuneration of office holders that is beyond the remuneration bracket, and determined that it is an insignificant amount for the Bank. In this context the members of the Remuneration Committee and the Board of Directors of the Bank notes that an effort was made to remunerate the office holders in the Bank and to incentivize them to bring the Bank to achievements in the framework of the tools that the law, including the Remuneration Limitation Law, allows.
- 4.7.7 The new remuneration policy enables granting a variable equity remuneration that includes options in lieu of the fixed equity remuneration that was customary in the previous remuneration policy and which was cancelled. In the reasons for choosing options whose vesting depends on employment and compliance with performance conditions and which have an exercise price, the directors noted that the options are a long term remuneration tool that remunerates the office holders only when there is an increase in the price of the share of the Bank since the date of granting them and over the period of their vesting. The options encourage the office holders to bring an increase in the value of the share of the Bank in favor of its shareholders, and in this manner unifies the interest of the office holders with that of the shareholders and incentivize the office holders to continue serving in the Bank for the long term. Moreover, the directors examined the risk that may be inherent in the options in respect of the risk appetite of the Bank and in light of the materials that were presented to them, and they determined that the value of the cap to be determined for realizing them according to the “net exercise” method will significantly decrease the inherent risk in this tool of equity remuneration , and accordingly serves the best interests of the Bank and its shareholders.

- 4.7.8 In the process of adopting the new remuneration policy, the following were examined: the remuneration structure and the current terms of office of the office holders in the Bank, the proposed remuneration structure according to the new remuneration policy, including the ratio between the fixed components and the variable components and the ratio between the terms of the remuneration of the office holders and the average and median remuneration of the rest of the Bank employees, including contractor employees that are employed in the Bank and their effect on the work relations in the Bank (these relations are detailed in the new remuneration policy attached to the Report). The directors determined that these relations do not adversely affect the work relations in the Bank.
- 4.7.9 In order to hold discussions on the remuneration policy, the Board of Directors was presented with, inter alia, the following materials: a comparison with office holders remuneration in other banks, the Remuneration Limitation Law, Directive 301A, Addendum 20 to the Companies Law, the previous remuneration policy of the Bank and the current remuneration model according to it, the proposed remuneration model of the Bank, addressing the proposed model and the new policy in the aspect of risk management of the Bank, including Compliance and Internal Audit, and different simulations regarding remuneration of office holders in the Bank according to the new model and in respect of the remuneration data of the office holders according to the current model, inter alia, in different stress scenarios. The legal and economic advisors of the Remuneration Committee and the Board of Directors accompanied the Remuneration Committee in formulating the remuneration policy and the remuneration mode.
- 4.7.10 All the said considerations were before the Board of Directors in its discussions of the Remuneration Committee's recommendations and in adopting its recommendations.
- 4.7.11 After weighing all the foregoing above and discussing the various components of the remuneration policy and the remuneration, the Remuneration Committee and the Board of Directors reached the conclusion, according to which the new remuneration policy is a balanced and appropriate remuneration policy for the Bank.

Form of the resolution proposed to the General Meeting:

To approve the remuneration policy for the office holders of the Bank, in the wording attached as Appendix C to the Report in force from January 1, 2024 for a period of 3 years, and to approve pursuant to Section 2(A) of the Remuneration Limitation Law, that pursuant to the remuneration policy and the caps set therein, the remuneration of office holders may exceed the remuneration bracket set forth in the said Section in the approval of the Remuneration Committee and the Board of Directors, without an additional approval of the General Meeting.

5. **Item No. 11 on the agenda - Approval of tenure and employment conditions for the Bank's CEO**

Mr. Dov Kotler has served as the CEO of the Bank (“**the CEO**”) as of October 1, 2019. The remuneration of Mr. Dov Kotler as the CEO of the Bank is set in his current employment agreement that was approved in the Meeting of the Shareholders of the Bank on January 22, 2020 (for details, see the 2020 General Meeting Summons Report, comment 2 above) (“**the previous Agreement**”).

Coincident with the formulation of a new remuneration policy by the Remuneration Committee and Board of Directors of the Bank (which is brought for approval of the General Meeting through the Report) and due to the termination of the previous agreement at the end of 2023, updated and adjusted tenure and employment conditions are also brought for approval. The main change in the remuneration of the CEO is an increase in the fixed salary; replacing the fixed equity component with a variable equity component; updating the manner according to which the bonus component that depends on the return on equity is determined; shortening the non-competition period from 12 months to 6 months and including a payment in respect of it.

The cost of employment of the CEO will exceed the remuneration bracket and thus, the tenure and employment conditions are brought for approval of the General Meeting of the shareholders of the Bank also according to the majority set forth in Section 2(A) to the Remuneration Limitation Law and Section 267A(B) to the Companies Law. Pursuant to the Remuneration Limitation Law, the part beyond the remuneration bracket shall not be recognized for the Bank as an expenditure for tax purposes.

The updated remuneration conditions of the CEO will be in force from January 1, 2024.

The remuneration conditions of the CEO that are brought below were approved by the Remuneration Committee on September 21, 2023 and by the Board of Directors of the Bank on September 27, 2023.

Below are the main proposed employment terms of the CEO and the overall remunerations to which he is entitled according to them, as approved by the Remuneration Committee and the Board of Directors of the Bank:

- 5.1 Role definition: the CEO serves as a full time CEO of the Bank. As long as the CEO serves in his role, the CEO shall not be entitled to work in any other work or to engage in any other occupation, unless he obtained an advance approval for that from the Board of Directors of the Bank.
- 5.2 Term of employment: the employment agreement shall be for a period that commences on January 1, 2024 and ends on December 31, 2026. Notwithstanding the foregoing, each one of the parties may inform about the termination of employment of the CEO according to this agreement, at any time, even prior to the end of the agreement period, with a six months advance written notice (“**the advance notice period**”) and insofar as the agreement was not renewed or extended. The Bank may waive the work in practice of the CEO during the advance notice period or part thereof without prejudice to his right to full terms of remuneration during this period or for their redemption.
- 5.3 Salary: the monthly salary of the CEO shall total NIS 250,000 (two hundreds and fifty thousands shekel), linked to the increase in CPI known on September 15, 2023¹¹ (“**Index linked**”), subject to the provisions of the applicable law (“**the Salary**”).
- 5.4 Related terms: the CEO will be entitled to related benefits and terms given his role as the CEO of the Bank, all as customary in the Bank, including a chauffeur, a cellphone and reimbursement of expenses for the fulfillment of his duties. The CEO shall be entitled to waive part or all of the benefits above and convert the value of said

¹¹ If the CPI decreased, no decrease in salary will be made, but the salary will not increase until the CPI will be higher than the last CPI to which the salary was adjusted.

benefits to an additional salary, in a manner that they will be added to the salary of the CEO, insofar as it is possible by law.

5.5 Contribution to provident funds, severance pay and pension, disability insurance and education fund: the Bank shall make for the CEO contributions to remuneration, compensation and education fund that will be transfer every month, in full or in part according to the choice of the CEO, as follows (the CEO shall be entitled to change the mixture of the below contributions according to law):

5.5.1 Compensation and remuneration: the Bank shall make deposits for remuneration and compensation for the CEO, which shall be transferred every month, in full or in part and as applicable, to provident funds, all according to the selection of the CEO in accordance with the provisions of the law, including provisions of the extension order regarding increasing the contributions to pension insurance in the economy from May 23, 2016 (“**the Extension Order**”).

5.5.2 Disability insurance: the CEO shall be entitled to disability insurance according to the provisions of the extension order and as customary in the Bank, unless the CEO shall request otherwise.

5.5.3 Education fund: unless the CEO shall request otherwise, the Bank shall make a 7.5% contribution on its expense for the CEO from the salary to an education fund up to a recognized cap for tax purposes and will also deduct on the expense of the CEO 2.5% of his salary for transferring to the education fund as stated.

5.6 Severance pay: upon termination of employment of the CEO in the Bank for any reason whatsoever, including in the event of death of the CEO during his tenure, but excluding under circumstances in which the right of the CEO for severance pay is revoked under a ruling by virtue of Sections 16 or 17 to the Severance Pay Law, 5723-1963, the CEO (or his survivors / heirs, as the case may be) shall be entitled in respect of the period of the agreement (subject to the aforesaid) to severance pay of 100% of the salary or the compensation money and the profits in respect thereof, which accumulated for his credit in the provident funds, according to the highest.

5.7 Annual vacation, convalescence and illness: the CEO shall be entitled for payment in respect of 14 (fourteen) convalescence days per year, according to the customary tariff for members of Management in the Bank, as well as to a paid annual vacation of 25 (twenty five) work days for each year of the years of his employment according to the employment agreement (and a number of relative work days for part of the year). The CEO may accumulate up to 10 vacation days cumulatively. In addition, the CEO shall be entitled to 25 (twenty five) paid illness days for each year of the years of his employment according to the employment agreement.

5.8 Non-competition and cooling off: the CEO shall be subject to a period of non-competition of 6 months from the date his office actually ends in respect of a banking corporation or any other corporation that competes with the Bank, an insurance company and an investment house, including a subsidiary of each of the foregoing, unless an approval was received from the Board of Directors of the Bank. The CEO shall be entitled for payment of 6 monthly salaries (without social contributions and related terms) in respect of his non-competition commitment, which shall be paid at the end of the non-competition period, subject to his compliance with his non-competition commitment. The Board of Directors of the Bank may waive the period, all or part thereof, and in this case the payment will be

adjusted proportionally. In addition, there is a cooling off period of 6 months from the end of office in respect of ties with a business entity with which the CEO had a connection by virtue of his role in the Bank, unless an approval was received from the Board of Directors.

5.9 Insurance, indemnity and exemption: the CEO shall continue to be insured under liability insurance policy of directors and office holders of the Bank. In addition, the CEO holds a letter of indemnity and exemption, as it is granted to office holders in the Bank¹².

5.10 Annual bonus: according to the following conditions and subject to Compliance with the thresholds (as its definition below), the CEO may be entitled to an annual bonus subject to the salary ratio cap (provided it will not exceed a cap of 3 salaries)¹³. Insofar as the calculated bonus as detailed below is higher than the salary ratio cap in the Remuneration Limitation Law (which is noted in Section 2(B) to this law), the bonus of the CEO shall be cut short up to the cap permitted by law. The annual bonus shall be composed of two (2) components and will be calculated as their sum as follows:

5.10.1 Component of the performances of the Bank: a bonus component of between 0.25 salaries and up to 1 salary, which is paid according to compliance with the return on equity goal according to the model that applies to the rest of the members of the Bank's Management. According to this mode, the bonus shall be paid according to the return on equity brackets as they shall be determined by the Board of Directors in respect of each bonus year (2024, 2025 and 2026), and the calculation of the bonus between these brackets shall be on a linear basis.

“Return on equity” in this Section it is the return on net profit to equity, as it is reported in the annual audited financial statements of the Bank for the bonus year.

“Net profit” in this Section it is the net profit of the Bank that is attributed to the shareholders of the Bank, according to the annual audited financial statements of the Bank for the bonus year.

“Threshold conditions”, unless the Remuneration Committee and the Board of Directors determine otherwise, the threshold conditions are compliance with the capital adequacy ratios in the relevant year.

“Compliance with the capital adequacy ratios” – means that in accordance with the annual financial statements for the relevant year, the Bank complied with the minimum core tier ratio required by the Banking Supervision Department and in the minimum total capital ratio required by the Banking Supervision Department.

5.10.2 Discretionary component: a bonus component of up to 2 salaries (together with the rest of the discretionary components in the variable remuneration, insofar as any exist), which shall be determined as dependency in the discretion of the Remuneration Committee and the Board of Directors and may take into account various criteria, a comparative index among them.

¹² Subject to the approval of the General Meeting (see Section 4 to the Summons Report), an updated letter of indemnity shall be granted to the CEO as well as to the rest of the office holders in the Bank.

¹³ In practice, due to the salary ratio cap that applies to this date, the bonus is limited to up to 0.75 salaries.

Notwithstanding the foregoing and subject to the provisions of the applicable law, in the event there is no compliance with the threshold conditions, the Remuneration Committee and the Board of Directors shall be entitled to approve up to 2 salaries for the CEO, as stated above ("**Discretionary Bonus**").

- 5.11 Capital variable remuneration (options) – the CEO shall be entitled for granting options for shares of the Bank at a comprehensive economic value according to the binomial model of NIS 300,000 for the period of the agreement (3 years) and NIS 100,000 for each year of the period of the agreement ("**the financial value**") according to the following conditions ("**the options**"):
- 5.11.1 The quantity of options to be granted – the quantity of options to be granted shall be calculated according to the distribution of the financial value by the average economic value per option, to be calculated according to the binomial model, according to a calculation that will be made at the end of the last trading day before the date of the resolution of the Board of Directors on granting the options to the CEO ("**The date of the Board of Directors resolution**").
- 5.11.2 Vesting – the options will vest in 3 equal batches over a period of 3 years from January 1, 2024, subject to continuance of employment of the CEO, on January 1, 2025 ("**the first batch of options**"), on January 1, 2026 ("**the second batch of options**"), and on January 1, 2027 ("**the third batch of options**"), subject to the fulfillment of the performance conditions as detailed below.
- 5.11.3 The performance conditions – exercising options to shares will be subject to compliance with capital adequacy ratios in the relevant vesting year for each batch ("**the performance conditions**").
- 5.11.4 End of office – notwithstanding the foregoing in Section 5.11.2 above, in the event of end of office not under circumstances that do not entitle severance pay by law, the CEO shall be entitled to exercise a relative part of the vested options until the end of his employment, calculated on a daily linear basis (i.e., a share of the next batch will also vest, as applicable). The exercise dates will be unchanged as detailed below and subject to the fulfillment of the performance conditions. In the event of end of office under circumstances that do not entitle severance pay by law, all the options that were not exercised to shares shall expire immediately.
- 5.11.5 The period of exercise and expiration – subject to the lapse of the vesting dates and the performance conditions, the first batch shall be exercisable from the date of publishing the financial statements for 2024 and until January 1, 2028; the second batch shall be exercisable from the date of publishing the financial statements for 2025 and until January 1, 2028; the third batch shall be exercisable from the date of publishing the financial statements for 2026 and until January 1, 2029.
- 5.11.6 The exercise price – the exercise price shall be determined according to the higher of: (1) the average share price (adjusted for dividend and benefits) in the 30 trading days preceding the date of the Board of

Directors' resolution and (2) the closing price of the share of the Bank in the stock exchange on the last trading day preceding the date of the Board of Directors' resolution; when the exercise price is determined according to alternative (2), a 3% premium shall be added to this price ("the exercise price"). The exercise price shall be adjusted to the articles of association of the stock exchange as shall be detailed in the report on the allocation.

5.11.7 Forced exercise – in the event the price of the share of the Bank equals 150% of the exercise price ("the limit price") or higher than the limit price, the options shall be exercised immediately to shares of the Bank according to the "net exercise" method, at times and conditions to be determined by the Board of Directors and subject to the provisions of the applicable law.

Manner of exercise – the CEO may select whether to exercise the options according to the "net exercise" method or in an "ordinary" manner (by payment of the exercise price), as shall be detailed in the immediate report on granting the options.

5.11.8 The options as a deferred variable remuneration – for the purpose of Directive 301A to the Proper Conduct of Banking Business Directives of the Banking Supervision Department on remuneration, the options shall be perceived as a deferred variable remuneration that is spread starting with the date of the resolution of the Board of Directors (as its definition above). The performance conditions of the options shall constitute the performance condition of the deferred variable remuneration.

5.11.9 Additional provisions, date of granting and additional approvals – the remaining conditions of the options, shall be according to the options plan adopted by the Bank, and shall be detailed in an immediate report on a material private offer that will be published after the Board of Directors of the Bank approves the granting of the options according to the above conditions and will cut their quantity. Approval of the above conditions constitutes an advance approval for granting the options as part of the remuneration package of the CEO and his remuneration conditions, but it is not constitute an allocation in practice. The actual allocation of options shall be done after the approval of the Board of Directors and without an additional approval of the General Meeting.

5.11.10 The economic value of the options according to the binomial model – the average economic value per option according to the binomial model shall be calculated according to the date of the resolution of the Board of Directors (as the term is defined above). The overall value of the options according to the binomial model shall be the financial value, as its definition above (NIS 300,000). If the average economic value per option according to the binomial model would have calculated as of the date of publishing this Report, then the said

economic value per option stands at about NIS 6.70¹⁴ and the quantity of options granted for 3 years was about 44,776 options (constitute about 0.00% of the issued and paid up share capital of the Bank and by virtue of its voting force, including fully diluted).

5.12 Below are details about the expected remunerations to which the CEO will be entitled in 2024, according to his employment conditions that are detailed in this Report above (in NIS thousands and in terms of cost to the Company without salary tax, assuming employment in a period of a full calendar year):

| Year | Details of the remuneration recipient | | | | Remuneration (in NIS thousand) | | | | | | |
|------|---------------------------------------|-----------------|---------------------|---|---------------------------------|-----------|---|-------------------------|--|---------------------------------------|---|
| | Name | Role | Position percentage | Rate of holding the capital of the Bank at the report date (in %) | Salary and related benefits (2) | Bonus (3) | Payments and employer's contributions (4) | Share-based payment (5) | Total according to the Remuneration Limitation Law (6) | Social contribution by law and others | Total remuneration according to Regulation 21 (7) |
| 2024 | Dov Kotler | CEO of the Bank | Full time | 0.00% ⁽¹⁾ | 3,053 | 204 | 55 | 100 | 3,412 | 481 | 3,893 |

- (1) Holding 12,765 shares as of the date of the Report.
- (2) Including salary and related benefits, such as: holiday gift, phone expenses etc.
- (3) Entitlement of the CEO for an annual bonus is as detailed in Section 5.10 above, with an assumption of cutting off in the salary ratio cap. The data are presented according to an assumption of receiving the maximum bonus possible. It should be noted that in the years 2021 and 2022 the CEO was entitled to a bonus of up to 5 salaries with similar components (the return on equity component (even if it is determined differently) and the discretionary component), the maximum bonus amounts possible were paid to him given the salary ratio cap – about 1-2 monthly salaries.
- (4) Including payments and contributions to education fund and National Insurance.
- (5) In respect of his term of office, the CEO will be granted options with a vesting period and performance conditions as detailed in Section 5.11 to this Report above.
- (6) This amount does not include contributions to remunerations and compensation by law.
- (7) Not including salary tax.

5.13 Reasons of the Remuneration Committee and the Board of Directors of the Bank for approving the employment conditions of the CEO:

5.13.1 In the framework of the discussions of the proposed remuneration to the CEO, the education, skills and achievements in the various roles he served in the Bank Group and outside it, have been also examined. The Remuneration Committee and the Board of Directors noted that the CEO has a vast business experience and a proven managerial ability, which contribute in the present and are expected to continue contributing in the future to the performances of the Bank and its business results, and given the regulatory limitations, the level of remuneration to the CEO according to the remuneration policy is in line with his skills and role.

¹⁴ This calculation is based on the following data and assumptions: the closing price of the share of the Bank is NIS 32.60, the exercise price is NIS 33.58, the limit price is NIS 50.37, the dividend yield is 0%, the standard deviation is 26.1% for the first batch and the second batch and 25.0% for the third batch, the risk-free interest is 4.09%, and the vesting and expiration dates are as detailed above.

- 5.13.2 The Remuneration Committee and the Board of Directors were presented with a comparison of the proposed remuneration to the CEO as part of his employment conditions versus remuneration scopes of CEOs in other banking corporations in Israel. The Remuneration Committee and the Board of Directors found that the complex of the employment conditions of the CEO are reasonable compared with the customary conditions in other banks, taking into account the size and scope of businesses of the Bank.
- 5.13.3 The ratio between the cost of the overall remuneration of the CEO and the cost of average overall remuneration of the rest of the Bank employees that are not office holders, is about 8.9, and the ratio between the cost of the overall remuneration of the CEO and the cost of the median overall remuneration of the rest of the Bank employees that are not office holders is about 9.5¹⁵
- 5.13.4 The Remuneration Committee and the Board of Directors examined the provisions of the Remuneration Limitation Law and Directive 301A regarding a remuneration policy in a banking corporation and the new remuneration policy of the Bank, and found that the remuneration complex of the CEO complies with their provisions.
- 5.13.5 The Remuneration Committee and the Board of Directors discussed the fixed and variable remuneration structure of the CEO, the cap of the compliance risk of the CEO, which is comprised of a variable remuneration of options to shares of the Bank of up to NIS 100,000 per year (NIS 300,000 for 3 years) and a bonus of up to 5 salaries of the CEO that might be cut off due to reaching the salary ratio cap according to the Remuneration Limitation Law.

The Remuneration Committee and the Board of Directors noted that the remuneration of the CEO will exceed the remuneration bracket and accordingly it is brought for the approval of the General Meeting also pursuant to Section 2(A) of the Remuneration Limitation Law. In addition, the Remuneration Committee and the Board of Directors were presented with the maximum amount that will constitute a non-recognized expenditure for tax purposes pursuant to the Remuneration Limitation Law.

- 5.13.6 The remuneration structure was planned so that the remuneration of the CEO will reach a predetermined fixed cap, to the extent the law permits, which is adequate and suitable in their opinion, and will connect the performance of the CEO with the performance of the Bank in the long term, with the desire and intent to remunerate the CEO of the Bank in a manner that is appropriate to the complexity of his duties and responsibility.

¹⁵ The calculation was done according to the expected remuneration cap in 2024 compared with the average / median cost for the position of the rest of the Bank employees (who are not office holders) in 2022, based on the financial statements of the Bank and with the contractor employees that are not included as part of the salary expenses. The remuneration costs include fixed and variable remuneration, including bonuses and retirements costs that are reported as part of the salary expenses.

- 5.13.7 The Remuneration Committee and the Board of Directors determined that replacing the fixed equity remuneration component that would have been paid to the CEO through granting of blocked shares for three years, in options to shares of the Bank with an exercise price as detailed above, a vesting period of 3 years and performance conditions, will strengthen the connection between the remuneration of the CEO and creation of value to the stakeholders of the Bank and the performance of the Bank in the medium-long term and it is for the best interest of the Bank.
- 5.13.8 In light of all the aforesaid, The Remuneration Committee and the Board of Directors determined that the proposed remuneration to the CEO is according to the new remuneration policy of the Bank and it is reasonable, fair and customary under the circumstances, inter alia, given the role of the CEO and the size of the Bank in the banking market in Israel and the complexity of managing it.
- 5.13.9 The resolutions were approved unanimously with the participation of all the members of the Remuneration Committee and the Board of Directors, respectively. The directors have no personal interest in approving the remuneration to the CEO.

The wording of the proposed resolution:

To approve the terms of tenure and employment of Mr. Dov Kotler as CEO of the Bank in effect from January 1, 2024 until December 31, 2026, including granting of options subject to the approval of allocating them by the Board of Directors of the Bank, in accordance with that set forth in Section 5 of the Report, pursuant to Section 272(C1) of the Companies Law and according to Section 2(a) of the Remuneration Limitation Law.

6. Procedures of the General Meeting and of the vote therein

6.1 Date of the General Meeting

The General Meeting will convene on **Wednesday, November 8, 2023, at 4:00 p.m.**, at the offices of the Bank at 63 Yehuda Halevi Street, Tel Aviv (6th floor, room 608).

6.2 Voting method

Shareholders are entitled to vote at the Meeting in person, by proxy, or through a Voting Paper, as defined in Section 87 of the Companies Law, the text of which is attached to this Report (“**Voting Paper**”). In addition, a shareholder pursuant to Section 177(1) of the Companies Law (i.e., one who has a share registered with a TASE member, which is included in the shares registered in the shareholder registry in the name of a nominee company – an “**Unregistered Shareholder**”) is also entitled to vote through an electronic Voting Paper, to be transmitted to the company through the electronic voting system operated in accordance with Article B, Chapter G2 of the Securities Law, 1968 (“**Electronic Voting**,” “**Electronic Voting System**,” and “**Electronic Voting Paper**,” respectively).

6.3 The majority required for adoption of the resolutions on the agenda of the Meeting

The majority required to pass the resolutions listed in Sections 1.2 (Item 2 on the agenda – reappointment of the external auditors of the Bank), 1.4 (Items 6-7 on the agenda – appointment of one other director (non-external) to the Report, 1.5 (Item 8 on the agenda – Amendment of the Articles of Association of the Bank) is a simple majority. For details regarding election rules in the event that the number of candidates who receive the required majority exceeds the number of offices, see below.

The majority required to pass the resolution listed in Section 1.3 (Items 3-5 on the agenda – appointment of two external directors pursuant to the Companies Law), taking into consideration the fact that the Bank is a banking corporation without a controlling core¹⁶, is a simple majority of the votes of the shareholders participating in the vote, provided one of the following applies: (1) the count of the majority vote includes at least a majority of all of the votes of shareholders who are not controlling shareholders of the Bank or shareholders with a personal interest in the approval of the appointment, excluding a personal interest that is not a result of his ties with the controlling shareholder, who participate in the vote. The count of the stated majority vote, abstaining votes are not taken into account; (2) the total dissenting votes among the shareholders noted in subsection (1) do not exceed two percent of the total voting rights at the Bank.

The majority required to pass the resolutions listed in Section 1.6 (Item 9 on the agenda – approval of granting updated letters of indemnity to office holders in the Bank), Section 1.7 (item 10 on the agenda – approval of the remuneration policy for office holders in the Bank) and Section 1.8 (item 11 on the agenda – approval of terms of service and employment of the CEO of the Bank) pursuant to the provisions of Section 272C1 to the Companies Law, Section 2(A) of the Remuneration Law for Office Holders in Financial Corporations (A Special Approval and Disallowance of Expenditure for Tax Purposes Due to Extraordinary Remuneration), 5776-2016 and Section 267A(B) to the Companies Law, and taking into consideration the fact that the Bank is a banking corporation without a controlling core, is a simple majority of the votes of the shareholders who participate in the vote, provided that one of the following applies: (1) the count of the majority vote includes at least a majority of all of the votes of shareholders who are not controlling shareholders of the Bank¹⁷ or shareholders with a personal interest in the approval of granting updated letters of indemnification / approval of terms of service / approval of remuneration policy, participating in the vote. Abstaining votes are not taken into account in the count of total votes of the aforesaid shareholders; (2) the total dissenting votes among the shareholders noted in subsection (1) do not exceed two percent of the total voting rights at the Bank.

With regard to Items 3-7 on the agenda (appointment of directors) – if the number of candidates for service as directors who win a majority of the votes of the participants in the vote at the General Meeting exceeds the number of available positions for a specific qualification for office (the examination regarding this matter shall refer separately to each qualification for office, i.e. an external director pursuant to the Companies Law, and an other director), the candidate who wins the highest number of supporters in the vote at the General Meeting for the same qualification for office shall be elected, with the provision that, in the case of the office of an external director pursuant to the Companies Law, the candidate who wins the highest number of supporters in the vote at the General Meeting out of the votes of the shareholders as stated in Section 239(b)(1) of the

¹⁶ As of the date of the Report, there is no controlling shareholder at the Bank.

¹⁷ At the date of the Report, there is no controlling shareholder at the Bank.

Companies Law shall be elected. In the event that it is necessary to reach a determination in this matter between several candidates who receive an equal number of votes, the determination regarding the candidate who will serve as a director shall be performed by lottery.

6.4 Personal interest and details regarding the shareholder

With regard to Items 3-5 on the agenda – appointment of two external directors pursuant to the Companies Law (Ronit Abramson Rokach or Michal Halperin or Michal (Cohen) Kremer), each shareholder interested in participating in the vote shall notify the Bank, prior to the vote at the Meeting - in person or via proxy (including through indication on the power of attorney), as relevant, or, if voting using a Voting Paper, through indication in the designated place on the Voting Paper, whether they are a controlling shareholder of the Bank,¹⁸ or have a personal interest in the approval of the matters on the agenda, as noted (other than a personal interest in the approval of an appointment not due to their relationship with a controlling shareholder). Shareholders who have not provided such notification shall not vote, and their votes shall not be counted.

With regard to Items 9-11 on the agenda – approval of granting updated letters of indemnity to office holders in the Bank, approval of a remuneration policy to office holders in the Bank and approval of the terms of service and employment to the CEO of the Bank, each shareholder interested in participating in the vote shall notify the Bank, prior to the vote at the Meeting - in person or via proxy (including through indication on the power of attorney), as relevant, or, if voting using a Voting Paper, through indication in the designated place on the Voting Paper, whether they are a controlling shareholder of the Bank,¹⁹ or have a personal interest in the approval of letters of indemnity / the remuneration policy /terms of office. Shareholders who have not provided such notification shall not vote, and their votes shall not be counted.

In addition, each shareholder interested in participating in the vote shall indicate whether or not they are an interested party of the Bank, a senior office holder of the Bank, or an institutional investor.

6.5 The determining date

The determining date for eligibility to participate and vote in the Meeting, pursuant to Section 182 of the Companies Law and Regulation 3 of the Voting in Writing Regulations, is **Tuesday, October 10, 2023** (the “**Record Date**”).

6.6 Voting by proxy

Any shareholder of the Bank eligible to participate and vote in the Meeting is permitted to appoint a proxy to vote on their behalf. The proxy shall be appointed in writing and signed by the appointer or a representative thereof authorized for that purpose, or, if the appointer is a corporation, by the party or parties authorized to bind the corporation. The proxy statement and the power of attorney (if any) based on which the proxy statement is signed shall be deposited at the offices of the Bank **no less than 48 (forty-eight) hours prior to the designated starting time of the Meeting**; however, the chairperson of the Meeting is permitted to waive this requirement with respect to all of the participants in the Meeting and accept the proxy statement and/or power of attorney at the beginning of the Meeting.

¹⁸ At the date of the Report, there is no controlling shareholder at the Bank, as noted.

¹⁹ At the date of the Report, there is no controlling shareholder at the Bank, as noted.

6.7 Legal quorum and date of adjourned meeting

The legal quorum in order to hold the Meeting is the presence of at least two shareholders who hold at least twenty-five percent (25%) of the voting rights, within half an hour of the designated opening time of the Meeting. If no legal quorum is present at the Meeting when half an hour has elapsed from the designated starting time of the Meeting, the Meeting shall be adjourned to **Wednesday, November 15, 2023, at 4:00 p.m.**, at the same location. If no legal quorum is present at the aforesaid adjourned meeting when half an hour has elapsed from its designated time, the Meeting shall be held, with any number of participants.

6.8 Electronic Voting Paper

As noted above, Unregistered Shareholders are also permitted to vote via the Electronic Voting System. Voting using an Electronic Voting Paper shall be possible **up to six hours before the General Meeting convenes.**

6.9 Voting in writing via Voting Paper

Shareholders are also permitted to vote at the General Meeting on matters on the agenda using a Voting Paper. Voting in writing shall be performed using the second part of the Voting Paper attached to this Report.

The Voting Paper and position statements, as defined in Section 88 of the Companies Law, if provided, can be perused on the Distribution Website of the Israel Securities Authority, at <http://www.magna.isa.gov.il>, and on the TASE Website at <http://maya.tase.co.il>. Any shareholder may contact the Bank directly to receive the format of the Voting Paper and position papers (if provided).

TASE members shall send a link to the format of the Voting Paper and position papers (if provided) on the Distribution Website via electronic mail, free of charge, to any shareholders of the Bank who are not registered in the shareholder registry of the Bank and whose shares are registered with the TASE member, unless the shareholders have given notice that they are not interested or that they wish to receive Voting Papers by mail, against the payment of a delivery fee, provided that the notification is given, with regard to a specific securities account, prior to the Record Date.

The Voting Paper and the required attached documents, as specified in the Voting Paper, shall be delivered to the offices of the Bank (including via registered mail), with attached confirmation of ownership (and, for a registered shareholder, with an attached photocopy of an identity card, passport, or certificate of incorporation, as relevant), **up to four hours before the General Meeting convenes.** For this purpose, the “time of delivery” is the time when the Voting Paper and the attached documents arrive at the offices of the Bank.

Unregistered Shareholders are also entitled to deliver the confirmation of ownership via the Electronic Voting System.

In accordance with Section 83(D) of the Companies Law, if a shareholder votes in more than one way, the later vote will be counted; for this purpose, the vote of the shareholder in person or by proxy shall be considered later than a vote using a Voting Paper.

A Voting Paper without attached confirmation of ownership (or, alternatively, without confirmation of ownership provided through the Electronic Voting System), or, with respect to a registered shareholder, a Voting Paper without an attached photocopy of an identity card, passport, or certificate of incorporation, as relevant, shall be invalid.

One or more shareholder holding shares at a rate constituting five percent or more of the total voting rights at the Bank (i.e. holding 66,863,361 ordinary shares of par value NIS

1.00 each of the Bank (“**Ordinary Shares**”)) may, after the General Meeting convenes, peruse the Voting Papers and the records of votes received by the Bank through the Electronic Voting System, as detailed in Regulation 10 of the Voting in Writing Regulations.

6.10 Confirmation of ownership

Unregistered Shareholders shall be entitled to participate in the General Meeting if, prior to the General Meeting, they present the Bank with an original confirmation from the TASE member with which their right to the share is registered affirming their ownership of shares of the Bank on the Record Date, in accordance with the form in the annex to the Companies Regulation (Proof of Ownership of a Share for the Purpose of Voting at a General Meeting), 2000 (the “**Ownership Confirmation**”), or, alternatively, if they send confirmation of ownership to the Bank through the Electronic Voting System.

Unregistered Shareholders are entitled to receive an Ownership Confirmation from the TASE member through which they hold their shares, at the branch of the TASE member or by mail to their address, in consideration for a delivery fee only, if they so request, provided that the request concerning this matter is made in advance, for a specific securities account.

Unregistered Shareholders are permitted to order the delivery of their Ownership Confirmation to the company through the Electronic Voting System.

6.11 Deadline for delivery of position statements

After the publication of this Summons Report, position statements may be published, and may be perused in the Bank's reports to be posted on the Distribution Website and the TASE Website.

The last date for submission of position statements to the Bank by shareholders of the Bank is up to 10 (ten) days before the date of the Meeting (i.e. until **Sunday, October 29, 2023**).

- 7 Attention is directed to the fact that Section 34(A1) of the Banking Law states the following: “No person shall agree with another regarding their vote to appoint a director at a banking corporation or banking holding corporation, including regarding their vote to terminate the service thereof, except under a permit granted by the Governor following consultation with the licensing committee; this provision shall not apply to an association of holders, as defined in Section 11D(a)(3)(b) of the Ordinance, with respect to a vote to appoint a director proposed by them as a candidate under the same section, and to a holder of means of control who agrees with another for the other to vote in its name and on its behalf without discretion, as instructed by the holder of means of control, provided that if the other holds means of control itself in the banking corporation or banking holding corporation, as relevant, it shall not vote in the name and on behalf of more than one other holder.” The foregoing indicates, among other matters, that with respect to Items 3-7 on the agenda (appointment of directors), a proxy who is also a shareholder of the Bank may vote in the name and on behalf of only one other additional shareholder.

8 Representative of the Bank with respect to the Report

The representative of the Bank with respect to this Report is Amit Levy, Adv., at 63 Yehuda Halevi Street, Tel Aviv 6578109, telephone no.: +972-3-567-6594, fax no.: +972-3-567-3343.

9 Perusal of documents

This Report, the documents mentioned therein (including the Voting Paper and the position statements, if provided), and the full text of the resolutions presented for approval by the Meeting may be perused at the office of the Secretary of the Bank, at 63 Yehuda Halevi Street, Tel Aviv, during regular business hours, with advance coordination by telephone at +972-3-567-3800, until the time of the Meeting.

This Report, the Voting Paper, and the position statements (if provided) can also be perused on the Distribution Website and on the TASE Website, as noted above.

Sincerely yours,

Bank Hapoalim B.M.

Signatories of the Report and their positions

Yael Almog, Chief Legal Advisor

Amit Levy, Legal Advisor of the Board of Directors

BANK HAPOALIM B.M.

Incorporated in 1921

BANK HAPOALIM B.M.

Memorandum and Articles of Association

As at ~~July 18, 2019~~ _____, 2023

This document is a mere translation of the formal and binding Hebrew version of Bank Hapoalim B.M.'s Memorandum and Articles of Association. In case of any contradiction or other inconsistency between this document and the Hebrew version, the Hebrew version shall prevail.

**Bank Hapoalim Ltd.
Memorandum of Association**

1. Name of the Company: **in Hebrew: בנק הפועלים בערבון מוגבל**
in English: Bank Hapoalim B.M.
2. The liability of a shareholder for the debts of the Company is limited to the unpaid portion of the nominal value of his shares that he undertook to pay in consideration for his shares upon allotment.
3. The names of the first members are:

| | |
|--------------------|---------------------------------|
| Blumenfeld Ephraim | Secretary, Tel Aviv |
| Twerski Nachum | Accountant, Tel Aviv |
| Katznelson Berl | Agricultural Labourer, Tel Aviv |
| Sprinzak Joseph | Secretary, Tel Aviv |
| Berligne Eliyahu | Advocate, Tel Aviv |
| Rosoff Israel | Landowner, Tel Aviv |
| Ruppin Arthur | Dr. Tel Aviv |
4. Objects of the Company: to engage in any lawful pursuit.
5. (a) The registered share capital of the Company is NIS 4 billion (4,000,000,000) divided into 4 billion (4,000,000,000) ordinary shares of NIS 1 nominal value each.
(b) The rights attaching to the shares of the Company will be as prescribed in the Articles of Association of the Company.
6. The Company may alter the provisions of this Memorandum by resolution passed at a general meeting by a simple majority of the votes of the shareholders present at the general meeting. On such a vote by the shareholders, the votes of those abstaining shall not be taken into account.

We, the several persons, whose names, addresses and descriptions are subscribed, are desirous of being formed into a company pursuant to this "Memorandum of Association", and each of us agree to take the number of shares in the capital of the Company set opposite his name.

The names, addresses and initials of the subscribers, number of shares taken by each subscriber:

| | |
|--|-----------|
| Ephraim Blumenfeld, Tel Aviv, Secretary, | One share |
| Jacob Efter, Tel Aviv, Agricultural Labourer | One share |
| Nachum Twersky, Tel Aviv, Accountant | One share |
| Joseph Sprinzak, Tel Aviv, Secretary | One share |
| David Remez, Tel Aviv, Workman | One share |
| Isaac Tabenkin, Tel Aviv, Workman | One share |
| Isaac Wilkansky, Tel Aviv, Agricultural Engineer | One share |
| Berl Katznelson, Tel Aviv, Agricultural Worker | One share |
| Bezalel Schlarsky, Tel Aviv, Bookkeeper | One share |
| Eliezer Shohat, Mikveh-Israel, Agricultural Labourer | One share |
| Isaac Ben-Zvi, Jerusalem, Journalist | One share |

Dated the 1st day of April, 1921.

Witnesses to the signatures:

Eliyahu Muntshik, (-) David Zhuchovitzky (-)

Bank Hapoalim B.M.

Articles of Association

1. **Interpretation**

In these Articles, save where the context otherwise requires:

- "the Articles" or
"these Articles" - these articles of association or as may be amended by the shareholders from time to time.
- "the Company" - means Bank Hapoalim B.M.
- "the Board of Directors" - means the board of directors of the Company elected in accordance with the provisions of these Articles.
- "the Board of Management" - means the board of management of the Company elected in accordance with the provisions of these Articles.
- "the Companies Law" or
"the Law" - means the Companies Law, 5759-1999, as may be amended from time to time.
- "the Securities Law" - means the Securities Law, 5728-1968.
- "the Office" - means the registered office of the Company for the time being.
- "writing" - printing, photocopy, ~~cable, telex,~~ facsimile, e-mail, or any other method or writing, composed of or expressing words in a visible manner.
- "signature" or
"autographic signature" - means the autographic signature of the person signing, the digital signature or also the facsimile of his signature, unless only an autographic signature is provided for.
- "ordinary resolution" - means a resolution passed by a majority of votes of those present and participating in the vote (excluding abstentions).
- "Banking Ordinance" - means the Banking Ordinance, 1941 as may be varied from time to time or any other arrangement which may replace it.
- "Banking (Licensing) Law"- the Banking (Licensing) Law, 5741-1981, as may be amended from time to time or any other arrangement which may replace it.

- "banking corporation with no core of control"** - means within the meaning of this term in the Banking Ordinance, ~~1941~~.
- "registered shareholder"** - a shareholder registered in the register of shareholders of the Company.
- "unregistered shareholder"** - a shareholder to whose credit a share is registered with a member of the Stock Exchange and such share is included in the shares registered in the register of shareholders in the name of a nominee company.
- "Proper Conduct of Banking Business Directives"** - directives of the Supervisor of Banks issued on the strength of Section 5(C1) of the Banking Ordinance pertaining to the modus operandi and conduct of a banking corporation, of an office holder thereof and of whoever is employed by it, as they may be from time to time.
- "the Law"** - including instructions and directives applicable to the Company by virtue of being a banking corporation, including the Proper Conduct of Banking Business Directives.
- "Directive 301"** - Directive 301 of the Proper Conduct of Banking Business Directives.
- "External Director under the Companies Law"** - an external director within the meaning thereof in Section 239 of the Companies Law.
- "External Director under Directive 301"** - an external director within the meaning thereof in Directive 301 (who is not an External Director under the Companies Law).
- "Annual Meeting"** - an annual meeting of the shareholders under Section 60 of the Companies Law.
- "Special Meeting"** - a general meeting of the shareholders that is not an Annual Meeting

Subject to the provisions hereof and save where otherwise expressly required, in these Articles, expressions defined in the Companies Law shall have the meanings therein defined; words importing the singular shall include the plural, and vice versa; and words importing the masculine gender shall include the feminine, and words importing persons shall also include corporations.

If any Article (or any part thereof) herein contained is held to be invalid, illegal, or unenforceable on any legal ground whatsoever, this shall not in any way affect the validity, legality and enforceability of the remainder of these Articles.

2. **The name of the Company is:**

in Hebrew: בנק הפועלים בע"מ

In English: Bank Hapoalim B.M.

3. **Objects of the Company**

The objects of the Company are to engage in any lawful pursuit.

4. **Registered Share Capital of the Company**

- a. The registered share capital of the Company is NIS 4 billion (4,000,000,000) divided into 4 billion (4,000,000,000) ordinary shares of NIS 1 nominal value each.
- b. All of the ordinary shares have equal rights between them in all respects and each ordinary share confers upon the holder thereof:
 1. The right to vote - a right to receive notices of and attend general meetings of the shareholders of the Company, and the right to one vote in respect of each ordinary share when voting at any general meeting of the Company attended by the holder thereof;
 2. The right to dividend - a right to receive dividends, if and when distributed, and a right to receive bonus shares if and when distributed, in proportion to the nominal value of the shares, disregarding any premium paid thereon;
 3. The right on a winding-up - a right to participate in the distribution of the Company's surplus assets after the winding-up thereof, in accordance with its proportionate share of the issued share capital of the Company.

5. **Alteration of capital and modification of rights**

- a. The general meeting of the shareholders of the Company may, by a resolution passed by a simple majority resolve with respect to the following subjects:
 1. To increase its registered share capital in such amount as will be resolved by the creation of new shares, on such terms and with such rights as the resolution prescribes, whether or not all the shares for the time being have been issued or a resolution exists for the issue thereof and whether or not they have yet to be issued or resolved to be issued.
 2. To cancel any registered share capital which has not been issued, provided there is no undertaking, including a contingent undertaking, of the Company to issue such registered share capital.
 3. To modify, cancel, convert, extend, add to or otherwise modify, the rights, privileges, advantages, restrictions and terms whether or not for the time being related to the Company's shares.
 4. To consolidate and divide its share capital into shares of larger or smaller nominal value than its existing shares.
 5. To reduce its share capital in any manner and on such terms and subject to the receipt of any approvals, in so far as they are required, by law.
 6. To make such other modification to the share capital of the Company or the rights attaching to its shares, in as much as such power is not vested in any other organ of the Company.
- b. The rights conferred upon the holders of any shares, ~~including preference shares (as defined in the Securities Law)~~ will not, unless otherwise prescribed by the terms of

issue of such shares, be deemed to have been varied by the creation or issue of additional shares ranking *pari passu* with them.

- c. To every separate class meeting of shares of the Company, the provisions of these Articles relating to general meetings shall apply, *mutatis mutandis*.
- d. For the purpose of giving effect to such resolution, the Board of Directors may settle any difficulty which may arise, as they think expedient. Without derogating from such powers of the Board of Directors, in the event of there being any shareholders with fractional shares resulting from a consolidation of their shares, the Board of Directors may:
 1. Sell any sum of fractional shares and for such purpose appoint a trustee in whose name certificates will be issued of the fractional shares, and which will be sold and the proceeds obtained, less commissions, be divided amongst those entitled;
 2. Allot to any shareholder who is left following the consolidation with a fractional share, fully paid-up shares of the same class prior to the consolidation, in such number as will, together with the consolidation thereof, be sufficient to constitute a single consolidated complete share, such allotment to be deemed as having been effected immediately prior to the consolidation.
 3. Determine that shareholders will not be entitled to receive consolidated shares in respect of a fractional consolidated share deriving from the consolidation of one half or less of the number of shares the consolidation of which created a single consolidated share, but that they will be entitled to duly receive a consolidated share or a fractional consolidated share resulting from the consolidation of more than one half of the number of shares the consolidation of which created a single consolidated share.
- e. With respect to any consolidation of shares into shares of larger nominal value, the Board of Directors may make arrangements to settle any difficulty which may arise with regard thereto and, in particular, may determine which shares shall be consolidated with such share or otherwise, and, in the case of a consolidation of shares which are not held by a single holder, may make arrangements for the sale of the share being consolidated, the manner of the sale thereof and the mode of division of the net proceeds and appoint a person for the purpose of carrying out the transfer and any action effected by such person shall be valid and unimpeachable.
- f. The Board of Directors of the Company may:
 1. Issue shares and other securities, including convertible or realizable securities up to the amount of the Company's registered capital, including allotting (or otherwise dealing) to such persons, in exchange for cash or other consideration not being cash, on such exceptions and terms, whether at a premium or at par or at a discount, on such dates as they may consider appropriate, and grant any person the right to demand the allotment of any shares during such period and against such consideration as the Board of Directors may determine;
 2. Issue, and redeem, redeemable securities in any manner and on such terms as it may resolve from time to time.
 3. Resolve to issue a series of debentures within the scope of its power to borrow on the Company's behalf, and within the limitations of such power.

- g. Upon the allotment of shares, the Board of Directors may determine different terms for shareholders in relation to the consideration, amounts of calls and/or the dates of payment thereof.

6. **Liability of the Shareholders of the Company**

The liability of a shareholder for the debts of the Company is limited to the payment of the unpaid portion of the nominal value of his shares that the shareholder undertook to pay the Company in consideration for his shares upon the allotment thereof.

7. **Share Certificates**

- a. A shareholder who is registered in the register of shareholders is entitled to receive from the Company a share certificate testifying to his ownership of the shares registered in his name.
- b. Share certificates will be issued under the stamp of the Company, signed by two directors or by the secretary of the Company and one director or such other person as may be determined by the Board of Directors.
- c. A shareholder is entitled (after paying the amount prescribed by the Board of Directors from time to time) to a number of share certificates each representing one or more shares of the Company registered in his name in the register of shareholders; each share certificate to denote the numbers of the shares in respect of which it was issued and the amount paid-up thereon and such other details, as will be deemed important by the Board of Directors.
- d. A share certificate registered in the names of two or more persons will be delivered to such person that all of the registered holders of such share may direct and in the absence of agreement - to the person whose name first appears in the register of shareholders from among the names of the joint owners.
- e. If a share certificate is lost or defaced, the Board of Directors may issue a new certificate in replacement thereof provided that the certificate was furnished to it and destroyed by it or it has been proven to its satisfaction that the certificate was lost or destroyed and it has received assurances to its satisfaction regarding any possible damage, and all of this against payment if any is charged.

8. **Transfer and transmission of shares**

- a. No transfer of shares in the Company by a registered shareholder shall be registered unless a proper instrument of transfer is delivered to the Company. The instrument of transfer of a share in the Company will be signed by the transferor and the transferee, and the transferor shall be deemed to remain the shareholder until the name of the transferee is registered in the register of shareholders in relation to the transferred share.
- b. The instrument of transfer of a share shall be in the following form or as far as possible similar thereto or in any usual or common form as the Board of Directors shall approve -

"I _____ of _____ (hereinafter: "the transferor") in consideration of the sum of _____ New Shekels paid to

me by _____ of _____ (hereinafter called "the transferee") hereby transfer to the transferee* _____ shares of** _____ [if the Company has shares of nominal value - of NIS _____ nominal value each] denoted by the numbers _____ through _____ inclusive of Bank Hapoalim B.M., to hold unto the transferee, the administrators of his estate, his guardians and his attorneys, subject to the several conditions on which I held the same at the time of the execution hereof and I, the transferee, do hereby agree to take the said shares subject to the conditions aforesaid.

And in witness whereof we have signed this _____ day of the month of _____ in the year _____.

The transferor

The transferee

Witness to the signature of the transferor

Witness to the signature of the transferee

* Specify number of shares.

** Specify class of shares

- c. The instrument of transfer lodged with the Company will be accompanied by any document (including the certificate of the share being transferred) as the Board of Directors may require in connection with the transfer. All the foregoing documents will be retained by the Company if the transfer of shares is approved.
- d. The Board of Directors may decline to recognize an instrument of transfer unless accompanied by the certificate of the share being transferred and such other evidence as required by the Board of Directors in order to prove the transferor's right to transfer the share and payment of a transfer fee if prescribed by the Board of Directors. Instruments of transfer which are registered will be retained by the Company.
- e. If the Board of Directors refuses to approve a transfer of shares, they shall, not later than three weeks after the date on which the instrument of transfer was received, notify the transferor thereof, and the documents relating to the transfer which has not been approved, will be returned to the person submitting the same, if he requires it.
- f. Every instrument of transfer shall relate to one class of shares only.
- g. The Company shall be entitled to charge a fee for registration of the transfer, in an amount as may be prescribed from time to time by the Board of Directors.
- h. The executors of the will or the administrators of the estate and if there are none, the heirs of a deceased shareholder and they alone, shall be recognized by the Company as being entitled to the shares of such shareholder, and where the deceased was a joint shareholder, the Company shall recognize the surviving joint shareholders as being entitled to the share which belonged to the deceased shareholder. Nothing aforesaid shall release the estate of a deceased joint holder from any liability in respect of any share which had been held jointly by him with other persons.
- i. Any person becoming entitled to a share as a result of the death of a shareholder, and a person appointed as trustee or receiver of a bankrupt shareholder, (each of whom being hereinafter called: "the person entitled to a share") shall be entitled to request to be registered as shareholder thereof or to transfer the same to another, after adducing such evidence as may be required of him from time to time by the

Board of Directors to prove his right, and in accordance with the provisions contained in these Articles concerning the transfer to another person.

- j. The person entitled to a share shall be entitled to the same dividends and other rights to which he would be entitled if he were the registered holder of the share even if he has not been registered as such, except that he shall not, before being registered as a shareholder in respect of the share, be entitled in respect of it to exercise any right of a shareholder to receive notices of, and attend and vote at meetings of the Company.
- k. Notwithstanding the foregoing, the Board of Directors may at any time give notice requiring the person entitled to a share to elect either to be registered himself or to transfer the share, and if the notice is not complied with within 60 days of its delivery, the Board of Directors may withhold all dividends, other distributions or other monies payable in respect of the share until the requirements of the notice have been complied with. The presentation of such a demand will be deemed to constitute approval of the Board of Directors to register the person entitled to a share as holder thereof, save that the Board of Directors shall continue to have the right to decline to approve a transfer of the share in accordance with the provisions of Article 8(d) above.
- l. The Company will be entitled to destroy instruments of transfer of its shares after the expiration of seven years from the registration of the transfer and share certificates which have been cancelled, after the expiration of three years from the date of cancellation thereof, and it shall be presumed prima facie that all instruments of transfer and shares so destroyed were fully effective and that the transfers, cancellations and registrations on the strength thereof were duly executed.

9. Calls

- a. The Board of Directors may, from time to time, make such calls as they see fit upon shareholders for any monies unpaid on the shares held by them, respectively, and which are not by the terms of issue thereof required to be paid at fixed times. Each shareholder shall pay the amount of such calls made upon him in such manner and at the time and place prescribed by the Board of Directors. A call may be effected by making payment in installments and a call shall be deemed to have been made on the date of the adoption of the resolution of the Board of Directors authorizing the call.
- b. Fourteen (14) days' notice will be given of any call specifying the time and place of payment thereof and to whom such call shall be paid. The Board of Directors may, before the time prescribed for payment, revoke, by notice in writing to the shareholders, such call or extend the time for payment thereof.
- c. If, by the terms of issuance of any share or otherwise, an amount or installment (including any amount of premium) on account of a share is made payable at a fixed time, such sum shall be payable as if it were a call duly made by the Board of Directors and notified, and the provisions as to calls herein contained shall apply to any such amount or installment.
- d. The joint holders of a share shall be jointly and severally liable to make all payments due in respect thereof.

- e. If any shareholder fails to pay any call on or any installment on or before the day appointed for payment thereof, the Board of Directors may at any time so long as the call or installment remains unpaid, serve a notice on such shareholder requiring him to pay same together with the interest and linkage differences which may have accrued and all the expenses incurred by the Company by reason of such non-payment.
- f. The Board of Directors may, if they think fit, receive from any shareholder willing to advance some or any part of the monies due upon the shares held by him and as yet uncalled for, and may, upon the amounts so paid or satisfied in advance as hereinabove provided by this Article, pay interest at such rate as the Board of Directors may determine. The Board of Directors may at any time repay the amount so advanced, wholly or in part, if they think fit.

10. **Forfeiture and Charge**

- a. If a shareholder fails to pay any call or any installment on or before the day appointed for payment thereof, the Board of Directors may at any time so long as the call or installment remains unpaid, serve a notice on such shareholder requiring him to pay same together with the interest and linkage differences which may have accrued and all the expenses incurred by the Company by reason of such non-payment (hereinafter – “the Consideration”).
- b. The notice shall name the day which shall be at least 14 days after the date of the notice and the place or places at which the Consideration is to be paid. The notice shall further state that in the event of non-payment of the Consideration on or before the date appointed and at the place specified in such notice, the Company may forfeit the shares in respect of which the call was made or the installment has become payable.
- c. If the requirements contained in any such notice are not complied with, the Board of Directors may forfeit the shares in respect of which the call was made or the installment has become payable. Such forfeiture shall include also the dividends, bonus shares, and beneficial rights declared in respect of the forfeited shares and not actually paid before the forfeiture. The Board of Directors may accept a surrender of any share liable to be forfeited.
- d. Any share so forfeited or surrendered shall be deemed to be the property of the Company and the Board of Directors may, subject to the provisions of these Articles, sell the same as they deem fit.
- e. The Board of Directors may, at any time, before any share so forfeited shall have been sold, annul the forfeiture thereof on such terms as they deem fit.
- f. A shareholder whose shares have been forfeited as aforesaid (hereinafter – “the Debtor”) shall cease to be a shareholder in respect of the forfeited shares but shall remain liable to the Company, unless the shares forfeited have been sold and the Company has received the full amount of the Consideration for which he was liable, together with the expenses incidental to the sale.
- g. Where the proceeds received on account of a sale of the shares forfeited exceed the Consideration for which the Debtor was liable, the Company shall repay the Debtor such part of the Consideration that he paid for them, if any, in the manner prescribed

in the terms of allotment, provided that the consideration remaining in the hands of the Company shall be not less than the full amount of the Consideration for which the Debtor was liable, together with the expenses incidental to the sale.

- h. The provisions of this Chapter shall similarly apply in cases of non-payment of any sum which, by the terms of issue or allotment of such share becomes payable at a fixed time, whether on account of the amount of the share or by way of premium, as if the sum had been payable by virtue of a call duly made and notified.

11. **Notice of a general meeting and the contents thereof**

- a. Notice of a general meeting shall be given by the Company to its shareholders in the manner and at the times prescribed therefor by the law.
- b. The Company shall not be bound to serve notice of a general meeting in person on a registered shareholder.

12. **Quorum at general meetings and adjourned meetings, and meetings adjourned by resolution**

- a. Two shareholders at least, holding at least twenty five per cent (25%) of the voting rights, present within half an hour of the time appointed for the meeting to proceed to business, shall be a quorum for holding a general meeting.
- b. If within half an hour of the time appointed for the meeting to commence a quorum is not present at the meeting, the meeting will stand adjourned to the same day in the next week at the same time and place, or to such other (earlier or later) time as may be specified in the invitation to the meeting or in the notice of the meeting.
- c. If at such adjourned meeting the quorum prescribed in Article 12(a) above is not present within half an hour of the time appointed therefor, the meeting will take place with any number of attendees.
- d. Notwithstanding Article 12(c) above, as regards a general meeting convened upon the requisition of shareholders as provided in Sections 63(b) (2) or 64(a) of the Law, the adjourned meeting will only take place if there are present at least the number of shareholders required to convene the meeting as provided in the aforesaid sections of the Law, respectively.
- e. A general meeting at which a quorum is present may adjourn the meeting to another time and to another place as it shall determine; at an adjourned meeting no subject will be discussed other than that which was on the agenda at the original meeting and with respect to which no resolution was passed.
- f. If a general meeting is adjourned pursuant to Article 12(e) for more than 21 days, notices of the adjourned meeting shall be given as prescribed in Article 11 above.

13. **Chairman of a general meeting**

The chairman of the Board of Directors and, in his absence, ~~his deputy, and, in his absence,~~ such other person who has been appointed for such purpose by the Board of

Directors, will preside over any general meeting of the Company. If the chairman of the Board of Directors, ~~his deputy~~ or the person appointed by the Board of Directors as aforesaid is unable to preside over the meeting, the shareholders present will appoint one of their number to act as chairman of the meeting.

14. **Voting at general meetings**

- a. A shareholder may vote at any general meeting in any of the following ways: (1) In person or by proxy /attorney-in-fact; (2) By means of a poll card if required by Law or if the Board of Directors has resolved to allow voting in that way; (3) An unregistered shareholder may also vote by means of a poll card that is transmitted to the Company by the electronic voting system, as defined in the Companies Regulations (Voting in Writing and Position Statements), 5766-2005.
- b. A corporation which is a shareholder of the Company may by resolution of its directors or other governing body authorize such person as it deems fit to act as its representative at any general meeting. The person so authorized will be entitled to exercise on behalf of the corporation he represents, the same powers as that corporation could exercise if it were an individual member of the Company. A person holding a power of attorney from a shareholder in that behalf, may appoint himself or any other person as proxy for the corporation that he represents, whether or not the holder of the power of attorney is a shareholder of the Company.
- c. A shareholder who is a minor or has been declared by a competent court to be legally incompetent, may only vote through his guardian, and any such guardian may vote by proxy.
- d. In the case of joint shareholders, the vote of one of the joint shareholders, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint shareholders, and for this purpose, the joint holder whose vote is tendered will be determined by the order in which the names stand in the register of shareholders, unless the joint holders will have agreed otherwise in writing and delivered their agreement to the Company.
- e. A shareholder may appoint a proxy/~~attorney-in-fact~~, who need not be a shareholder of the Company, to vote on his behalf. The appointment of ~~a~~the proxy will be in writing under the hand of the appointor or his authorized representative in that behalf, and, if the appointor is a corporation - by the person or persons authorized to bind the corporation.
- f. The instrument appointing a proxy (hereinafter – “the Instrument of Appointment”), as well as the power of attorney (if any) under which the Instrument of Appointment is signed, or a copy thereof certified to the satisfaction of the Board of Directors, will be deposited at the Office or at the appointed place where the meeting will convene, not less than 48 hours before the time appointed for the commencement of the meeting at which the person named in the instrument proposes to vote, save that the chairman of the meeting may waive such requirement with respect to all the attendees at any meeting, and accept the instrument appointing a proxy and/or power of attorney upon the commencement of the meeting.
- g. A shareholder holding more than one share may appoint more than one proxy, subject to the following:

1. The Instrument of Appointment will specify the class and number of shares in respect of which it is granted;
 2. If the total number of shares of any class specified in the Instruments of Appointment granted by an individual shareholder exceeds the number of shares of such class held by him, all the Instruments of Appointment granted by such shareholder in respect of the surplus shares will be annulled without affecting the validity of the vote in respect of the shares that are held by him;
 3. If only one proxy has been appointed by the shareholder and the Instrument of Appointment does not specify the number and class of shares in respect of which it was granted, the Instrument of Appointment will be deemed to have been granted in respect of all the shares existing on the date the Instrument of Appointment is deposited with the Company or on the date it is delivered to the chairman of the meeting, depending on the circumstances. In the event of the Instrument of Appointment having been granted in respect of a number of shares less than that held by the shareholder, he will be deemed to have abstained from voting in respect of the remaining shares held by him and the Instrument of Appointment will be effectual only in respect of the number of shares therein specified.
- h. Any instrument appointing a proxy, whether for a meeting specifically mentioned or for any general meeting, shall be insofar as circumstances permit, be in the following form:

| |
|---|
| <p>I, _____ of _____ being a shareholder of the company _____ B. M. ("the Company") hereby appoint _____ whose identity number is _____ of _____, or failing him/her _____ whose identity number is _____ of _____ or failing him/her _____ whose identity number is _____ of _____ to vote for me and on my behalf in respect of _____ shares (*) of class (**) held by me at the general meeting of the Company/at a class meeting of the holders of shares of the _____ (***) class to be held on the ____ day of the month of _____ in the year _____ and at any adjournment thereof.</p> <p>As witness my hand this ____ day of the month of _____ in the year _____.</p> <p style="text-align: center;">_____ Signature</p> |
|---|

- (*) State the number of shares.
- (**) State the class of shares.
- (***) Specify the class meeting and delete as appropriate.

- i. A vote given in accordance with the terms of the Instrument of Appointment will be valid notwithstanding the death of the appointor or revocation of the power of attorney or transfer of the share in respect of which such vote was given, unless notice in writing of such death, revocation or transfer has been received at the Office of the Company or by the chairman of the meeting before voting takes place.
- j. No shareholder shall be entitled to attend or vote, either in person or by proxy, at a general meeting otherwise than by virtue of such shares in respect of which all calls payable by him at such time have been paid.

- k. An instrument appointing a proxy will be valid for any adjourned meeting of the meeting to which the proxy relates.

15. **Resolutions passed at general meetings**

- a. Any resolution put to the vote of a general meeting shall be decided by a poll.
- b. Resolutions at a general meeting, including a resolution relating to amalgamation, will be passed by simple majority, unless another majority is expressly prescribed by the Law or these Articles. A resolution on the subject of the appointment of directors shall be adopted as provided in Article 16 below.
- c. A declaration by the chairman of the general meeting that a resolution at a general meeting has been carried unanimously or by a particular majority or lost, will be prima facie evidence of the fact stated therein.

16. **The Board of Directors of the Company**

- a. Basic Principle – a banking corporation with no core of control

So long as the Company is "a banking corporation with no core of control", then all of the following provisions of this Article 16 a. shall apply to the Company:

- (1) Any proposal of candidates, their appointment and the termination of their office, including the maximum number of directors that may be proposed and the maximum number of directors that may be substituted at any general meeting, shall be made in accordance with the provisions of the Banking Ordinance and shall be subject to such provisions.
 - (2) The terms of office of the directors who are not External Directors under the Companies Law (or under Directive 301), shall not exceed the terms specified in the Banking Ordinance, and with respect to directors holding office in the Company on the eve of its conversion into a banking corporation with no core of control, the special provisions prescribed therefor in the Banking Ordinance shall apply.
 - (3) Any person who does not comply with the conditions specified in the Banking Ordinance shall not be appointed and shall not hold office as a director, and with respect to directors holding office in the Company on the eve of its conversion into a banking corporation with no core of control, the special provisions prescribed in the Banking Ordinance with respect to them shall apply.
 - (4) In any case of conflict between the provisions of these Articles and the provisions of the Banking Ordinance in relation to a banking corporation with no core of control that may not be stipulated against, the provisions of the Banking Ordinance shall prevail.
- b. The number of members of the Board of Directors will be determined from time to time by resolution of the general meeting of the Company. The number of members of the Board of Directors shall be not less than seven (7) and shall not be more than ten (10), unless the approval of the Supervisor of Banks is given therefor.

- c. The directors of the Company will be appointed by resolution to be adopted in general meeting by a simple majority, except in relation to an External Director under the Companies Law the majority required for the appointment of whom shall be in accordance with the Companies Law. Voting at the general meeting on the appointment of directors, or on the termination of their office, shall be for each candidate for office or for each director, as the case may be, separately. If the number of candidates for office as directors who received a majority of the votes participating in the voting at the general meeting exceeded the number of the vacant positions qualifying for a particular office (the determination in that regard shall be in relation to each qualifying office separately, that is to say – an External Director under the Companies Law, an External Director under Directive 301 and another director), the candidates who received the highest number of supporters in the voting at the general meeting in each category of qualification shall be elected, except that if it concerns the office of External Director under the Companies Law, then the candidates who received the highest number of supporters in the voting at the general meeting from among the votes of the shareholders as provided in Section 239 (b) (1) of the Companies law shall be elected. In the event that a determination is required as aforesaid between a number of candidates who received an equal number of votes, whoever of them who will hold office as a director will be determined by lot.

If before the commencement of the actual term of office of any of the elected directors it transpires that he will not commence his office for whatever reason, whoever of the rest of the candidates in the same category of qualification, (that is to say – an External Director under the Companies Law, an External Director under Directive 301 and another director) who received the required majority to be elected shall be deemed to have been elected by the general meeting instead of him, and if there are a number of candidates in the same category of qualification who received the required majority as aforesaid, then there shall be elected from among them whoever was awarded the highest number of supporters in the voting at the general meeting in that category of qualification as provided in this sub-article above ("the next in line"), except that if it concerns the office of an External Director under the Companies Law, who was awarded the highest number of supporters in the voting at the general meeting from among the votes of the shareholders as provided in Section 239 (b) (1) of the Companies law. The provisions of this paragraph shall also apply in relation to the next in line.

The Board of Directors may not appoint directors to the banking corporation and may not propose candidates for the office of director to the committee for the appointment of directors [appointed pursuant to the Banking \(Licensing\) Law](#). Notwithstanding the foregoing, subject to the provisions of the Banking Ordinance and the approval of the Supervisor, the Board of Directors may appoint directors to the Company, provided that the term of office of a director appointed by resolution of the Board of Directors as aforesaid

shall come to an end no later than the next general meeting.

- d. The office of a director will commence on the date of his appointment or on such later date in the future as may be determined in the appointing resolution. Such office shall continue until terminated or comes to an end pursuant to the provisions of these Articles and/or the provisions of the Banking Ordinance.
- e. A director may resign by giving written notice to the Board of Directors, the chairman of the Board of Directors or the Company, and the resignation will enter

into effect on the date the notice was given, unless a later date is specified in the notice. The director's notice of resignation will include the reasons for his resignation.

- f. Upon notice of resignation of a director being received, the resignation and the reasons given therefor will be submitted to the Board of Directors, and noted in the minutes of the next meeting first convened after the resignation.
- g. The general meeting may, at any time, remove a director from office, provided that a resolution of removal from office as aforesaid shall only be at the Annual Meeting or at a meeting convened pursuant to Section 35A of the Banking (Licensing) Law, unless the Supervisor has approved voting as aforesaid at a Special Meeting.

A director who is to be removed from office as stated in this Article, will be given a reasonable opportunity to state his case to the general meeting.

- h. Without derogating from the causes specified in the Law, the office of director will be vacated in any of the following events:
 1. If he has resigned his office according to Article 16(e) above;
 2. If he has been removed from office according to Article 16(g) above;
 3. When notice is given of conviction of an offence as provided in Section 232 of the Law or of the imposition of any enforcement measure as provided in Section 232A of the Law.
 4. By decision of a court, arrived at according to Section 233 of the Law;
 5. If he has been declared bankrupt and, if the director is a corporation - it has resolved to be wound up voluntarily or a winding-up order has been made against it;
 6. Upon the date of the passing of a resolution by the Board of Directors terminating his office due to any cause specified in the Law, as provided in Section 231 of the Law;
 7. If he has become legally incompetent;
 8. At the end of the period for which he was elected, except if extended by the Supervisor;
 9. When notice pursuant to Sections 227A or 245A of the Law is given;
 10. In any other case where there is cause for the expiration of the office of the director by operation of the Law.
- i. A director who ceases to hold office shall be eligible to be re-appointed.
- j. If no director is appointed or if the office of director is vacated, the remaining directors may continue to act in respect of any matter so long as their number has not fallen below the minimum prescribed for the time being for meetings of the Board of Directors.

17. **Conditions of office of the directors**

The manner of approval of the terms of office and employment of the directors shall be in compliance with the provisions of the Companies Law, the regulations promulgated thereunder and the provisions of any law. The Directors will be entitled to receive reimbursement for their ~~travelling expenses to meetings of the Board of Directors and its committees and for other acts performed by them in the framework of their office as directors.~~ expenses in accordance with the provisions of the law.

18. **Chairman of the Board of Directors and deputy chairman of the Board of Directors**

- a. The Board of Directors of the Company will elect one of their number from time to time to serve as chairman of the Board of Directors and may remove him from office and appoint another in his stead.

~~Furthermore, the Board of Directors of the Company may, from time to time, appoint one of their number to be deputy chairman of the Board of Directors and remove him from office and appoint another in his stead.~~

- b. In the absence of the chairman of the Board of Directors, ~~the deputy chairman of the Board of Directors will take his place, and, in his absence,~~ the Board of Directors will elect a substitute from amongst its members being directors, ~~not being office holders of the Company and are not active in the day to day management thereof.~~

- c. The Board of Directors may authorize the chairman of the Board of Directors ~~and/or the deputy chairman of the Board of Directors~~ to perform special duties from amongst those imposed on the Board of Directors.

The chairman, ~~or as the case may be, his deputy,~~ will deliver to the Board of Directors a regular report on the performance of such duties.

- d. The chairman of the Board of Directors ~~and in turn, his deputy,~~ may appoint for himself an assistant who will be subordinate to him and assist him in the performance of his duties.

19. **Meetings of the Board of Directors and the Manner of Conducting Same**

- a. The agenda of meetings of the Board of Directors will be fixed by the chairman of the Board of Directors ~~and, in his absence, by the deputy chairman of the Board of Directors,~~ and will include such business as will be determined by the chairman, as well as any matter that a director or the chief executive officer have requested the chairman of the Board of Directors to include on the agenda, a reasonable time prior to the meeting of the Board of Directors being convened.

- b. The chairman of the Board of Directors will preside over the meetings of the Board of Directors. In the absence of the chairman of the Board of Directors from a meeting, ~~his deputy will take his place, and, in his absence,~~ the Board of Directors will elect another one of its members to preside over the meeting and sign the minutes of the proceedings. The chairman of the Board of Directors will have no additional vote.

- c. The quorum for meetings of the Board of Directors and for its resolutions shall be as prescribed by the law.

- d. The Board of Directors may pass resolutions without actually convening, provided all the directors entitled to attend the proceedings and vote on the proposed resolution, have agreed thereto. Upon such resolutions being passed, minutes of the resolutions will be recorded and signed by the chairman of the Board of Directors.

20. **Voting at the Board of Directors**

- a. On voting at the Board of Directors, each director will have a single vote.

- b. Resolutions of the Board of Directors will be passed by a simple majority of votes of the members of the Board of Directors present and participating in the voting. In the event of an equality of votes, the resolution will fail.
- c. Minutes approved and signed by the chairman of the meeting or the chairman of the Board of Directors, will serve as prima facie evidence of the contents thereof.

21. **Committees of the Board of Directors**

- a. The provisions of these Articles pertaining to the convening and conduct of meetings of the Board of Directors will also apply, *mutatis mutandis*, to the convening of meetings of committees of the Board of Directors, and the way in which they are conducted.
- b. Minutes of meetings of the committees will be available for inspection by all of the directors, except in cases of an impediment under the law or if the Board of Directors has so resolved in exceptional cases and with a reasoned resolution.

22. **Audit Committee**

- a. The Board of Directors of the Company will appoint from amongst its members, an Audit Committee, and the provisions of Article 21 above will apply thereto, *mutatis mutandis*.
- b. The number of members of the Audit Committee will be not less than three (3) and its ~~members will be appointed in accordance with the Law. The chairman of the Audit Committee will be an External Director under the Companies Law.~~ composition shall be in accordance with the law.
- c. The Audit Committee will hold at least six (6) meetings a year, and its duties and powers will be as prescribed in the Law and the Proper Conduct of Banking Business Directives.
- d. The quorum for meetings of the Audit Committee shall be as prescribed by the law.
- e. The internal auditor of the Company will receive notices of meetings of the Audit Committee and be entitled to participate therein. The internal auditor may request the chairman of the Audit Committee to convene the Committee and the chairman will so convene the Committee, if he deems fit, to discuss any matter specified in the internal auditor's request within a reasonable time of his request.
- f. The Audit Committee will discuss the internal auditor's work plan, before being submitted to the Board of Directors for approval.
- g. The Audit Committee will monitor the implementation of the internal auditor's work plan, receive on a regular basis the material internal audit reports as may be determined by the internal auditor, and consider the findings thereof. The Committee may determine that there be brought before them a summary of the internal auditor's audit reports or the full reports, as the Committee deems fit. A list of the audit reports will be forwarded to the Audit Committee on a regular basis.
- h. The Audit Committee may recommend the termination of the internal auditor's office or his suspension.

- i. The Audit Committee will consider the audit reports of the Supervisor of Banks, unless any particular report specifically states that it must be submitted to the Board of Directors in a plenary session, and shall reach the necessary decisions resulting from such deliberations.
- j. The Audit Committee will consider the audit reports of the auditor.
- k. Notice of the holding of an audit meeting at which a subject arises pertaining to the audit of the financial statements, will be forwarded to the auditor of the Company, who may participate thereat.
- l. The Audit Committee will, at least once every three years, or upon the termination of the auditor's period of appointment, whichever is the ~~earlier~~later, discuss the possibility of replacing the auditor and state its position to the general meeting on the agenda of which is the termination of the auditor's office or the non-renewal of his office.
- ~~m. The Audit Committee will conduct an audit through the internal auditor or otherwise of the ongoing implementation of the directives of the Board of Directors.~~
- m. The Audit Committee will address discrepancies in the business management of the Company inter alia, in consultation with the internal auditor and the auditor of the Company, and propose methods to rectify them to the Board of Directors. The Audit Committee will further decide whether to approve actions and transactions requiring the approval of the Audit Committee according to the Law.
- n. In addition the Audit Committee shall execute any function imposed on it by the Law.

23. **The Chief Executive Officer and the Board of Management**

- a. The Company will have a Board of Management.
- b. The Board of Directors is responsible for the appointment, dismissal, and evaluation of performance of the chief executive officer of the bank. ~~will elect from amongst the members of the Board of Management the chief executive officer.~~ The chief executive officer is responsible for the current management of the Company's affairs, and for the implementation of the policy prescribed by the Board of Directors, subject to its directions.
- c. The Board of Directors, upon the recommendation of, ~~or after consultation with~~ the chief executive officer, will elect the members of the Board of Management in the manner and on such conditions, for such periods and in such number as may be resolved from time to time. Furthermore, the Board of Directors may, upon the recommendation of the chief executive officer or after consultation with him, may remove any member of the Board of Management, or elect an additional member of the Board of Management.
- ~~d. The Board of Management may convene and adjourn its meetings and regulate its operations and proceedings in such manner and order, and according to such rules and procedures as it may determine.~~

~~e. The Board of Management will fix the quorum required for its meetings, and, unless otherwise fixed by the Board of Management, a majority of the members of the Board of Management shall be a quorum for its meetings.~~

~~f. The Board of Management will, with the approval of the Board of Directors, determine the Company's candidates for serving as directors in other companies.~~

Exemption, Indemnity and Insurance

24. Subject to the provisions of the Companies Law and the provisions of any other law, the Company may enter into a contract for insuring the liability of an office holder thereof, on account of liability which may be imposed upon him following any act committed by him by virtue of his being an office holder thereof, in any of the following:

- a. Breach of duty of care towards the Company or towards any other person;
- b. Breach of fiduciary duty towards the Company, provided that the office holder acted in good faith and had reasonable grounds for assuming that the act would not affect the good of the Company;
- c. Any pecuniary liability imposed upon him in favour of any other person;
- d. Any liability, payment or expense imposed upon him in connection with any Administrative Proceeding (as defined in Article 24D below), in any of the following:
 1. Payment to a breach affected person (as defined in Article 24D below);
 2. Expenses incurred by an office holder in connection with any Administrative Proceeding (as defined in Article 24D below) which was conducted in any matter concerning him including reasonable litigation expenses, which also includes attorney's fees;
- e. Any other event in respect of which it is permitted and /or it may be permitted to insure an office holder's liability.

24A. Subject to the provisions of the Companies Law and the provisions of any other law, the Company may indemnify an office holder thereof (whether by way of indemnification with retroactive effect or by way of providing an undertaking to indemnify in advance), on account of any liability or expense as set forth in sub-Articles 24A(1) to 24A(5) below, imposed on the office holder or which was incurred by the office holder following any act committed by him by virtue of being an office holder of the Company, as follows:

1. Any pecuniary liability imposed upon him in favour of any other person by any judgment, including any judgment given by way of compromise or arbitration award approved by a court law; however, an undertaking to indemnify in advance on account of such pecuniary liability, shall be limited to events which in the opinion of the Board of Directors are foreseeable in view of the actual activity of the Company at the time the undertaking to indemnify in advance is given and to an amount or criterion which the Board of Directors determined that they are reasonable in the circumstances of the matter and that in no event will they exceed

25% of the Company's equity capital according to its last known financial statements (annual or quarterly) prior to the actual payment of the indemnity and that with respect to an undertaking to indemnify in advance the events will be noted which in the opinion of the Board of Directors are foreseeable in view of the actual activity of the Company at the time the undertaking is given as well as the amount or the criterion which the Board of Directors determined that they are reasonable in the circumstances of the matter;

2. Reasonable litigation expenses, including attorney's fees, incurred by an office holder following an investigation or proceeding being conducted against him by an authority with the competence to conduct an investigation or proceeding, and which was concluded without any indictment being brought against him and without being charged with any pecuniary liability as a substitute for a criminal proceeding, or which was concluded without any indictment being brought against him but was charged with pecuniary liability as a substitute for a criminal proceeding regarding an offence not requiring proof of criminal intent or in connection with a financial sanction;

In this paragraph – “a proceeding being concluded without any indictment being brought in a matter in which a criminal investigation was launched” and “a pecuniary liability as a substitute for a criminal proceeding” – within their meaning in Section 260(a) (1a) of the Companies Law as it may be amended from time to time.

3. Reasonable litigation expenses, including attorney's fees, incurred by the office holder or for which he has been made liable by a court of law, in a proceeding filed against him by or on behalf of the Company or by any other person, or in a criminal prosecution from which he has been acquitted or in a criminal prosecution in which he was convicted of an offence not requiring proof of criminal intent;
4. Any liability, payment or expense imposed on him in connection with an Administrative Proceeding (as defined in Article 24D below), in any of the following:
 - 4.1 Payment to a Breach Affected Person (as defined in Article 24D. below);
 - 4.2 Expenses incurred by an office holder in connection with an Administrative Proceeding (as defined in Article 24D below) which was conducted in a matter concerning him, including reasonable litigation expenses, and also including attorney's fees;
5. Any liability or other expense on account of which it is and/or may be permitted to indemnify an office holder.

24B. Subject to the provisions of the Companies Law and the provisions of any other law, the Company may insure and/or indemnify whether by indemnification with retroactive effect or by way of providing an undertaking to indemnify in advance) an office holder thereof on account of his office at the request of the Company as an office holder in any other company in which the Company, holds shares, directly or indirectly, or in which the Company has an interest (hereinafter “**an Affiliated Company**”), on account of any liability, payment or expense which may be imposed or incurred following any act committed by virtue of his being an office holder of the Affiliated Company, and with reference thereto Articles 24 and 24A above will apply, *mutatis mutandis*.

24C. Subject to the provisions of the Companies Law and the provisions of any other law, the provisions of these Articles of Association in no way operate to restrict the Company, in any way whatsoever, with regard to entering into an insurance or indemnity contract (whether by indemnification with retroactive effect or by way of providing an undertaking to indemnify in advance):

1. In connection with an office holder of the Company or an office holder in an Affiliated Company, in as much as the insurance or the indemnity are not prohibited by any law.
2. In connection with a person who is not an office holder of the Company or an office holder of an affiliated Company, including but without derogation from the generality of the aforesaid, employees, contractors or advisors.

24D. In this chapter the following terms shall have the following meanings:

“The Securities Law” - the Securities Law, 5728-1968, as may be amended from time to time;

“Administrative Proceeding” - a proceeding under Chapter H3 (Imposition of a Financial Sanction by the Authority), Chapter H4 (Imposition of Administrative Means of Enforcement by the Administrative Enforcement Committee) or Chapter I1 (Arrangement for Refraining from Instituting Proceedings or for Discontinuing Proceedings, Subject to Conditions) of the Securities Law; a proceeding under Chapters J, J1 and K1 of the Joint Investment Law; a proceeding under Chapters G1, G2 and H1 of the Advising Law; and a proceeding under Chapter I1 of the Insurance Control Law and under Chapter H of the Provident Funds Law; [a proceeding under Chapter G1 \(Monetary Sanction\) of the Law for Economic Competition, 5748-1988](#); [proceedings under the Fourth Chapter of the Ninth Part of the Companies Law \(Imposition of a Monetary Sanction by the Companies Registrar or the Israel Securities Authority\)](#); a proceeding under Chapters E-F of the Law for Financial Information Service, 5782-2021 (**“Financial Information Service Law”**); [a proceeding under Chapter L of the Law for Supervision of Financial Services \(Regulated Financial Services\), 5776-2016](#); [a proceeding under Chapters G-H of the Law for Regulation of Engagement in Payment and Payment Initiation Services, 5783-2023 \(“Payment and Payment](#)

Initiation Services Law”); and any other enforcement / administrative inquiry proceeding, indemnity in respect of expenses and/or payments pertaining to which can be granted in accordance with the law.

“Payment to a Breach Affected Person” - Payment to a breach affected person as provided in Section 52BBB (a)(1)(a) of the Securities Law (including as applied in the Joint Investment Law, ~~and in~~ the Advising Law, the Financial Information Service Law, and the Payment and Payment Initiation Services Law, or in additional laws); ~~and~~ payment to a breach affected person imposed by the Commissioner of the Capital Market under Section 92U of the Insurance Control Law or under Section 47 of the Provident Funds Law; and payment of a similar type under another law, provided that indemnity in respect thereof is not prohibited by law.

“The Joint Investment Law” - the Joint Investment Trust Fund Law, 5754-1994;

“The Advising Law” - the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 5755-1995;

“The Insurance Control Law”- the Control of Financial Services (Insurance) Law, 5741-1981;

“The Provident Funds Law” - the Control of Financial Services (Provident Funds) Law, 5765-2005;

24E. Subject to the provisions of the Companies Law and the provisions of any other law, the Company may exempt officers thereof, in advance and/or retroactively, from any liability towards it due to any damage of any kind incurred and/or which may be incurred, directly or indirectly, by the Company and/or by subsidiaries of the Company and/or by affiliates of the Company and/or by whichever other corporations, securities of which the Company holds and/or may hold from time to time ("Affiliated Corporations of the Company"), due to any act or omission (including any decision, failure to decide or any derivative of the aforesaid), which constitutes a breach of the duty of care of its officers. The aforesaid shall also apply in relation to the exemption of an officer of the Company in connection with his role as an officer of Affiliated Corporations of the Company. Notwithstanding the aforesaid in this article, such exemption shall not apply in relation to an act or omission by an officer pertaining to a decision or a transaction in which the controlling shareholder or any officer of the Company has a personal interest.

25. **Internal auditor**

- a. The Board of Directors of the Company will appoint an internal auditor as proposed by the Audit Committee.
- b. The internal auditor will submit for the approval of the Audit Committee his proposal for an annual or periodic work plan and the Audit Committee will approve the same subject to such changes as it sees fit.
- c. The internal auditor will submit a report of his findings to the chairman of the Board of Directors, the chief executive officer and the chairman of the Audit Committee; and, in the framework thereof, will submit periodic and annual audit reports, including a periodic report on the implementation of the internal auditor's work plan. The audit reports will be prepared in writing, on an ongoing basis and shortly after the events. Extraordinary findings will be immediately reported by the internal auditor.
- d. The office of the internal auditor will not be terminated, other than according to the provisions of Section 153 of the Law.
- e. The chairman of the Board of Directors or chairman of the Audit Committee may charge the internal auditor to prepare an internal audit in addition to the work plan, on such matters for which the need of an urgent investigation arises.
- f. Extraordinary events which give rise to suspicion of a criminal offence will be immediately referred to the internal auditor for investigation and brought to the attention of the chairman of the Board of Directors.
- g. The internal auditor and his staff will not be assigned any duties which are not within the scope of the functions of internal auditing.
- h. The Board of Directors, through the chairman of the Board and the Board of Management will do everything necessary to ensure that the internal auditor receives all the information and documents required by him to carry out the internal audit. In the framework thereof, the internal auditor will be entitled to inspect minutes of the meetings of the Board of Directors and its committees.
- i. The internal auditor will receive on an ongoing basis every audit report of the Supervisor of Banks and related correspondence.
- j. The internal auditor, upon his request, will be entitled to appear before the Board of Directors or the Audit Committee in any matter falling within the scope of his duties. The Board of Directors in plenary session will summon him to appear before them when reviewing the activities of internal auditing.

26. **Auditors**

- a. The Company will appoint an auditor who will audit its annual financial statements and express his opinion thereon, and it may similarly appoint a number of auditors to perform jointly the auditing functions.
- b. The appointment of the auditor will be made at each annual meeting. The auditor will discharge his duties until the end of the next annual meeting following that at which he was appointed, or until [another date, if the appointment for such period is proposed on the agenda, and if the annual meeting so resolves at the date of the appointment, provided that the term of the appointment does not extend beyond](#) the

end of the third annual meeting following that at which he was appointed, ~~if the agenda contains a proposal to appoint him for such period, and if the annual meeting so resolved at the time of the appointment.~~

- c. Notwithstanding Sub-Article 26(b) the general meeting may relieve an auditor of his duties prior to the expiration of his term of appointment and appoint, at a general meeting, an auditor in his stead; the general meeting may also add an auditor to the currently serving auditor.
- d. The auditor may, at his request, appear before the Board of Directors or the Audit Committee on any matter which falls within the scope of his duties. The Board of Directors in plenary session is obliged to summon him to appear before them when approving the financial statements which have been audited or reviewed by him. The auditor will similarly be summoned to general meetings of the shareholders, at which the above financial statements are to be considered.
- e. The remuneration and terms of employment of the auditors will be fixed by the Board of Directors.

27. **Dividends and bonus shares**

- a. A shareholder will have the right to receive dividend or bonus shares if so resolved by the Company as prescribed in these Articles. The shareholders entitled to dividend are those holding shares on the date of the resolution declaring the dividend, or on such later date, if such a date is prescribed by the resolution.
- b. A resolution of the Company to distribute dividend or bonus shares or any other distribution will be passed by the Board of Directors of the Company.
- c. Subject to any special rights or restrictions attaching to any shares as herein detailed, dividend in cash and bonus shares will be payable and distributed to and amongst the shareholders in proportion to the capital amount paid-up on the nominal value of the shares held by them, disregarding any premium paid thereon, save that any amount paid-up on account of a share which has not been called or has not yet become payable and on which the Company pays interest to the shareholder will not for the purpose hereof be deemed to be an amount paid-up on account of the share.
- d. No dividend or monies whatsoever or benefits in respect of a share will carry interest.
- e. The Board of Directors may deduct from any dividend or monies whatsoever or benefits in respect of any share, all sums presently payable by the shareholder to the Company on account of calls as provided herein or otherwise.
- f. The Board of Directors may withhold any dividend or bonus shares or monies whatsoever or benefits in respect of a share over which the Company has a charge and apply the amount of such dividend or bonus shares or monies or benefits, to the discharge of the debts or liabilities in respect of which the Company has a charge.
- g. For the purpose of giving effect to any resolution concerning a distribution as defined in the Law, the Board of Directors may:

1. Settle as they deem fit any difficulty arising in regard to the distribution and take such steps as are required therefor.
 2. Disregard shares of an amount less than that prescribed by the Board of Directors in order to adjust the rights of the shareholders;
- h. The Board of Directors may, from time to time, provide for the manner of payment of dividends or distribution of bonus shares and the arrangements relating thereto to both registered shareholders as well as those holding share warrants. Without derogating from the generality of the foregoing, the Board of Directors may pay any dividend or monies in respect of shares by sending a cheque by post to the address of the shareholder registered in the register of shareholders of the Company. Any dispatch of a cheque as aforesaid will be carried out at the risk of the shareholder.
- i. If a number of persons hold shares jointly, each of them shall be entitled to give effectual receipts for all dividends and payments on account of dividends, return of capital and other monies due with respect to such share.
- j. The party entitled to dividend which is unclaimed within a period of seven (7) years from the date of the resolution for its distribution will be deemed to have waived the same and ownership thereof will revert to the Company.

28. **Additional Register of Shareholders Outside Israel**

The Company may maintain an additional register of shareholders outside Israel, and the Board of Directors will, from time to time, prescribe the conditions and arrangements according to which such register will be maintained and managed.

29. **Donations**

By decision of the Board of Directors, the Company may give donations to worthy causes, even if the donation falls outside of the scope of the Company's business considerations.

30. **Notices**

- a. Where the Company has reason to believe that the address supplied to it by any shareholder is no longer his address, such member will be deemed not to have supplied the Company with any address in either of the following cases:
1. Where the Company has sent him , according to the address supplied by him, a registered letter requesting him to confirm that the address is still his address or to advise the Company of a new address, and the Company did not receive any reply within 60 days of the date that such letter was posted by the Company;
 2. Where the Company has sent him, according to the aforesaid address, a registered letter and the Postal Authority, on returning such letter or without doing so, has advised the Company that the letter was not delivered to such address due to the person being unknown at such address or for some other similar reason.
- b. Notices of the Company to a shareholder who appears in the register of shareholders may be served on the shareholder in person, sent to him by post according to his

address recorded in the register of shareholders, by fax, e-mail or by any other technological means. A notice sent by post will be deemed to have been served if posted in a pre-paid letter containing the notice and bearing the registered address of the shareholder.

- c. Any registered shareholder whose registered address is not in Israel may, from time to time, notify in writing to the Company an address in Israel which shall be deemed to be his registered address within the meaning thereof in Sub-Article (a) above. As regards registered shareholders who have given no such registered address in Israel, a notice displayed at the Office will be regarded as having been duly notified to them from the moment it is displayed.
- d. Any notice sent by post will be deemed to have been delivered on the day the letter, envelope or other enclosure containing the notice has been posted, and in order to prove such delivery, it will be sufficient to prove that such letter, envelope or enclosure containing the notice was properly addressed and lodged with the post office. A certificate in writing signed by a director, secretary of the Company or other office holder of the Company stating that the envelope or enclosure containing the notice was so addressed and lodged, shall serve as prima facie evidence thereof.
- e. Notice may be given by the Company to the joint holders of a share by giving notice to the joint holder named first in the register of shareholders.
- f. The Company shall give notice to the persons entitled to a share in consequence of the death, bankruptcy or liquidation of a shareholder by sending it through the post in a stamped letter addressed according to their name or as administrators of the estate of the deceased, or as trustees of the bankrupt, or as liquidators of a corporation being wound up, or by any like description, according to the address in Israel given to the Company by the persons claiming to be so entitled or, if no address was given, by giving the notice in any manner in which the same might have been given if not for the death, bankruptcy or liquidation.
- g. Notwithstanding the foregoing and subject to any law, notice by the Company may be given to the shareholders by publishing the notice in two (2) Israeli newspapers or on the Company's website. Such publication shall be made subject to the requirements of the Law and the dates specified therein for such matters.
- h. Where a given number of days' notice, or notice extending over any other period is required to be given, the day of delivery shall be counted in such number of days or other period, unless otherwise provided.
- i. The accidental deletion or error in or in the delivery of any notice will not affect the validity of any act done or failure to act following such notice.
- j. The provisions of this Article 30 in no way affect the provisions of Article 11 above with regard to the manner in which the Company may summon a general meeting. The summoning of a general meeting shall be as prescribed in Article 11 alone.

31. **Alteration of the Articles**

The Company may alter these Articles by resolution adopted at a general meeting, by the resolution of a simple majority.

32. **Transactions requiring approval**

- a. Each transaction, act or omission of the Company which, under the Companies Law, require approval according to the Articles of Association of the Company, including and in particular, approval that they do not affect the good of the Company (hereinafter: "an act requiring approval") will be approved by the Board of Directors or by whoever may be appointed for such purpose by the Board of Directors;
- b. The Board of Directors may appoint such person or group of persons or anybody or bodies for the purpose of approving acts requiring approval. Such appointment may be of general application, or for a certain class of acts or for an act requiring special approval;
- c. The approval of an act requiring approval by the Board of Directors or by the person appointed by the Board of Directors as aforesaid, will be deemed to be approval that has been granted in accordance with the provisions of these Articles.

33. **Signing Authority**

The Board of Directors or the Board of Management may empower any person or persons (even if not being members of the Board of Directors or the Board of Management) to act and sign on behalf of the Company, and the acts and signatures of such person or persons will be binding upon the Company, if and to the extent that such person or persons have acted and signed within the scope of their aforesaid powers.

Date: _____

To:

Dear Sir,

Re: **Letter of Indemnity**

Whereas the Articles of Association of Bank Hapoalim ("**the Bank**") permit the Bank to give a commitment in advance to indemnify the office holders of the Bank;

And whereas on ~~September 27, 2023~~January 13, 2016, the Board of Directors of the Bank resolved ("**the indemnity resolution**"), after receiving the approval of the Bank's Remuneration Committee on ~~September 21, 2023~~January 11, 2016, to approve the granting of new letters of indemnity to office holders in the Bank, as they will be from time to time, including in respect of their tenure, at the request of the Bank, as office holders of any other company in which the Bank holds shares, directly or indirectly, or in which the Bank has any interest ("**Investee Company**"), as they may be from time to time, ~~including officers in the indemnification of whom the controlling party has a personal interest~~ this in accordance with the provisions of the Companies Law, 1999-5559 ("**the Companies Law**"), the Securities Law, 1968 - 5728 ("**the Securities Law**"), ~~the Improvement of Enforcement Proceedings in the ISA Law (Legislation Amendments), 5771-2011~~other laws detailed below that may be relevant in the future and as the indemnification conditions detailed in this letter;

and whereas on [_____] ~~February 18, 2016~~, the General Meeting of the Bank approved the issuance of the said letters of indemnity;

and whereas you serve as an office holder in the Bank and/or in an investee company of the Bank;

We would like to inform you as follows:

1. The Bank hereby undertakes, as far as this is permitted by law, as follows:

1.1. to indemnify you for any liability or expense, as specified below, that you incur and/or expend as a result of actions you have taken, including any decision and/or omission or any derivative thereof in connection with and including your actions before the date of this letter, and/or that you will act by virtue of being an office holder of the Bank and/or in an investee company of the Bank, as follows:

1.1.1. A financial liability imposed on you in favor of another person based on a judgment, including a judgment that will be given in compromise or an arbitral award approved by a court, provided that the liability is related, directly or indirectly, to one or more of the events listed in the appendix to this Letter of Indemnity, or any other part thereof or related thereto, directly or indirectly, and also that the maximum amount in respect of such liability shall not exceed the amount set forth in Section 2 below;

- 1.1.2. Reasonable litigation expenses, including lawyer's fees, that you incurred as a result of an investigation or proceeding that was conducted against you by an authority authorized to conduct an investigation or proceeding, and that ended without the filing of an indictment against you and without a financial liability being imposed on you as an alternative to criminal proceedings, or that ended without the filing of an indictment against you but with the imposition of a financial liability as an alternative to criminal proceedings in an offense that does not require proof of criminal intent or in connection with a financial sanction. In this paragraph - "termination of proceedings without the filing of an indictment in a matter in which a criminal investigation has been opened" and "financial liability as an alternative to criminal proceedings" - as defined in Clause 260(a)(a1) of the Companies Law, as amended from time to time.
- 1.1.3. Reasonable litigation expenses, including lawyers' fees, that you may expend or be charged by a court, in a proceeding that may be filed against you by the Bank and/or by an investee company or on their behalf or by another person, or in a criminal charge from which you will be acquitted, or in a criminal indictment in which you are convicted of an offense that does not require proof of criminal intent.
- 1.1.4. Expenses in connection with an administrative procedure conducted in your case, including reasonable litigation expenses, including lawyer's fees.
- 1.1.5. Payment to the victim of the violation that you are required to pay in connection with an administrative procedure.

In this section, "**other person**" - including in the case of a claim filed against the office holder by way of a derivative action.

2. The indemnification amounts in respect of liability as stated in Section 1.1.1 above that will be paid to you according to this Letter of Indemnity, together with the indemnification amounts for liability as stated in Section 1.1.1 above, which will be paid to other office holders in the Bank and/or in an investee company, in accordance with the letters of indemnity issued according to the indemnification resolution, must not cumulatively exceed 25% of the Bank's shareholders' equity according to its most recent financial statements (annual or quarterly) which are known before the actual payment of the indemnification ("**the Maximum Indemnification Amount**").
3. For the avoidance of doubt, it is clarified that the maximum indemnification amount will apply in addition to and in excess of the amount that will be paid (if and to the extent that it will be paid) as part of insurance and/or indemnification by anyone other than the Bank (so that the maximum indemnification amount will not be reduced due to such insurance and/or indemnification payments that have been paid, insofar as they have been paid).

4. If and to the extent that the total of all the indemnification amounts that the Bank is required to pay in respect of a liability as stated in Section 1.1.1 above exceeds the maximum indemnification amount or the balance of the maximum indemnification amount (as it exists at that time) according to Section 2 above, the maximum indemnification amount, or its balance, will be divided, as applicable, between the office holders who will be entitled to indemnification (and who have not yet received the indemnification), such that the indemnification amount that each of the actual office holders will receive will be calculated according to the ratio between the indemnification amount that will be due to each of the office holders and the indemnification amount that will be due to all of the aforementioned office holders in aggregate.
5. Upon the occurrence of an event for which you may be entitled to indemnification in accordance with the above, the Bank will make available to you, from time to time, the necessary funds to cover the expenses and other payments of any kind involved in the handling of that legal and/or administrative procedure, including [investigation, inquiry](#) or inspection procedures, such that you will not be required to pay or finance them yourself, all subject to the conditions and provisions of this Letter of Indemnity.
6. Without derogating from the aforesaid, the obligation for indemnification according to this document is subject to what is stated in this Section:
 - 6.1. You will notify the Bank of any legal and/or administrative proceedings (including investigative proceedings) ("**proceedings**") that may be opened against you, in connection with any event for which the indemnification may apply, and of any concern or threat given to you in writing according to which proceedings may be opened against you, this, with due speed after it has been made known for the first time, and you furnish the Bank or whoever informs you with any document given to you in connection with those proceedings.
 - 6.2. Subject to the fact that this does not contradict the terms of the Bank's office holders' liability insurance policy -

The Bank will be entitled to undertake the handling of your defense in those proceedings and/or transfer the said handling to any lawyer that the Bank chooses for this purpose (except for a lawyer that is not acceptable to you for reasonable reasons), provided that all of the following cumulative conditions are met: (a) the Bank has notified within 45 days from the date of receiving the notice as stated in Section 6.1 above (or a shorter period - if this is required for the purpose of submitting your statement of defense or your response to the proceedings), that it will indemnify you in accordance with what is stated in this letter; (b) The proceeding against you will only include a claim for financial compensation. The Bank and/or lawyer as stated shall be entitled to act within the framework of the aforementioned handling at their sole discretion and bring the aforementioned proceedings to a conclusion; the lawyer appointed as mentioned above will act and owe a fiduciary duty to the Bank and to you. Where a conflict of interests arises between you and the Bank and/or the investee company, the lawyer will notify you of this, and you will be entitled to hire a lawyer on your behalf, and the provisions of this Letter of Indemnity will apply to expenses you will incur in connection with such appointment. In the event that the Bank chooses to compromise on a financial charge or settle the dispute by way of arbitration in connection with a financial charge, it will be entitled to do so, provided that the claim against you and/or the threat of a claim against you as stated in Section 6.1 above are removed in full. At the Bank's request, you shall sign any document authorizing it and/or any lawyer, as aforesaid, to handle your defense on your behalf in the same proceedings and represent you in everything related to it, in accordance with the aforesaid.

- 6.3. You will cooperate with the Bank and/or with any lawyer as mentioned above, in any reasonable way that is required of you by any of them as part of their treatment in connection with that proceeding, provided that the Bank will take care of covering all your expenses that will be involved in this, in such a way that you will not be required to pay or finance them yourself, everything, subject to the provisions of this Letter of Indemnity.
- 6.4. Whether or not the Bank acts as set forth in Section 6.2 above or not, it will ensure that all expenses and other payments mentioned in Section 1.1 above are covered, such that you will not be required to pay them or finance them yourself, this, without it detracting from the indemnification guaranteed to you as stated in this Letter, everything, subject to that stated in Section 2 above.
- 6.5. Your indemnification in connection with any proceedings against you, as stated in this Letter, shall not apply to any amount due from you as a result of a compromise, arbitration or settlement (as the term is defined in Clause 54A of the Securities Law, as amended from time to time - "**the Arrangement**"), unless the Bank agrees in writing to the same compromise, to the existence of the same arbitration or to a commitment in the Arrangement, as the case may be. The Bank will not refuse that compromise, the existence of that arbitration or a commitment in the Arrangement, as the case may be, for irrational reasons.
- 6.6. The Bank will not be required to pay according to this Letter monies that were essentially paid to you or for you or instead of you in any way as part of any insurance or indemnification obligation of any person other than the Bank. For the avoidance of doubt, it is clarified that the indemnification according to this Letter will apply beyond (and in addition to) the amount that may be paid (if and to the extent that it is paid) as part of insurance and/or indemnification as mentioned.

6.7. On your request to make a payment in connection with any instance pursuant to this Letter, the Bank will take all the actions necessary by law for its payment, and will work to arrange any approval that may be required in connection therewith, if required, including court approval, if and insofar that it is required.

7. The Bank's obligations pursuant to this document will be to your credit ([including your estate](#)) even after the end of your tenure as an office holder in the Bank and/or in the investee company, provided that the actions for which an indemnification obligation was given were and/or will be done during your term as an office holder in the Bank and/or in the investee company. It is also clarified that, subject to the provisions of Section 14 below, the Bank's obligations pursuant to this Letter will also apply in relation to events that occurred prior to the signing of this Letter of Indemnity.
8. In the event that the Bank pays you or instead of you any amounts within the framework of this Letter of Indemnity in connection with any proceedings, and it then turns out that you are not entitled to indemnification from the Bank for those amounts, these amounts will be considered a loan given to you by the Bank, which will bear interest at the minimum rate required from time to time according to the law, in order not to cause a taxable benefit, and you will be obliged to return these amounts to the Bank when required in writing by it to do so, and according to the arrangement of payments that the Bank will determine, provided that you return them no later than six months from the date on which it becomes clear that you are not entitled to indemnification.
9. In this Letter of Indemnity and in the addenda thereto -

| | |
|---------------------------------------|--|
| "Companies Law" | the Companies Law, 5759 - 1999; |
| "Securities Law" | the Securities Law, 5728 - 1968; |
| "Joint Investments Law" | the Joint Investments Law, 5754 - 1994 |
| "Consulting Law" | the Law for the Regulation of the Practice of Investment Consulting, Investment Marketing and Investment Portfolio Management, 5755 - 1995; |
| "Supervision of Insurance Law" | the Law for the Supervision of Financial Services (Insurance), 5741 - 1981; |
| "Provident Funds Law" | the Law for the Supervision of Financial Services (Provident Funds), 5765 - 2005; |
| "office holder" - | as defined in the Companies Law, as well as a legal advisor and the secretary of the Bank, as well as another senior officer, to whom the Bank's Board of Directors approves giving this Letter of Indemnity; |

"action" or any other derivative thereof -

including a decision and/or omission (or any derivative thereof) in the meaning and including your actions before the date of this Letter of Indemnity during your tenure as an office holder in the Bank and/or in another company;

"administrative proceedings" -

proceedings pursuant to Chapter H3 (Imposition of Financial Sanctions by the Authority), Chapter H4 (Imposition of Administrative Enforcement Measures by the Administrative Enforcement Committee) or Chapter I1 (Arrangement to Avoid Taking Proceedings or to Terminate Proceedings, Contingent on Conditions) of the Securities Law;

proceedings pursuant to Chapters J, J1 and K1 of the Joint Investments Law;

proceedings pursuant to Chapters G1, G2 and H1 of the Consulting Law;

proceedings pursuant to Chapter I1 of the Supervision of Insurance Law and pursuant to Chapter ~~H~~E of the Provident Funds Law;

[proceedings pursuant to Chapter G1 \(Financial Sanction\) of the Economic Competition Law;](#)

[proceedings pursuant to the Chapter 4 to the Part Nine of the Companies Law \(Imposition of a Financial Sanction by the Registrar of Companies or the Securities Authority\);](#)

[proceedings pursuant to Chapters E-F of the Financial Information Service Law, 5782 - 2021 \("Financial Information Service Law"\);](#)

[proceedings pursuant to Chapter L of the Law for the Supervision of Financial Services \(Regulated Financial Services\), 5776 - 2016;](#)

[proceedings pursuant to Chapters G-H of the Regulation of Payment Services and Payment Initiation Law, 5783 - 2023 \("Payment Services and Payment Initiation Law"\)](#)

[any other enforcement proceedings/administrative investigation for which, pursuant to law, indemnification can be granted for expenses and/or payments related thereto.](#)

| | |
|---|---|
| <p>"Payment to the victim of the violation- "</p> | <p>payment to the victim of a violation as stated in Section 52 ZZ(a)(1)(a) of the Securities Law (including as applied in the Joint Investments in Trust Law, the Consulting Law, the Financial Information Service Law and the Payment Services and Payment Initiation Law or other laws); payment to the victim of the violation imposed by the Capital Market Commissioner pursuant to Clause 92U of the Supervision of Insurance Law or pursuant to Section 47 of the Provident Funds Law; and - payment of a similar type pursuant to another law, provided that indemnification for it is not prohibited by law.</p> |
| <p>"Consumer Protection Law"</p> | <p>the Consumer Protection Law, 5741 - 1981</p> |
| <p>-" Economic Competition - " Anti-Trust Law</p> | <p>the Economic Competition Anti-Trust Law, 5748 - 1988</p> |
| <p>"Prohibition of Money Laundering Law" -</p> | <p>the Anti-Money Laundering Law, 5760 - 2000</p> |
| <p>"Prohibition of the Financing of Terrorism Law" -</p> | <p>the Prohibition of the Financing of Terrorism Law, 5765 - 2005</p> |
| <p>"Privacy Protection Law" -</p> | <p>the Privacy Protection Law, 5741 - 1981</p> |
| <p>"Banking (Licensing) Law" -</p> | <p>the Banking (Licensing) Law, 5741 - 1981</p> |
| <p>"Banking (Service to Customer) Law" -</p> | <p>the Banking (Service to Customer) Law, 5741-1981</p> |
| <p>"Banking Ordinance" -</p> | <p>the Banking Ordinance, 1941</p> |
| <p>"Proper Conduct of Banking Business Directives" -</p> | <p>Proper Conduct of Banking Business Directives on behalf of the Supervisor of Banks.</p> |

All that is stated in the masculine is also feminine in meaning. [The reference to the words of legislation is generally according to their wording as may be amended from time to time, unless the context indicates a different intention.](#)

The Bank's obligations pursuant to this Letter of Indemnity should be interpreted broadly and in a manner which is intended to maintain, as far as is permitted under the law, for the purpose for which they were intended. In the event of a contradiction between any provision in this Letter of Indemnity and a legal provision that cannot be made contingent, changed or added to, the aforementioned legal provision shall prevail, but this shall not prejudice or detract from the validity of the other provisions in this Letter of Indemnity.

10. The addendum to this Letter of Indemnity constitutes an integral part hereof.
11. The obligation to indemnify pursuant to this Letter of Indemnity does not constitute a contract in favor of any third party, including any insurer, and no insurer shall have the right to demand the Bank's participation in the payment, to which the insurer is obligated according to the policy signed with it (with the exception of the deductible).
12. The law applicable to this Letter of Indemnity is the Israeli law, and the competent court in Tel Aviv-Jaffa is given the exclusive authority to discuss disputes arising from this Letter of Indemnity.
13. The provisions of this Letter of Indemnity override any previous commitment or agreement (before this Letter of Indemnity was signed), whether written or oral, between the Bank and the office holder in the matters mentioned in the Letter of Indemnity, this, also in relation to events that occurred before the signing of this Letter of Indemnity. The foregoing is subject to the fact that a previous Letter of Indemnity given to the office holder, if given, will continue to apply and be valid in relation to any event that occurred before the signing of this Letter of Indemnity (even if proceedings were filed against the office holder after the signing of this Letter of Indemnity) if the terms of this Letter of Indemnity violate the indemnification conditions for the office holder in relation to the aforementioned event.

And in witness whereof, the Bank signs, through its duly authorized signatories.

Bank Hapoalim Ltd.
Head Office

I confirm receipt of this letter, and confirm my agreement to its conditions:

Name: _____ Signature: _____ Date: _____

The Addendum

And these are the events approved by the Board of Directors of the Bank regarding Section 1.1.1 of the Letter of Indemnity. It should be clarified that the granting of the indemnity for the events listed below is subject to and conditional upon the fulfillment of the conditions set forth in the Letter of Indemnity and the provisions of the law:

1. A transaction (including an unusual transaction) or an action, including the transfer, sale, purchase, loan, rental or lease of assets or liabilities (including real estate, securities or rights) or giving or receiving a right in any of them, as well as an action that is directly or indirectly related to the aforementioned transaction.
2. Offering /issuing securities and/or registering or delisting from trading, in Israel or abroad, including, but without detracting from the generality of the above, any action or transaction in connection with the offering of securities to the public according to a prospectus or outline for employees, a private offering or an offering of securities in any other way, of the Bank or of a subsidiary or a related company; a tender offer, a re-purchase of securities by the Bank or a subsidiary or a related company - everything, including actions related to due diligence examination, delivery of information (written or oral), presentations, opinions and reports in connection with an offer or action in such securities.
3. Actions and/or decisions in connection with the preparation, editing, approval, ~~or~~ signing or publication of financial statements, interim financial statements, annual reports, periodic and quarterly reports ~~-etc.~~, information accompanying the financial statements, risk report, company, environment and corporate governance (ESG) report, Green Bond Impact Report, and other supervisory disclosures, including providing an assessment in connection with the effectiveness of internal control (SOX), making decisions regarding the operation and application of the Securities Law and regulations pursuant thereto, instructions of the Bank of Israel/the Supervisor of Banks, rules and directives of the stock exchange, accounting principles, re-statement in the financial statements, reliance on accounting estimates and assessments ~~(inter alia for the IFRS)~~, as well as business work plans or forecasts/forward-looking information in connection with the Bank.

4. Providing information, presentations, documents, opinions, financial reports or notices to any competent authority (including the Registrar of Companies, the Securities Authority, the Stock Exchange, the Bank of Israel and the Supervisor of Banks, the Commissioner of the Capital Market, Insurance and Savings at the Ministry of Finance, the Competition Commissioner, the Privacy Protection Authority, the Authority for the Prohibition of Money Laundering and Terrorist Financing, the National Cyber System, credit bureaus, enforcement and tax authorities, or equivalent authorities abroad), which are made according to any law or in connection there with in Israel or abroad.
- 4.5. Any action related to the Bank's reports to the tax authorities in Israel or abroad, both in relation to reports in connection with the operations and transactions of the Bank and in relation to the actions and transactions of the Bank's customers, any action in connection with payments and deductions that the Bank must make to the tax authorities in Israel or abroad, as well as any payment or a payment requirement applicable to the Bank by virtue of the law.
- ~~5.~~6. Actions as part of legal or administrative proceedings of any kind by or against the Bank, including outside Israel, including those to which an office holder or employee is a party, as well as actions in accordance with a judicial order or as required by a government ministry or authorized authority as part of any legal or administrative proceedings.

~~6.~~

~~Provision of information, representations, reports, opinions or notices to any third party, including under the Companies Law, the Securities Law including regulations promulgated thereunder or according to rules or directives prevailing at the stock exchange in Israel and/or at stock exchanges overseas and/or according to the directives of the Banks' Commissioner~~

7. An action and/or a transaction in connection with advertising, ~~and/or~~ marketing or public reference to the Bank's activities and business (including banking services, commissions, interest, savings plans, the provision of loans, investments in financial assets, issuing and managing credit cards, promotions and benefits for customer clubs ~~etc.~~), including in advertisements/press releases/comments, interviews, conference calls with investors or capital market officials, appearances at various conferences/forums or in any other way, including bringing to publication and/or marketing, the manner of advertising as well as the correctness and non-misleading nature of advertising matter.
8. Stating, saying, and expressing a position or opinion, whether in writing, orally, or in any other way, including in the framework of a meeting or assembly or any other forum, a conference call with investors or entities in the capital market, or through the distribution or publication of a document, message, comment or notice.
9. An action contrary to the ~~Anti-Trust~~ Economic Competition Law, including an action which creates or enables the creation of a restrictive arrangement or other antitrust, including the transfer of information between competitors and any other coordination, including regarding the price, interest rate or other conditions of a service provided by the Bank or of any other matter, an action that is not in accordance with the provisions of the Competition Law relating to the merger of companies, monopolies and concentration groups, including abuse of position or a breach of the directives of the Commissioner for Competition.
10. An action or transaction in connection with debit cards issued by the Bank or another corporation, including the issue of debit cards, entering into a contract for the use of debit cards with customers, clearing transactions with debit cards, charging customers according to a debit card contract, returning debit amounts to the customer, providing explanations to the customer and providing reports on debit card transactions and canceling a deferred payment transaction.
11. The transfer of information required by law to companies with an interest in the Bank.
12. Payment or a demand for payment applicable to the Bank by virtue of the law, including taxes and mandatory payments.

13. An action in connection with risk management to which the Bank is exposed. This includes, inter alia, contracts for insurance arrangements or failure to make insurance arrangements for the types of risks to which the Bank is exposed, the implementation and operation of insurance policies and entering into settlement arrangements.
14. Actions in connection with issuing, obtaining licenses, permits, exemptions (~~including business licenses and licenses~~ and approvals necessary for the management of the Bank's business in Israel and/or abroad, including ~~exemptions in the fields of banking, economic competition and antitrust, business licensing and building permits, as well as an action in connection with the conditions stipulated in the approvals, including reporting and furnishing information.~~ on the issue of restrictive practices and banking).
15. Decisions and actions regarding the distribution of dividends to the Bank's shareholders.
16. Actions in connection with investment, purchase and sale of securities issued by various entities (including the State) as well as investments in financial assets or other rights both in Israel and abroad, including an action (including the exercise of securities and options) in connection with securities and options in subsidiaries and/or in non-bank and other companies, in Israel and/or abroad, as well as making decisions and/or actions in connection with the management of the Bank's own account (nostro).
17. An action arising from or related to the Bank's holding in investee corporations, in Israel or abroad, including the purchase or sale of the means of control in investee corporations, either on the stock exchange or outside the stock exchange, in Israel or abroad, as well as an action ~~and/or transaction~~ arising from or related to the position on behalf of the Bank in an authorized body in any corporation held in Israel or abroad and/or an appointment on behalf of the Bank in the other corporation, including an action in connection with the exercise of voting rights in investee corporations, including voting and participation in a general meeting, the appointment of office holders therein, as well as action taken by an office holder in his capacity as an office holder on behalf of/at the request of the Bank in an investee company according to the types of events in respect of which that company has given indemnification or an obligation to indemnify in advance to its officer holders (to the extent that it has given), this, in addition to the types of events detailed in this addendum.

18. Violations of laws in Israel or outside Israel such as: the Banking Ordinance, the [Economic Competition](#) ~~Anti-Trust~~ Law, the Anti-Money Laundering Law, the Prohibition of the Financing of Terrorism Law, the Banking (Licensing) Law, the Banking (Service to Customer) Law, [the Fair Credit Law](#), the Joint Investments in Trust Law, the Privacy Protection Law, the Proper Conduct of Banking Business Directives, the Securities Law, the Consulting Law and the Consumer Protection Law.
19. Actions in connection with the preparation and management of controls on the activities of the Bank, its employees and its office holders, [including inspections/investigations and inquiries on behalf of an enforcement authority or other authorized authority in Israel or abroad, among others in the fields of banking, securities and taxes, as well as including](#) dealing with deficiencies, unusual events (such as violations of ethics, embezzlement and corruption, including actions in connection with exposing corruption, [sexual harassment and abuse](#)) and complaints from employees and/or customers and/or other third parties, monitoring the implementation of audit reports and correcting deficiencies, preparing and approving audit work plans and supervising internal audit work.
20. Outlining policies and/or procedures, the assimilation of information, procedures, laws, regulations, rules, regulatory and other directives among the Bank's employees, and any defect, failure or deficiency that was made in supervision [\(including violation of the duty of supervision\)](#) and/or audit and/or control and/or in defining duties and/or in demarcating authorities or not taking measures to prevent that defect.

21. An action in connection with the fulfillment of the obligation of banking confidentiality and other obligations pursuant to the Privacy Protection Law and/or the Credit Data Law and/or another law, including the laws and directives of the Banking Supervision Department in connection with the implementation of the Open Banking Standard, including actions in connection with the establishment, registration, management and making use of prescriptions, and the databases as defined in the Privacy Protection Law, including computerized databases on account numbers and identification details of the account holders, authorized signatories, beneficiaries and controlling shareholders, as provided in the Anti-Money Laundering Prohibition Order (Obligation to Identify, Report and Manage Records of Banking Corporations), 5781–2001, and an action in connection with the transfer of data and information, according to any law, including, pursuant to the Privacy Protection Law, including in connection with the transfer of credit data, providing financial information services and providing access to a customer's financial information, according to any law, including , pursuant to the Credit Data Law and Proper Conduct of Banking Business Directives, including in connection with the implementation of the Open Banking Standard, as well as an action in connection with any type of cooperation, with a third party (including a financial information service provider or information source, of any type).
22. Carrying out an operation within the framework of the occupations allowed for the Bank within the framework of Clause 10 of the Banking (Licensing) Law.
23. ~~Without derogating from the generality of the aforesaid in Section 16,~~ An action in connection with the extension, approval, renewal, non-renewal or cancellation, credit turnover (including as part of a consortium), freezing or delaying its repayment, changing the terms of the credit including waiver of conditions, acceptance, registration and handling of collateral/guarantees, waiver of collateral/guarantees or changes therein, taking measures to make credit available for immediate, full or partial repayment, or any action to collect credit or to realize collateral/guarantees, including through self-realization or legal proceedings, through the appointment of a receiver or other person in charge, handling problematic debts or retiring debts or making an arrangement with debtors (including the waiver of a debt) as well as making decisions regarding risk management for credit loss-risk as a result of the possibility that the counterparty to the transaction will not meet its obligations. For this matter, "credit" means including as defined in the Banking (Licensing) Law whether or not it is an action in accordance with the Bank's policy and procedures.

24. Events related to employee-employer~~employment~~ relations, including issues such as: labor laws, collective labor relations, policies regarding the employment of employees, hiring, negotiation and employment agreements, terms of employment, social rights, employee complaints, the transfer of an employee from his position, investigation procedures or disciplinary proceedings against employees, sexual harassment, abuse, discrimination, equal opportunities, termination of employee-employer relations, matters of work safety and employee health, supervision of employees as well as safeguarding the workplace and its security, including action in connection with a strike or protective shutdown; For this purpose, "employee" - any employee, including an office holder, a contractor/external service provider and those employed by him.
25. An action and/or omission related to the business relationships between the Bank and its customers and/or suppliers (including action in the normal course of the Bank's business). This includes any action within the framework of Bank-customer relations, including an action in connection with opening an account, managing it, closing it, depositing funds in the account, transferring and withdrawing them, an action in connection with cheques/ cheques without cover, the execution of payment services, the collection of commissions, as well as the collection or payment of interest and their calculation, consulting (investment, pension or other type of consulting), providing information or delivering documents/reports to the customer or a third party, including an authorized authority in connection with the account or the customer, any action in connection with providing/not providing due disclosure to the client (including a guarantor) including with regard to fees, interest, a guarantee, a financial product, etc.; obtaining documents or information from the customer, obtaining the signature of the customer on agreements, documents and forms, the duty of confidentiality pursuant to any law, as well as duties under the Privacy Protection Law and the Consumer Protection Law, any action in connection with receiving deposits, savings plans or provident/savings funds of any kind, including their management, repayment, determination of commissions and their collection, as well as calculation, payment or collection of interest and expenses, as well as the placement of deposits by the Bank with others, including foreign banks.
26. An action/transaction in the area of the capital market, including in connection with securities, financial assets, including derivatives, foreign currency, virtual currencies and digital assets, including buying, selling, borrowing, disposing, converting, hedging, transferring, depositing, keeping and managing, including as part of the dealing room, as well as opposite or through financial institutions in Israel and abroad or in connection with them, all, both for the customer and for the Bank (nostro), both in the framework of trading on the stock exchange and outside it, including "over the counter", and in relation to all of these, also any action regarding an obligation imposed by any law in connection with the above, including by virtue of securities laws, the Consulting Law, the Banking laws, Bank of Israel directives, and regulations, orders, instructions and rules established by virtue thereof.

27. An action in connection with the provision of banking services or operational services and information in connection with the management of provident funds and pension funds, as well as such services to stock exchange members, entities in the capital market and managers of joint mutual funds.
28. An action in connection with the identification, reporting, management and keeping of records, in accordance with the provisions of any Israeli or foreign law, including in the areas of the prohibition of money laundering and financing of terrorism, international sanctions programs, banking laws (including the provisions of the Bank of Israel and the Banking Supervision Department), tax laws, securities laws and the Consulting Law; including an action in connection with the registration and verification of identification details, receiving documents and statements when opening an account, the "Know Your Customer" procedure, registration and/or management of a computerized database of account numbers and identification details of the account holders, authorized signatories and beneficiaries and controlling shareholders in an account and the saving of documents.
29. Action in connection with the implementation of the Open Banking Standard, including actions of third-party providers, whether it is an action by a provider/party that is a "payment initiator" or a provider/party that is an "information consumer".
30. Action in connection with the issue of security in the Bank, information technology, computer crimes, information security and cyber incidents, including everything related to the application of the Open Banking Standard, as well as an event or action in connection with the cash center and cash transportation.
- ~~25-~~31. A change in the structure of the Bank or its reorganization or any decision regarding them, including, but without derogating from the generality of the above, a merger, a split, a change in the capital of the Bank, subsidiaries or related companies, their dissolution, liquidation or sale, allocation or distribution.
- ~~26-~~32. Actions and/or decisions that cause, contribute, create, increase, preserve, enable, do not prevent and/or do not reduce, either directly or indirectly, damage or harm to the quality of the environment, including the quality of air, water, food, soil, animals and the plant, and/or exposing humans, animals or plants to harm, damage, nuisance or disease.
- ~~27-~~33. Each of the events listed above, in connection with any investee company (as defined in this Letter of Indemnity) as well as any of the events listed above, in connection with serving as a director or as an office holder on behalf of the Bank or at his request in said investee company.

Any provision in this addendum above that concerns the performance of a certain action shall be interpreted as also referring to the [adoption of a decision, as well as the non-performance of that action or the failure to refrain](#) from the performance of that action, unless the context of the particular provision does not support such an interpretation. For the avoidance of doubt, it is clarified that each event in this addendum above, including any transaction, action, deed, omission or violation, will be interpreted as also referring to an event outside of Israel and/or (as applicable) also to the law, laws, regulations, rules and directives [of a competent authority](#), according to foreign law.

Bank Hapoalim Ltd.

Office Holder Remuneration Policy

Chapter A – Introduction and Basic Principles

Chapter B – Underlying Rules for the Remuneration Policy

Chapter C – The Fixed Remuneration

Chapter D – The Variable Remuneration

Chapter E – Insurance and Indemnification Arrangements

Chapter F – Retirement Arrangements

Approved by the General Meeting on _____

Bank Hapoalim Ltd. ("the Bank") **Office holder Remuneration Policy**

Chapter A - Introduction and Basic Principles

1. Background

1.1. The Bank aims to remunerate office holders and managers for their work and contribution to the Bank and to retain them for the long term while creating proper incentives and tying their interests to the interests of the Bank and the stakeholders therein, consistent with the Bank's objectives, work plans and policy.

1.2. The Remuneration Policy is consistent with the Bank's strategy, the Bank's work plans and risk appetite, and its object is to maximize the value of the Bank while placing emphasis on the stability of the Bank and interchangeability between achieving return and assuming risk.

1.3. The Remuneration Policy is adjusted to the provisions of the Companies Law, 5759-1999 ("**the Companies Law**"), the Proper Conduct of Banking Business Directive No. 301A on Remuneration Policies at a Banking Corporation ("**Directives on Remuneration in a Banking Corporation**" and "Directive 301A", respectively), and pursuant to the Remuneration of Office Holders of Financial Corporations Law (Special Approval and Disallowance of Expenditure for Tax Purposes for Irregular Remuneration), 5776-2016 (the "**Remuneration Limitation Law**) and the caps stated therein.

~~with Section 2(a) of the Restriction of Compensation Law, an engagement of a financial corporation with a senior officer or employee which includes the granting of compensation (excluding a pension payment and severance pay pursuant to law), the "projected expense"¹ in respect of which exceeds ILS 2.5 million in a year,² requires approval by the Compensation Committee, the Board of Directors and the general meeting (the "**Compensation Tier**"). Compliance with the **Compensation Cap** Compliance with the permitted cap pursuant to the Remuneration Limitation Law is examined on the date of approval of the engagement in accordance with the "projected expense" only, and therefore, according to the Remuneration Limitation Law, actual payment according to the Remuneration Policy in a given year may also be above or below the **Compensation Cap**.~~

¹ Throughout this policy, wherever reference is made to the term "projected expense", its meaning shall be pursuant to the provisions of the Restriction of Compensation Law, such that the relevant calculation shall not include a provision for "a pension payment and severance pay pursuant to law". Additionally, according to the ruling of HCJ 4406/16 and 4534/16 of September 29, 2016, the projected expense shall be calculated so as not to prejudice historic rights, as defined in the Restriction of Compensation Law.

² ~~Linked to the CPI known on April 12, 2016, and according to the definition of "compensation" in the Restriction of Compensation Law.~~

~~1.3.1.4. Pursuant to Section 4 of the Restriction of Compensation the Remuneration Limitation Law, an expense for the cost of salary borne by the Bank, if any, directly or indirectly, in the tax year, for a senior officer or employee, which exceeds the “payment cap”, as defined in the said Section 4, shall not be recognized for the Bank as an expense for tax purposes.~~

~~1.4. Pursuant to Section 2(b) of the Restriction of Compensation Law, an engagement as aforesaid shall not be approved, unless the ratio between the projected expense and the expense for the lowest compensation at the Bank (as specified in the Restriction of Compensation Law) is less than 35 (the “Salary Ratio Cap”) (the Salary Ratio Cap or the Compensation Tier (in cases where the meeting of the shareholders shall not have approved compensation higher than the Compensation Tier), as the case may be, shall hereinafter be referred to as: the “Compensation Cap”).~~

1.5. ~~Further to the aforesaid,~~ Subject to the conditions of the Remuneration Limitation Law, the Bank’s Board of Directors and Remuneration Committee may approve remuneration of an office holder who reports to the CEO according to this Remuneration Policy, including an update of such remuneration, without the need for additional approval by the General Meeting, even if the cost of the office holder’s annual remuneration (in terms of the Remuneration Limitation Law) exceeds that stated in Clause 2(a) of the Remuneration Limitation Law, provided ~~that the cost of the officer’s annual compensation (in terms of the Restriction of Compensation Law) it~~ does not exceed the ~~caps stated herein~~ cap in Clause 2(b) of the Remuneration Limitation Law or the caps stated in this Remuneration Policy. Approval of the policy shall constitute approval of an engagement with the office holders (including an update of the conditions of the engagement) according to Clause 2(a) of the Remuneration Limitation Law.

2. Principles and objectives of the Office holder Remuneration Policy

Specified below are the principles and objectives underlying the Office holder Remuneration Policy:

2.1. Motivating the office holders to act to create long-term economic value for the Bank and the stakeholders in the Bank, in a manner which strengthens the connection between the remuneration and the creation of value for the stakeholders of the Bank. In accordance with this objective, the payment of salaries to the Bank’s managers and employees will be derived from a scale of ranks which allows for promotion and expresses the authority and responsibility at the various levels of the organizational hierarchy. ~~Part of the fixed compensation may be paid in share-based instruments which will be restricted at the time of the granting thereof, for the long term.~~

- 2.2. ~~An~~ Variable remuneration, which includes an annual bonus (if any), will be based on the Bank's ROE (as defined in Section 13 below) and on a comparative index, and will also be determined according to achievement of quantitative and qualitative measurable (and non-measurable) personal performance targets, (such as personal targets, unit targets and targets of the Bank as a whole), as well as on ~~long-term~~ plans and targets which are adapted to the comprehensive strategic plan of the Bank and of its sub-units, and to the work plans derived therefrom and according to the discretionary component of the Supervisor. Part of the variable remuneration will be paid with equity based instruments.
- 2.3. Adjusting the overall remuneration to the Bank's risk appetite. The ~~annual and multi~~-annual work plans are built, *inter alia* while taking into account the scope of the risks, including the various types thereof, which the Bank is prepared to assume. The variable remuneration is also based on performance targets which express the risk appetite components, ~~while achieving an ROE threshold, defines the threshold conditions for distribution of the annual bonus³.~~
- 2.4. The risk management, control and audit functions at the Bank assisted in ensuring that the risk indicators and key performance indicators which are used in the office holder remuneration mechanisms are consistent with the objectives of the Remuneration Policy and will ensure effectiveness of the remuneration mechanisms.
- 2.5. A central objective of this Remuneration Policy is building a remuneration model which will help maintain the competitiveness of the Bank in recruiting and retaining quality human resources for senior management positions. From this perspective, the amount of the remuneration will be proportionate and will take into account market conditions, the Bank's remuneration structure and regulatory restrictions on the remuneration. In the framework of formulating the Remuneration Policy of the Bank, efforts were made to remunerate and incentivize the Bank's office holders to lead the Bank to achievements using the tools allowed by the law, including the Remuneration Limitation Law.
- 2.6. The office holders' remuneration will include a component which reflects fulfillment of general targets of the Bank in the field of risk management and in the field of compliance with the law and the Bank's procedures. The Bank's Board of Directors, through the Remuneration Committee of the Board, will supervise the implementation of the Remuneration Policy, and consult, for such purpose, with the risk management, control and audit functions at the Bank. The Remuneration Committee, after consultation with the risk management, control and audit functions at the Bank, will design the means of control in order to ensure fulfillment of the Remuneration Policy's principles, such that it will be possible to ensure, on an ongoing basis, that the actual remuneration of the office holders, the risk and key performance

³ ~~In certain cases where the threshold conditions are not met, a discretionary bonus may be approved, as specified in Section 13.2 of this policy.~~

indicators and their results, are consistent with the remuneration mechanisms chosen, and with the objectives of the policy, and adjustments may be made as necessary. The risk management and control functions at the Bank will conduct ongoing controls and will ensure that the remuneration agreements and mechanisms are implemented according to the Remuneration Policy and the remuneration plans deriving therefrom.

- 2.7. To promote a remuneration structure which takes into consideration the effect of the remuneration disparities between various ranks at the Bank on the work relations at the Bank and supports good work relations.
- 2.8. Adjustment of the remuneration to the type of activity and the responsibility of the office holders and their skills, such that upon determination of the office holder's remuneration, his education, skills, expertise, professional experience and achievements will be examined, and his position, responsibilities and previous salary agreements signed with him will be taken into account. Remuneration of organizational functions involved in supervision and control will be determined on the basis of standards which take into account the importance and sensitivity of such positions.
- 2.9. Variable remuneration for employees of the Bank who work in marketing or sales of products and services or in the provision of service or advice to customers of the banking corporation, shall be consistent with the risk management of the banking corporation. Such remuneration shall not encourage compliance violations and unfair treatment in the framework of the relationship with the customer.
- 2.10. The Bank will require that the office holders undertake not to create private hedging arrangements which counteract the effect of the sensitivity to risk inherent in their remuneration, and will determine arrangements to ensure this requirement.

3. The Office holders subject to the Remuneration Policy

The Remuneration Policy is intended to determine a framework for the terms of office and employment of the Bank's managers who are office holders thereof ("**Managers**"). The Bank's office holders comprise:

- 3.1. The Chairman of the Board and the other Board members;
- 3.2. CEO of the Bank;
- 3.3. Members of the Bank's Management and the internal auditor;

Chapter A - Office holders

- 3.4. Managers from among the Bank's senior managers who are not members of Management, and who are office holders since they report directly to the Bank's CEO (each one, "**Senior Manager**")⁴;

In this Remuneration Policy document, unless expressly stated otherwise, the term "**Office holders**" shall not refer to the members of the Board of Directors of the Bank ~~who are not the Chairman of the Board~~.

⁴ The remuneration of Senior Managers, and the structure thereof, is similar to the remuneration principles described in this policy with respect to office holders who are members of management, and in any case, their remuneration is generally lower than members of Management and does not exceed (in monetary terms) the caps stated in this policy.

4. Means of remuneration

Subject to the provisions of the applicable law, except for the remuneration of the Chairman of the Board, the overall remuneration package of an office holder combines fixed and variable components in order to incentivize the office holder to achieve good performance while avoiding taking risks beyond the Bank's risk appetite. Subject to the provisions of the applicable law, the remuneration package of the Bank's office holders may include the following components:

- 4.1. Fixed remuneration (not performance-based) – monthly/annual salary, social benefits and related benefits, ~~fixed equity compensation~~, adjustment bonus (subject to specific approval) and retirement payments which do not exceed the standard applied with respect to the Bank's other employees⁵.
- 4.2. Variable remuneration (generally performance-based) – annual bonus, discretionary bonus, special bonus (if paid), sign-on bonus for new office holder, variable equity remuneration, and retirement payments exceeding the standard applied with respect to the Bank's other employees.

The remuneration for office holders (excluding directors) shall be paid in full, directly to the office holder and not via a corporation or any other entity.

⁵ It should be noted that, in 2024, the eligible office holders will be granted shares of a fixed monetary amount, as part of the fixed remuneration for 2023, according to the Bank's remuneration policy that applies to the remuneration in this year.

Chapter B – Underlying Rules for the Remuneration Policy5. Fair remuneration ratios between the Bank's employees

5.1. In determining the Remuneration Policy, consideration is given to the ratio between the cost of the overall remuneration of the office holders, including fixed remuneration and variable remuneration (the "**Overall Remuneration**"), and the cost of the Overall Remuneration of the Bank's employees (including the salary of agency employees), while examining the remuneration hierarchy at the Bank and examining the cost of the Overall Remuneration within the various ranks of the Bank's employees. Additionally, in the framework of such examination, consideration is also given to the ratio between the cost of the Overall Remuneration of the Chairman of the Board and the CEO and the other office holders, and the average and median cost of the Overall Remuneration of all the Bank's employees (including agency employees). The said ratios were examined by the Remuneration Committee and the Board of Directors upon formulating the Remuneration Policy, and the effect of the said ratios on the work relations at the Bank was examined. The expected ratios between the Overall Remuneration of the office holders and the Overall Remuneration of the Bank's other employees (as of the date of adoption of the Remuneration Policy) are as follows⁶:

5.1.1. The ratio between the cost of the Overall Remuneration ~~of each one of the CEO (the recipient of the Chairman, the CEO and a member of management, highest remuneration in the Bank)~~ and the average cost of the Overall Remuneration of the Bank's other employees who are not office holders is ~~no more than x~~ approximately 8.910.9.

5.1.2. The ratio between the cost of the Overall Remuneration of ~~each one of the Chairman, the CEO, and an officer,~~ and the median cost of the Overall Remuneration of the Bank's other employees who are not office holders is ~~no more than x~~ approximately 9.512.9.

5.2. The remuneration is subject to the restrictions of the applicable law, including the Remuneration Limitation Law. The Remuneration Committee and the Board of Directors examined the ~~Salary Ratio Cap, given the lowest compensation at the~~ Remuneration Caps in the Bank (as specified in the Restriction of Compensation pursuant to the

⁶ The calculation was made ~~in accordance with~~ according to the ~~Compensation Caps in the Compensation Policy as of the date of this report, compared with the expected~~ compensation ~~of the Bank cap in 2024 compared to the average/median cost for the Bank's employees for 2019 (as emerges from the Bank's (who are not office holders) in 2022, based on the Bank's financial statements for that year), plus contractor employees who are not included as part of the Bank's salary expenses. The remuneration costs include fixed and variable remuneration including bonuses and retirement costs which are reported as part of salary expenses.~~

Remuneration Limitation Law⁷. Generally, any change initiated by the Bank which is not required by law in the lowest remuneration at the Bank as aforesaid, which may affect ~~the Salary Ratio Cap~~ Cap pursuant to the Remuneration Limitation Law (with the exception of linkage to the CPI), will be presented for the approval of the Remuneration Committee and the Board of Directors.

- 5.3. The remuneration hierarchy at the Bank is designed to serve the Management needs of the Bank while ensuring fair remuneration for the various ranks of the Bank's employees in accordance with their contribution, the level of their responsibility and their relative influence over the organization's business.
- 5.4. The remuneration hierarchy, including the possible promotion tracks, was designed, *inter alia*, to maintain good work relations at the Bank, as well as the Bank's value system. The ratio between the office holders' remuneration and the remuneration of the Bank's other employees is examined periodically, and if necessary, adjustments are examined, insofar as a concern arises of an adverse effect on the work relations.

6. The ratio between the variable components and the fixed components

- 6.1. In determining the Overall Remuneration of the office holder, the ratio between fixed components and variable components of the remuneration will be taken into consideration. The examination will be performed in consideration of the applicable law (including the restrictions of the Remuneration Limitation Law), the experience, expertise, skills, seniority, responsibility and performance of the office holder, as well as the need to encourage behavior which supports the risk management framework and the long-term financial strength of the Bank, ~~while providing explanations for each component and at times~~ and examining the reasonableness of the granting thereof also relative to the common market practice. The maximum variable remuneration shall not exceed 100% of the fixed remuneration for each office holder.
- 6.2. Notwithstanding the aforesaid, in exceptional circumstances, the Bank may determine that the maximum variable remuneration will be up to 200% of the fixed remuneration, and in such cases the Board of Directors (and the General Meeting, if required by law) shall give reasons for its said decision, stating the number of employees affected, their position and the effect thereof on the banking corporation.

7. Transitional provisions regarding payments for termination of employment:

The Office holders will be entitled to all of the rights accrued and/or to be accrued until the conclusion of the agreements prior to the Remuneration Limitation Law applying to their remuneration, in connection with the terms of

⁷ ~~According to the lowest salary at the Bank pursuant to the provisions of the Restriction of Compensation Law, as of the date of adoption of this Compensation Policy, the Salary Ratio Cap is approx. ILS 2.94 million per year.~~

termination of their employment, provided that the projected expense for engagements from the date of commencement of the Remuneration Limitation Law does not deviate from the ~~Compensation Cap~~ [cap stated therein](#).

"Rights Accrued and/or to be Accrued Until the Conclusion of the Agreements Prior to the Remuneration Limitation Law Taking Effect" are rights, the accrual of which is related to seniority, rank, position etc., such as the right to choose an early pension track, severance pay, bonus for non-use of sick leave, benefits for retirees of the Bank which are also granted to the Bank's other employees, etc.

Bonus for non-use of sick leave – The entitlement to the sick leave accrued in the framework of the agreements prior to the Remuneration Limitation Law taking effect will be preserved for purposes of "a bonus for non-use of sick leave", which may be paid upon retirement according to the provisions of such agreements, provided that the number of sick leave days accrued, as aforesaid, is no higher than the accrued sick leave days remaining until the retirement date, and the calculation will be made on the basis of the salary according to the agreement prior to the Remuneration Limitation Law taking effect.

8. **The Remuneration Policy in itself does not grant rights to individual remuneration to an office holder of the Bank. An office holder will be entitled to the remuneration components stated in the Remuneration Policy document according to resolutions, engagements and approvals of the Bank's competent organs and subject to the provisions of any law⁸.**

⁸ [As mentioned in Section 1.5 above, the approval of the Remuneration Policy by the General Meeting will also constitute approval of engagement with the office holders pursuant to Clause 2\(a\) of the Remuneration Limitation Law.](#)

Chapter C – The Fixed Remuneration9. Structure of the fixed remuneration9.1. **Members of Management and senior managers who are Office holders (with the exception of the Chairman of the Board and the CEO)**

Members of Management and senior managers who are Office Holders (with the exception of the Chairman of the Board and the CEO) may be entitled to fixed remuneration as specified below:

The annual salary⁹ for managers who are Office Holders of the Bank is determined according to the ranks assigned to them. The scale of ranks at the Bank expresses the position of the Office Holders, their type of activity and their responsibilities, their education, skills, expertise, experience, seniority, achievements and previous salary agreements that were signed with them. The annual salary of the Office Holders of the Bank is not expected to exceed the ~~following caps (linked~~ cap in the Remuneration Limitation Law (together with the variable remuneration and the other components of the remuneration paid for the relevant year) and is subject to the ~~rise in the CPI¹⁰);~~ limitations and caps in Directive 301A.

| <i>Position</i> | <i>Cap in ILS in millions¹¹</i> |
|--|--|
| <i>Member of management</i> | <i>1.8</i> |
| <i>Officer who is not a member of management</i> | <i>1.2</i> |

Promotions at the Bank from one rank to another are made in consideration of the employee's achievements, his progress, the meeting of targets set for him, his responsibilities, etc., ~~such that it is possible to move up through the ranks according to the aforesaid.~~

~~9.1.1. Annual equity compensation at a fixed monetary value that shall not exceed 25% of the sum of the fixed compensation per year according to this chapter, in respect of which no social benefits shall be paid, which shall be granted in the form of ordinary shares of the Bank (the "Fixed Equity Compensation"). Subject to the applicable law, the Fixed Equity Compensation shall be granted pursuant to Section 102 of the Income Tax~~

⁹ Namely the gross fixed salary paid in cash (as distinguished from employment cost). Social benefits may not be paid in respect of some of the salary components,

¹⁰ ~~Wherever linkage to the rise in the CPI is mentioned, if the CPI decreased, no salary reduction shall be effected, but rather the salary will not go up until the CPI is higher than the last CPI to which it was adjusted.~~

¹¹ ~~The figures are according to the CPI known on September 15, 2020.~~

~~Ordinance, and exercise thereof shall be restricted for a period of up to three years.~~

~~9.1.2.~~9.1.1. The fixed remuneration of the Bank's Office holders may be linked to the rise in the CPI.

~~9.1.3.~~9.1.2. Pursuant to the provisions of the applicable law, a non-material change to the remuneration conditions of an office holder who reports to the CEO will not require the approval of the Remuneration Committee and the Board of Directors if approved by the CEO, upon fulfillment of the following cumulative conditions : (1) the change is up to 15% of the sum of the remuneration (in the aggregate throughout the term of the employment agreement); (2) the terms of office and employment are consistent with this Remuneration Policy; and (3) the rise is of up to one level on the Bank's scale of ranks.

9.2. Chairman of the Board

9.2.1. The remuneration of the Chairman of the Board of Directors will be determined so that it does not constitute as a whole an affinity pursuant to the Banking Ordinance or harm, in the opinion of the Remuneration Committee, the independence of the Chairman of the Board of Directors, in accordance with the provisions applicable to the Bank.

9.2.2. The remuneration of the Chairman of the Board is determined relative to the method of remuneration of the other Board members, considering, *inter alia*, the Bank's size, the complexity of its activities and the scope of the Chairman of the Board's position.

9.2.3. The annual remuneration to which the Chairman of the Board will be entitled shall not exceed the overall average remuneration of an expert director in the Bank multiplied by a determining ratio fixed by the Board of Directors, taking into account the amount of time the Chairman is obliged to devote to the performance of his duties in comparison to the other directors and taking into account the component of responsibility imposed on the Chairman. The annual remuneration of the Chairman of the Board of Directors (which shall be entirely fixed remuneration) must not exceed the cap stated in the Remuneration Limitation Law~~Salary Ratio Cap~~ and may be paid on a monthly basis linked to the CPI, subject to the provisions of the applicable law, Insofar as is relevant, V.A.T as required by law shall be added to this amount.

9.2.4. The Chairman may be entitled to payment of remuneration also in respect of days on which he does not provide services to the Bank due to leave or sick leave as is standard at the Bank with respect to members of Management.

9.2.5. The Chairman may be entitled to reimbursement / payment of expenses pursuant to the restrictions of Directive 301A and the provisions of the applicable law.

9.3. CEO

9.3.1. The CEO's remuneration (with all its components of fixed remuneration and variable remuneration) is subject to the caps stated in this policy and in the Remuneration Limitation Law and Directive 301A.

9.3.2. The CEO's monthly salary shall not exceed the sum of ~~ILS 201,500~~NIS 250,000 per month, linked to the rise in the CPI¹², subject to the provisions of the applicable law.

~~9.3.2.9.3.3. The CEO may be entitled to annual equity compensation at a fixed monetary value that does not exceed 25% of the sum of the fixed compensation per year, in respect of which no social benefits shall be paid, which shall be granted in the form of ordinary shares of the Bank. Subject to the applicable law, the annual equity compensation shall be granted pursuant to Section 102 of the Income Tax Ordinance and exercise thereof shall be restricted for a period of up to three years. The amount of the fixed equity compensation may be linked to the rise in the CPI.~~

9.4. Remuneration of the Board members

All of the Board members (with the exception of the Chairman of the Board) are entitled to remuneration according to the maximum possible remuneration (annual remuneration and meeting attendance remuneration) pursuant to law with respect to external directors, and may also be entitled to reimbursement of expenses.

10. Specification of the components of benefits and related payments which constitute part of the fixed remuneration

10.1. The Bank's Office holders are entitled to social benefits and benefits according to law and their employment agreements, and may be entitled also to benefits according to the standard practice at the Bank (also with respect to other non-office holder employee groups), including leave, sick leave, study fund, pension funds and provident funds, income protection insurance, recuperation pay, benefits in connection with management of an account at the Bank, etc. Accrual of leave days will be possible ~~from 2020~~, according to the Bank's policy on accrual of leave days for members of Management and Office holders.

10.2. The Bank's Office holders may be entitled to related benefits as is standard at the Bank (also with respect to other non-office holder

¹² The linkage will be to the CPI known on September 15, ~~2020~~2023.

Chapter A - Office holders

groups), including a company car and/or car maintenance, telephone maintenance expenses, reimbursement of *per diems*, tax gross-up, etc.

- 10.3. The Bank's Office holders may be entitled to retirement payments as specified in Chapter F below and to benefits for retirees of the Bank which are also granted to the Bank's other employees upon retirement (such as: insurance, holiday gifts, etc.).
11. The Bank's Office holders shall not receive consideration for participation in other Boards of directors (with the exception of reimbursement of recognized expenses) of companies in the Bank's group.

Chapter D – The Variable Remuneration12. Structure of the variable remuneration

Subject to the provisions and restrictions of the applicable law, the Office holders may be entitled to variable remuneration. The variable remuneration may comprise an annual bonus, ~~entitlement to which shall be established only upon fulfillment of a threshold condition of meeting an ROE~~, a Discretionary Bonus (as defined below), a special bonus and a sign-on bonus for new office holders in the Bank's Group and equity variable remuneration that includes options for the Bank's shares.

The Bank's Office Holders may be entitled to retirement payments as specified in Chapter F below. Retirement payments that exceed the standard practice at the Bank shall be classified as variable remuneration.

13. The annual bonus for the Office Holders (with the exception of members of the Bank's Board of Directors)

The annual bonus mechanisms at the Bank are based mainly on the concept of remuneration for creating economic value, all in accordance with the Bank's risk management policy.

"Compliance with the capital adequacy ratios" - means that, according to the annual financial statements for the relevant year, the Bank met the minimum core Tier 1 ratio required by the Banking Supervision Department and the minimum total capital ratio required by the Banking Supervision Department.

"**Net Profit**" – the Bank's net profit attributed to the Bank's shareholders, according to the Bank's audited annual financial statements for the bonus year.

"**ROE**" – means the Net Profit return on equity as reported in the Bank's audited annual financial statements for the bonus year.

~~"Threshold Condition" – a condition to be determined by the Compensation Committee and the Board of Directors, non fulfillment of which means non-entitlement to the annual bonus unless explicitly determined otherwise in this policy.~~ Unless the Remuneration Committee and the Board of Directors determine otherwise, the Threshold Condition is ~~meeting the Minimum ROE~~Compliance with the capital adequacy ratios.

Discretionary Restriction – a restriction that applies to variable remuneration of 'key employees', as defined in the Directives on Remuneration in a Banking Corporation, according to which all of the discretionary components in the variable remuneration of the key employee shall not exceed 3 salaries in respect of any year.

13.1. **Calculation of the annual bonus for the CEO**

In accordance with the following conditions and subject to compliance with the Threshold Condition, the CEO may be entitled to an annual

bonus which shall not exceed a cap of ~~5~~³ salaries, subject to the cap stated in the Remuneration Limitation Law. Insofar as the calculated bonus leads to the CEO's remuneration exceeding the ~~Salary Ratio Cap cap~~ in the Remuneration Limitation Law ~~(stated in Section 2(b) of this law)~~,² the CEO's bonus will be cut off at the sum of the cap permitted by law. Part of the CEO's remuneration shall not constitute a recognized expense for tax purposes, all subject to the provisions of the Remuneration Limitation Law. The annual bonus shall comprise two (2) components and shall be calculated as the sum thereof, as follows:

- 13.1.1. The Bank's performance component: a bonus component of up to ~~2 salaries~~¹ salary according to ROE brackets, ~~from the Minimum ROE to the Maximum ROE~~^{as will be determined by the Board of Directors in respect of each year.}
- 13.1.2. Discretionary component: a bonus component of up to ~~3~~² salaries ~~(subject to the Discretionary Restriction)~~,² to be determined by the Remuneration Committee and the Board of Directors, and which may take various criteria, including comparative index, into account.

Notwithstanding the aforesaid, and subject to the provisions of the applicable law, in a case where the Threshold Condition is not fulfilled, the Remuneration Committee and the Board of Directors will be entitled to approve a bonus of up to ~~3~~² salaries ~~(subject to the Discretionary Restriction), which may take criteria into account~~ ("as stated in Section 13.1.2 above ("**Discretionary Bonus**").

The Remuneration Committee and the Board of Directors of the Company will be entitled to approve for the CEO equity variable remuneration as specified in Section 17 below.

13.2. Calculation of the annual bonus for the Office holders

Subject to the provisions of Section 13.2.3 below, in accordance with the following conditions and subject to compliance with the Threshold Condition, an office holder may be entitled to an annual bonus which shall not exceed a cap of ~~5-8~~^{13 14} salaries, ~~(and for certain ranks, up to 7 salaries, with the personal component cap increasing as a function thereof)~~, subject to the ~~Salary Ratio Cap~~^{cap pursuant to the applicable law.}

The annual bonus shall be presented for the approval of the Remuneration Committee and the Board of Directors after the

¹³ In practice, the maximum average bonus for an Office Holder who is a member of Management with maximum performance shall not exceed 6.5 salaries, except with the approval of the Board of Directors according to Section 13.2.5.1 below.

¹⁴ The number of salaries may be greater for an Office Holder who is not a member of Management but the total remuneration is lower.

recommendation of the Bank's CEO (or the relevant teams in the case of supervision and control functions, as specified in Section 13.3 below).

The annual bonus shall comprise three (3) components and shall be calculated as the sum thereof, as follows, with the Bank with the approval of the Board of Directors is entitled to alter the mix of these components:

13.2.1. The Bank's performance component: a bonus component of up to ~~1.5~~**1.75 salaries**¹⁵ according to ROE brackets, and as will be determined by the Board of Directors in respect of each year. ~~specified in Section 13.1.1 above the CEO.~~

13.2.2. Comparative index component: A bonus component of up to 0.75 salaries¹⁶, which will be based on a comparative index determined each year in advance by the Board of Directors, such as: the Bank's share yield in relation to the share yield of a competitor/competitors.

~~13.2.2.~~13.2.3. KPI Personal component: a bonus component of **up to 1.52.5 salaries** which shall be calculated according to a grade that is given to the office holder for his meeting a set of personal targets (such as personal targets, unit targets and the targets of the Bank as a whole) to be determined for him in advance, including also risk indicators (for example measurable financial targets of the Bank, qualitative targets and departmental targets) ("KPIs"). The KPIs may include also handling of audit findings.

The KPI targets shall be determined in advance but may be modified in irregular circumstances subject to the law.

Unless determined otherwise by the Remuneration Committee and the Board of Directors, and subject to the provisions below with respect to supervision and control functions, the CEO will be authorized to determine the KPI targets for the Office holders and the managers who report to him who do not hold supervision and control positions, and the achievement thereof, according to this policy.

~~13.2.3.~~13.2.4. CEO discretionary component – a bonus component of up to **3 salaries** for an office holder (subject to the Discretionary Restriction), to be determined by the CEO out of a total bonus budget of up to about 1.5 salaries for each member of Management .

¹⁵ With respect to office holders who are not members of Management, see ~~Footnote 4~~Footnotes 4 and 14.

¹⁶ With respect to office holders who are not members of Management, see Footnotes 4 and 14.

Notwithstanding the foregoing, in the event that the threshold condition is not met, the Remuneration Committee and the Board of Directors will be entitled to approve a basket of bonuses to be distributed by the CEO. This component plus all other discretionary components that will be paid to the office holder for the relevant year, to the extent that they are paid, will not exceed 3 salaries (subject to the discretion restriction), and pursuant to the provisions of the applicable law ("discretionary bonus").

~~13.2.4.~~ 13.2.5. General conditions for the annual bonus -

13.2.5.1. Notwithstanding the aforesaid, insofar as the law allows, the Remuneration Committee and the Board of Directors will be entitled to determine that the annual bonus caps for the office holders will be higher than those stated in this section by up to 3 salaries. In this framework, among other things (but not only), in the event that the cap allowed according to the applicable law is increased, the Remuneration Committee and the Board of Directors will be entitled to determine in advance, that the total of the components of the annual bonus will be increased by one salary (that is, a total bonus of up to 9 salaries).

~~13.2.4.1.~~ 13.2.5.2. Approval of this Remuneration Policy shall constitute approval for an engagement with the office holders (including an update of the terms of such an engagement) in amounts which exceed the amount stated in Clause 2(a) of the Remuneration Limitation Law and in accordance with the provisions of this clause. In a case where the bonus cap is higher than the cap stated in Clause 2(a) of the Remuneration Limitation Law, part of the office holders' salary shall not constitute a recognized expense for tax purposes, all subject to the provisions of the Remuneration Limitation Law.

~~13.2.4.2.~~ 13.2.5.3. ~~Notwithstanding the foregoing, in the event that the threshold condition is not met, the Remuneration Committee and the Board of Directors will be entitled to approve a basket of bonuses to be distributed by the CEO. This component plus all other discretionary components that will be paid to the office holder for the relevant year, to the extent that they are paid, will not exceed 3 salaries (subject to the discretion restriction), and pursuant to the provisions of the applicable law ("discretionary~~

~~bonus")~~ In a year in which the average annual bonus to the office holders who are members of the Bank's Management exceeds 3 salaries and subject to the recommendation of the Bank's CEO, the Board of Directors will be entitled to determine that instead of payment of part of the annual bonus, the office holders will be granted options to purchase the Bank's shares at the same value, when fully vested in an amount not to exceed 3 salaries, this, in addition to the annual grant of options for the Bank's shares, as set forth in Section 17 below.

13.3. **Bonuses for managers in risk management, supervision and control functions**

- 13.3.1. The provisions of Section 13.2 above notwithstanding, with respect to managers belonging to supervision and control functions, the KPIs, the meeting thereof, and the discretionary component and/or the Discretionary Bonus shall be approved by the Remuneration Committee and the Board of Directors according to the recommendation of teams to be determined in relation to each position holder and which may include the CEO and relevant directors (such as the Chairman of the Board, the chairman of the Audit Committee and the chairman of the Risk Management Committee, according to the position holder).
- 13.3.2. The KPIs of managers belonging to risk management, control and audit functions will be adjusted to the importance and sensitivity of these positions.

13.4. **Granting, staggering and payment of the annual bonus**

- 13.4.1. The office holder's annual bonus will be paid in cash, after the publication of the Bank's annual financial statements for the bonus year. Part of the bonus may be converted into options for the Bank's shares, as detailed in Section 13.2.5.3 above.
- 13.4.2. Notwithstanding the aforesaid, in a case where the sum of the variable remuneration exceeds 40% of the fixed remuneration, 50% of the ~~annual—bonus~~ component of the variable remuneration will be deferred ~~may be deferred~~ subject to the provisions of the applicable law (the "Deferred Bonus Remuneration").¹⁷
- 13.4.3. The Deferred ~~Bonus~~ Remuneration may be paid in three equal instalments in cash spread over the three (3) years following the year of payment of the annual bonus, as specified in Section 13.4.1 above. Payment of each instalment will be contingent on

the Bank's not recording a loss in its financial statements in respect of the year preceding the date of payment of the deferred ~~Bonus~~-instalment, and that there will be no material deviation from the capital adequacy¹⁸ in the relevant year. If, in the relevant year, there is a substantial deviation from the capital adequacy, the examination of compliance with this condition will be postponed to the following year, provided that the substantial deviation from the capital adequacy ceases.

13.4.4. The amount of each Deferred ~~Bonus~~-Remuneration instalment ~~will~~may be linked to the increase in the CPI from the end of the tax year in respect of which the ~~bonus~~remuneration was paid until the date of actual payment thereof.

13.4.5. Termination of employment will lead to neither ~~to~~-prepayment of the outstanding instalments of the Deferred ~~Bonus~~ Remuneration nor expiration of the entitlement thereto¹⁹.

13.4.6. The Deferred ~~Bonus~~Remuneration may be paid in shares and/or in share-based instruments, the entitlement to which ~~vests over several years, is~~ subject to fulfilment of the ~~above~~-conditions (~~or other conditions, if to be determined by~~ the ~~Bank's~~ Board of Directors ~~so determines~~), of the Bank (in lieu of the conditions above) and may be subject to a further deferral in certain circumstances, according to a resolution of the Board of Directors.

13.5. In a case where an office holder actually works at the Bank only part of a calendar year in respect of which the bonus is calculated, the office holder will be entitled to a proportionate part of the performance-based bonus component for such calendar year according to the period of his actual work at the Bank in such year (~~based on a daily calculation~~) and may be entitled to up to the full discretionary component.

14. Sign-on bonus for new office holders

A new office holder joining the Bank group may be entitled to a sign-on bonus which is limited to his first year of employment at the Bank in the sum of up to 6 monthly salaries and subject to the applicable law.

15. Special bonus

In addition to the annual bonus, and irrespective of the terms and conditions thereof, the Bank may grant, from time to time, and on any date in the course of a year, a special bonus to an office holder for special contribution, exceptional

¹⁸ "Substantial excess of capital adequacy" means an excess of half a percent (0.5%) or more of the regulatory minimum core Tier 1 ratio and/or an excess of three quarters of a percent (0.75%) or more of the minimum regulatory total capital ratio, in accordance with the annual financial statements for the relevant year.

¹⁹ Insofar as it is equity variable remuneration as specified in Section 17 below, the termination of the employment may result in the expiration of said remuneration in accordance with its terms.

efforts or a special event, in an amount that shall not exceed 3 monthly salaries, subject to the Discretionary Restriction and pursuant to any law ("**Special Bonus**") and subject to the approval of the Remuneration Committee and the Bank's Board of Directors.

16. Reduction of the variable remuneration

The Remuneration Committee and the Board of Directors shall be entitled to deduct up to 100% of the variable remuneration of ~~the an~~ office holders (all or part of them) in ~~cases where~~ each one of the following cases and for reasons to be explained:

- a. the Bank's financial or business ~~condition~~position or results of operation so ~~requires~~ justify;
- b. for reasons connected with the performance of the office holder; or
- c. In ~~exceptional~~ cases of non-compliance with the provisions of the law or ~~grave non-compliance~~ with the Bank's procedures, ~~and for reasons to be explained.~~

17. Equity variable remuneration

17.1. In light of the advantages inherent in equity remuneration plans as a tool to motivate and retain managers, the office holders may be entitled, from time to time, to participate in an equity remuneration plan for the grant of options worth up to 3 salaries at the time of grant and for the CEO up to NIS 100,000 per year, with the value of the options granted to each office holder being according to his position and rank. The value of the options will be determined according to the benefit value model that will be used by the Company for its financial statements, at the time of grant, and will be calculated for each vesting year (in a linear calculation). In addition to the above, it will be possible to grant an additional number of options to the office holders (above the specified ceiling of 3 salaries), in lieu of the annual bonus or part thereof, as, as specified in Section 13.2.5.3 above.

17.2. The options that will be granted will vest linearly over a period of at least 3 years, and will be subject to performance conditions (compliance with capital adequacy ratios), as required by law (except if they were paid in lieu of an annual bonus, in which case they will vest at the time they are granted). In the event of termination of employment under circumstances that do not reduce or exclude severance pay according to law, the options that have vested by the date of termination of employment, when calculated linearly on a daily basis, may be exercisable for shares. The vesting conditions of the options may include instructions regarding the acceleration of the vesting periods as a result of a change in control of the Bank or as a result of the termination of the employment relationship due to special circumstances such as disability or death.

17.3. The exercise price of the options will be determined by the Bank's authorized bodies at the time of granting the aforementioned options, subject to the fact that it will not be less than the highest of: (1) Average price of the share (adjusted for dividend and benefits) in the preceding 30 trading days to the date of the Board of Directors' decision on the grant and (2) the closing price of the Company's share on the stock exchange on the last trading day preceding the date of the Board of Directors' decision on the grant. If the exercise price is determined for alternative (2), then a premium of up to 3% may be added to this price. The options plan Include instructions according to which the exercise price will be adjusted for dividend distribution and capital changes. The options can be exercised using the "net exercise" method, and a cap may be set for the share value in this exercise method which may lead to automatic exercise of the options.

17.4. Subject to the applicable law, the equity variable remuneration will be given according to Section 102 of the Income Tax Ordinance.

17.5. The options will be classified as deferred remuneration according to the provisions of Section 13.4 above, mutatis mutandis and according to the applicable law, when its distribution will start from the date of the Board of Directors' decision on its grant.

Clawback arrangements according to the provisions of the Companies Law and the Directives of the Banking Supervision Department

~~17.18.~~ Clawback of bonus amounts in the event of amendment of financial statements

~~17.1.~~18.1. In a case where it transpires that an office holder was paid bonuses based on information which transpired to be wrong and was restated in the Bank's financial statements, the office holder shall repay the Bank the difference between the amount of the bonus that he received and that to which he was entitled due to the said amendment. The Remuneration Committee and the Board of Directors shall determine the date of the repayment and the method of performance thereof. The office holder will not be required to repay the Bank the part of the bonus that was deducted and paid as tax to the Tax Authority.

The provisions of this section shall apply during the period of the office holder's employment until three years after the date of separation of his employment at the Bank.

~~18.19.~~ Clawback of bonus amounts in exceptional circumstances

19.1 Criteria for clawback – any bonus shall be granted and paid to an office holder subject to a stipulation that it is subject to clawback from the office holder to the Bank, considering the circumstances and upon fulfillment of one of the following criteria:

- 19.1.1 The office holder was party to conduct that caused the Bank exceptional damage, including illegal activity, breach of the fiduciary duty, deliberate breach or grossly negligent disregard of the banking corporation's policy, rules and procedures;

"**Exceptional Damage**" means an actual significant financial expense due to penalties or financial sanctions imposed on the Bank by an authority authorized by law or according to a non-appealable judgment, a final arbitration award, a settlement arrangement on which the court entered a judgment, etc., which exceed 3% of the Bank's equity at the time of occurrence of the Exceptional Damage. The financial expense shall be calculated after deduction of amounts that were paid or are expected to be paid to the Bank as a collateral benefit from third parties and after accounting for recognition of tax losses.

The expense due to the Exceptional Damage, if any, will be attributed to the relevant year/s in which the act or omission having caused the Exceptional Damage occurred, and not to the current year in which the expense was actually recorded, all according to the determination of the Remuneration Committee and the Board of Directors.

- 19.1.2 Deliberate misconduct or fraud due to which information transpired to be wrong and was restated in the Bank's financial statements;
- 19.1.3 Circumstances in which the office holder was dismissed by the Bank without severance pay, according to the applicable law.
- 19.2 **The clawback period** – the bonuses will be subject to clawback for a period of 5 years from the date of granting thereof (the "**Clawback Period**"). The Bank may extend the Clawback Period by two additional years, upon fulfillment of all of the following conditions:

- 19.2.1 During the Clawback Period the Bank shall have instituted an internal investigation or received notice from a regulatory authority in Israel or abroad that an investigation has been launched;
- 19.2.2 The Bank is of the opinion that the investigation might reveal that the criteria for clawback, as stated in Section ~~18~~19.1 above, have been fulfilled;
- 19.2.3 It is decided that the circumstances for extension of the Clawback Period as aforesaid exist, after an examination of all of the relevant considerations, including the degree of responsibility of the office holder and the extent of his involvement in the matter.

The extension period shall come to an end when the investigation is completed and when the degree of responsibility of the office holder is clarified.

- 19.3 **Triggering clawback** – The Remuneration Committee and the Board of Directors, or anyone appointed on behalf of the Board of Directors (including a committee of which persons who are not directors may also be members), shall

decide whether the criteria for clawback as provided in Section ~~18~~19.1 above are fulfilled. After hearing the claims of the office holder and examining all of the relevant considerations, including the degree of responsibility of the office holder and the extent of his involvement in the matter, a decision shall be made, in writing and with reasons, as to whether there are grounds for clawback and the sum of the clawback.

19.4 **The maximum clawback amount** – Considering the importance that the Bank places on compliance with the provisions of the law, the Bank’s policy and its procedures, the maximum clawback amount, upon fulfillment of the above criteria, will be up to the amount of the full bonus that was paid to the office holder in respect of the year in which the criteria for clawback were fulfilled, considering the circumstances. The office holder will not be required to repay the Bank the part of the bonus that was deducted and paid as tax to the Tax Authority.

19.5 Notwithstanding the provisions of Section ~~18~~19 above, when the total variable remuneration granted to an office holder for the calendar year does not exceed 1/6 of the fixed remuneration in such year, the clawback mechanism will not be triggered, unless the Remuneration Committee and the Board of Directors shall have decided to trigger it on special grounds.

~~19~~20. The clawback arrangements specified in Sections ~~17~~18 and ~~18~~19 above constitute implementation of the provisions of the Companies Law and the Directives of the Banking Supervision Department, and they do not derogate from any other or additional remedy which may be available to the Bank pursuant to law vis-à-vis an office holder in a case where the Bank suffers damage.

Chapter E – Insurance, Indemnification Arrangements**20-21. Specification of insurance arrangements**

- 21.1 The Bank may engage in a contract for insurance of the liability of an office holder thereof²⁰, due to a liability imposed on him as a result of an act he committed in his capacity as an office holder of the Bank (including filling a position on behalf of the Bank at another company), subject to the provisions of any law.
- 21.2 Current D&O liability insurance - The total limits of liability for the Bank's office holders in the current insurance policy shall not exceed \$500 million, per claim and in the aggregate²¹.
- 21.3 In addition to the current insurance policy, the Bank may engage in insurance policies as follows:
- 21.3.1 An insurance policy which covers liability (including of office holders) in connection with public offerings of securities (a Public Offering of Securities Insurance (POSI) policy) with standard limits of liability, up to 30% of the amount of the offering / the company value, as the case may be²².
- 21.3.2 A runoff office holders' liability insurance policy (coverage for past activity) in connection with a transfer, purchase, sale, restructuring in the Bank's group, including a merger, insolvency proceeding, appointment of a position holder by a court / regulator, change of control, etc. The limits of liability in a runoff policy shall not exceed \$500 million, per claim and in the aggregate.
- 21.4 The said insurance policies may include, in addition to coverage of the liability of the Bank's office holders, also coverage for the liability of the Bank and the Bank's subsidiaries, coverage of reasonable trial costs pursuant to law (also above the limits of liability specified) and coverage for liability of office holders in the Bank's group.
- 21.5 Subject to the provisions of the law, engagements of the Bank for the purchase of insurance coverage policies, the terms of engagement in which meet the terms and conditions specified in Sections ~~20~~21.2 and ~~20~~21.3 above, will not require the approval of the General Meeting and may be approved by the Remuneration Committee and the Bank's Board

²⁰ In this chapter, "Office holders", including directors.

²¹ For details regarding the current insurance policy in effect on the date of the report, see p. ~~216~~205 of the Bank's Q2/~~2020~~2023 report.

²² For details regarding an insurance policy which was purchased in connection with the offer to sell shares of Isracard Ltd., see Section ~~22~~29A of the Bank's ~~2018~~2022 periodic report (on p. ~~342~~360).

of Directors, including in accordance with the provisions of Section 1B1 of the Companies Regulations (Relaxations in Transactions with Interested Parties), 5760-2000 in relation to insurance policies, engagement in which is at market prices and is not likely to have a material effect on the Bank's profitability, assets or liabilities.

21.22. The indemnification arrangements

21.1.22.1. The Bank may undertake to indemnify office holders of the Bank, as being from time to time, due to liability imposed on them / an expense they incurred as a result of an act they committed in their capacity as office holders (including filling a position on behalf of the Bank at another company).

21.2.22.2. The indemnification undertaking may include, *inter alia*, indemnification due to a monetary liability imposed on the office holder in respect of events that shall be specified in the letter of indemnification (up to an aggregate indemnification amount for all of the office holders of 25% of the equity attributed to the Bank's shareholders, according to the Bank's last known financial statements, prior to actual payment of the indemnification), and indemnification in respect of reasonable litigation expenses, including legal fees, in various proceedings (including administrative proceedings²³).

21.3.22.3. The Bank may retroactively indemnify an office holder, subject to the provisions of any law.

22.23. Specification of the exemption arrangement

The Bank may exempt the Office holders thereof in advance and/or retroactively from liability thereto for any damage of any type which was and/or shall be caused, directly or indirectly, to the Bank and/or any subsidiaries of the Bank and/or affiliates of the Bank and/or other corporations, securities of which are and/or shall be held, from time to time, by the Bank ("**Affiliated Corporations of the Bank**"), due to any act or omission that constitutes a breach of the duty of care of the Office holders, all in accordance with and subject to the provisions of the Bank's articles of association. The aforesaid shall also apply in respect of the exemption of an office holder of the Bank in relation to his being an office holder of Affiliated Corporations of the Bank.

²³ [Simultaneously with the approval of the remuneration policy, the granting of letters of indemnity for office holders is also brought for the approval of the General Meeting.](#) For details regarding the indemnification arrangements at the Bank on the date of the report, see Note 25.B.54 to the Bank's ~~2019~~2022 financial statements (on p. ~~175~~171).

Chapter F – Retirement Arrangements~~23.~~24. Principles for determining the retirement arrangements

Upon determining the retirement arrangements of the office holder and upon making retirement payments, an examination will be carried out, *inter alia*, of the period of office or employment of the office holder, the terms and conditions of his office and employment during such period, the Bank's performance during such period, the office holder's contribution to the achievement of the Bank's goals and to maximization of its profits, and the circumstances of the retirement. The retirement payment shall be capped, as specified in this chapter below and as applicable.

24.25. Transitional arrangements

24.1.25.1. The Office holders shall be entitled to all of the rights accrued until the conclusion of the agreements existing prior to the Remuneration Limitation Law applying to their remuneration in connection with the terms of conclusion of their employment, including with respect to the retirement tracks under such agreement, provided that, as a rule, the projected expense in respect of engagements from the date of commencement of the Remuneration Limitation Law shall not exceed the cap according to the applicable law, including the Remuneration Limitation Law.

24.2.25.2. It is possible for the office holder to continue to accrue, in the context of his employment agreement, years of seniority and age for purposes of an early pension track. Notwithstanding the aforesaid, conditions for determining entitlement to choose an early pension track as aforesaid may be added.

~~24.3. Choosing an early pension track will not be available to office holders joining the ranks of the Bank in the future.~~

24.4.25.3. Office holders who are not directors and are not members of Management (the "**Senior Managers**") who: (1) were subject, on April 12, 2016, to a collective bargaining agreement; and (2) transition from a collective bargaining agreement to a personal executive contract after the said date, may be entitled, in certain circumstances, to payment of severance pay and pension arrangements that differ from those specified herein, which take into account their remuneration and rights to which they may have been entitled, had they continued to be subject to the collective bargaining agreement.

25.26. Severance pay, pension, special payment upon retirement, prior notice and adjustment period

25.1.26.1. **Severance pay** – Subject to the above transitional arrangements, upon termination of employment, whether as a result of dismissal or resignation, the office holder shall be paid 100% severance pay (including the money accrued in the severance pay funds from

contributions as aforesaid or the money accrued in the severance pay funds as aforesaid shall be released, whichever is higher. The rate of the severance pay shall be multiplied by the office holder's last salary and by his years of employment at the Bank (from the end of the term of the agreement prior to the Remuneration Limitation Law taking effect, if any), such that the seniority of the office holder, his rank, the terms and conditions of his employment and the office holder's contribution to the Bank shall also be reflected.

Notwithstanding the aforesaid, subject to the discretion of the Remuneration Committee and the Bank's Board of Directors, according to the recommendation of the Bank's CEO, and subject to the Directives on Remuneration in a Banking Corporation and the Remuneration Limitation Law and the Salary Ratio Cap, severance pay in the sum of up to 175% of his last salary in respect of all of the years of his employment may be approved for an office holder who is a senior manager and is not a member of Management.

~~25.2.~~26.2. **Special payment upon retirement** – Subject to the applicable law, the Remuneration Committee and the Board of Directors, at their discretion, may decide on payment of a special amount upon the office holder's retirement, over and above the payments as specified above and/or in the office holder's employment contract, which shall be determined according to the office holder's contribution, his position, the period of his employment, the circumstances of his retirement, etc. However, such amount shall under no circumstances exceed three (3) monthly salaries of the office holder, subject to the Discretionary Restriction and in accordance with any law.

~~25.3.~~26.3. **Prior notice** – Subject to the applicable law, an office holder may be entitled to a prior notice period of up to 6 months. The Bank may waive the office holder's actual work during the prior notice period, or part thereof, without prejudice to the office holder's right to the full remuneration conditions, or part thereof, in such period (or to redemption thereof).

~~25.4.~~26.4. **Adjustment period** - Subject to the applicable law, in certain cases, and subject to the approval of the Remuneration Committee and the Board of Directors only, an adjustment period of up to 6 months' adjustment may be approved for an office holder.

26.5. Payment for non-competition – at the end of the non-competition period, or part thereof, the office holder may receive payment in respect of non-competition of up to 6 salaries.

~~25.5.~~26.6. **Cap on payments in circumstances of termination of employment** – the total payments which may be paid to an office holder who retires from his position after the actual termination of his office, according to ~~this Section 25 (such as: prior notice, adjustment, a special payment upon retirement, etc.)~~Sections 26.2-26.5 shall not exceed, in

the aggregate, 9 monthly salaries of the office holder, including social benefits and related benefits.

26.27. Deferred retirement payments

26.1.27.1. Any payment in respect of the retirement arrangements specified in this chapter below (excluding the prior notice component and excluding payment for 3 months' adjustment/non competition, if and insofar as approved), which is paid to the office holder over and above the standard for all of the Bank's employees (the "**Extra Retirement Sum**"), shall be deemed as variable remuneration²⁴, and accordingly, shall be paid proportionately only in the event that in the years in which the office holder was ~~chairman~~, CEO or a member of Management (or a Senior Manager with respect to an office holder who is retiring from a Senior Manager position) and in the three (3) years following his retirement, the Bank did not deviate significantly from the ~~required~~ capital adequacy ~~ratios~~. Thus, for example, if the office holder was a member of Management for 10 years until the date of the retirement (and received retirement payments other than by way of pension for a period exceeding 3 years), and in one year in the course of such period the Bank deviated significantly from the ~~required~~ capital adequacy ~~ratios~~, then 1/13 of the Extra Retirement Sum shall not be paid to the office holder.

26.2.27.2. Furthermore, 50% of the Extra Retirement Sum²⁵ may be paid in proximity to the retirement date and 50% of the Extra Retirement Sum will be paid to the office holder, in equal parts, after the lapse of 12, 24 and 36 months from the date of his retirement from the Bank²⁶.

26.3.27.3. The deferred payments under this section, insofar as deferred, will be updated according to the rise in the CPI from the date of deferral thereof until the date of actual payment thereof (no updates will be applied for a negative index).

26.4.27.4. Notwithstanding the provisions of this section, the Extra Retirement Sum shall not be deferred in cases of serious illness, disability or death.

²⁴ Subject to the definitions and conditions in the Directives on Remuneration in a Banking Corporation, including with respect to the transitional provisions and applicability and historic rights.

²⁵ Which is not paid by way of pension for a period exceeding 3 years following the retirement.

²⁶ If the office holder receives his retirement payments by way of early pension for a period exceeding 3 years, this amount shall be staggered as a proportionate part of each payment, provided that no amount shall be paid to the office holder which will prevent the Bank from implementing the provisions of Section 26.27.1 above.