

January 21, 2020

The First International Bank of Israel Ltd
(“the Bank” or “the Company”)

**Notice Pertaining To Summoning a Special General Meeting
of the Shareholders**

Part A - Summoning the General Meeting

In accordance with the Companies Law, 5759 - 1999 (hereinafter: “**the Companies Law**”), The Securities Law, 5728 - 1968 (hereinafter: “**the Securities Law**”), The Companies Regulations (Notice of a General Meeting and Class Meeting in a Public Company and Adding a Topic to the Agenda), 5760 - 2000 (hereinafter: “**the Notice Regulations**”), to the Companies Regulations (Written Votes and Position Paper), 5766 - 2005 (hereinafter: “**the Voting Regulations**”), the Bank announces the convening of a Special General Meeting of the Bank’s Shareholders to convene on Wednesday, February 26 2020, at 14:00 at the Bank’s Offices at 42 Rothschild Blvd., Tel Aviv (14th Floor, Conference Room) (hereinafter: “**the Meeting**”).

1. **The Topics and Resolutions on the Agenda**

- 1.1. To approve the remuneration policy for the officeholders at the Bank, attached as **Appendix A** to this report, in accordance with Section 267A to the Companies Law.

For additional details, see Part B to this report hereunder.

2. **Required Majority**

- 2.1. The majority required for adopting the resolution in Section 1.1 on the agenda is an ordinary majority of all of the votes of the shareholders present at the meeting in person or by proxy or who sent a voting ballot to the Bank stating the manner they wish to vote, entitled to vote and voted therein without taking into account the votes of abstainers, provided that one of the following exists:

(1) At least the majority of all the shareholders votes who are not controlling shareholders in the Company or who do not have a personal interest in approving the resolution, participating in the vote will be included in the counting of the votes. The votes of abstainers will not be taken into account upon counting all the votes of the said shareholders.

(2) The total votes of objectors among the shareholders mentioned in Sub-Paragraph (1) will not exceed a rate of two percent of all the voting rights in the Bank.

It is noted that the Bank's Board of Directors may approve the resolution even if the general meeting objected to approving it, provided that the Remuneration Committee and thereafter the Board of Directors decided, on the basis of detailed reasons and after again discussing the remuneration policy, that approval of the remuneration policy notwithstanding the general meeting's objection is in the Company's best interest.

The Bank is not a public second tier subsidiary company.

3. **The Effective Date**

The Effective Date with respect to a shareholder at the Bank's eligibility to participate and vote at the general meeting and at the adjourned meeting, as stated in Section 182(b) to the Companies Law and in Regulation 3 to the Voting Regulations is the end of trading on the Tel Aviv Securities Stock Exchange Ltd. falling on Wednesday, January 29, 2020 (hereinafter: "**the Effective Date**"). If there is no trading on the Effective Date then the effective day will be the last day of trading preceding this date.

4. **Method of Voting**

4.1. The Bank's shareholders on the Effective Date may vote on the topics on the Agenda as detailed in Section 1 above, in person or by proxy or in a voting ballot (as detailed in Section 5 below). The proxy's letter of appointment to vote or power of attorney must be deposited at the Bank's

offices at 42 Rothschild Blvd., Tel Aviv, at least 48 hours before the Effective Date for the Meeting or the Adjourned Meeting, as applicable. An unregistered shareholder in the Shareholders registry whose shares are listed with a member of TASE (hereinafter: “**Unregistered Shareholder**”) may also vote through the electronic voting system as detailed in Section 6 hereunder.

4.2. In accordance with the Companies Regulations (Proving Title to a share for the purpose of voting at a General Meeting), 5760- 2000 (hereinafter: “**Proof of Title Regulations**”), an unregistered shareholder, and is interested in voting at the General Meeting, will furnish to the Bank approval from the member of the TASE with who its right to the share is registered pertaining to it owning the share on the Effective Date, as required under the Proof of Title Regulations (hereinafter: “**Certificate of Title**”). Pursuant to the aforementioned Regulations, an approved email pursuant to Section 44K5 to the Securities Law concerning the users data in the electronic voting system - is the same as a certificate of title with respect to all the shareholders included therein.

5. **Voting by Way Of Voting Ballots And Position Papers**

5.1. In accordance with the Voting Regulations, the Bank shareholders may vote with respect to topics on the Agenda as detailed in Section 1 above by voting ballots. The wording of the voting ballot and position papers (insofar as applicable) for the aforementioned resolution can be viewed on the Distribution Website of the Securities Authority: www.magna.isa.gov.il (“**The Distribution Website**”) and on the Tel Aviv Securities Stock Exchange Ltd website www.tase.co.il (“**Stock Exchange’s Website**”) . Shareholders may contact the Bank directly to receive the text of the voting ballot and the position paper.

5.2. A member of the TASE will send, free of charge, by email, a link to the text of the voting ballot and position papers (insofar as applicable), on the Distribution Website, to every unregistered shareholder, unless a shareholder informed it that it was disinterested, and such a request is made on a date

preceding the Effective Date for a specific securities account. The voting will be effectuated on Part Two of the voting ballot, as published on the Distribution Website.

- 5.3. An unregistered shareholder is entitled to receive a certificate of title from the member of the TASE through who it holds its shares, at the member of the TASE's branch or by mail to its address, in consideration for paying postage only, if so requested, and such a request is made in advance for a specific securities account.
- 5.4. A shareholder participating in a vote in relation to a resolution on the agenda, as detailed in Section 1.1 above, will inform the Company before voting, and if the vote is through a voting ballot - will mark the Second Part of the voting ballot at the designated place to do so, if considered a controlling shareholder, interested party, has a personal interest in approving the appointment or the resolution, senior officeholder or institutional investor, or not, and a description of the relevant nexus. A shareholder who fails to give notice or to mark the second part of the voting ballot in the designated place to do so, his vote will not be counted.
- 5.5. In accordance with the Securities Authority's Directive of November 30, 2011 with respect to disclosing the manner an interested party, senior officeholder and institutional bodies vote at meetings and the Voting Regulations (hereinafter: "**the Directive**"), an interested party, senior officeholder and institutional investor (hereinafter: "**the Voters**"), as defined in the Directive, voting at the Meeting on Resolution No. 1.1 on the Agenda, will submit to the Bank, within the framework of their vote, the particulars that are required in accordance with Section 2(b) to the Directive and if they voted by proxy, the Voter or agent will also submit the particulars in relation to the agent. Similarly, particulars pertaining to any connection between the Voter or the agent (who is not an interested party) and the Bank or any of the controlling shareholders or senior officeholder in the Company, including but not limited to an employee employer relationship, business ties and the like and/or senior officeholder at the Bank will be given and will detail the nature thereof.

- 5.6. A voting ballot of an unregistered shareholder will be delivered to the Bank together with the Certificate of Title, ensuring that the voting ballot reaches the Bank's offices **no later than four hours before the time scheduled to convene the Meeting.**
- 5.7. A shareholder registered in the shareholders registry will deliver the voting ballot to the Bank, together with a photocopy of his identity card or photocopy of his passport or photocopy of the Certification of Incorporation, ensuring that the voting ballot reaches the Company's registered office **up to six hours before the time scheduled to convene the Meeting.**
- 5.8. A shareholder may contact the Company's registered office after proving his identity to withdraw the voting ballot and his Certificate of Title up to 24 hours before the meeting is convened.
- 5.9. The deadline for delivery of position papers to the Bank will be **up to Ten days before the Meeting date.**
- 5.10. The deadline for submitting a position paper on the Bank's behalf to include the Bank's Board of Directors Response to the position papers, on the shareholders behalf is **no later than Five days before the Meeting date.**

6. **Voting by electronic voting ballot**

- 6.1. As stated above, an unregistered shareholder may vote in relation to a resolution on the agenda as detailed above, by a voting ballot to be transmitted through the electronic voting system as defined in the Voting Regulations (hereinafter: "**the Electronic Voting Ballot**").
- 6.2. The electronic voting ballot is opened for voting at the end of the Effective Date. Voting through the Electronic Voting System **will end 6 hours before the time for the Meeting** (i.e. on Wednesday, February 26, 2020, at 8:00) then the electronic voting system will close.
- 6.3. The electronic voting can be changed or cancelled up to the system locking time, and after this time can no longer be changed through the system. If a shareholder votes through more than one method, his last vote will count. In

this respect, a vote by a shareholder in person or by proxy will be deemed later than the electronic voting ballot.

7. **Quorum and Adjourned Meeting**

- 7.1. The quorum for a shareholders meeting is one or more shareholders present in person or by agent (including but not limited to by way of a voting ballot), holding or representing more than 25% of the voting power at the Bank.
- 7.2. If a quorum is not present at the meeting within one-half hour of the time fixed for the meeting, the meeting shall be deferred by one week, to the same time and the same place, without there being any duty to give notice of this to the shareholders, or to another time and place as the Board of Directors shall determine. At the adjourned meeting the matters to be discussed will be those for which the meeting was convened and the shareholders present in person or by agent will constitute a quorum.

8. **The Controlling Shareholders in the Bank**

- 8.1. To date, to the best of the Bank's knowledge, F.I.B.I Holdings Ltd (hereinafter: "**FIBI**") holds 48.34% of the rights in the Bank's capital and voting. FIBI is a public company whose shares are traded on the Tel Aviv Securities Stock Exchange Ltd.
- 8.2. To date, to the best of the Bank's knowledge, Binohon Ltd. (hereinafter: "**Binohon**") holds approximately 28.54% of the rights in FIBI's capital and voting. Binohon is a company held in equal parts (25% each one) by Mr. Zadik Bino (also serving as a director in the Bank), Mr. Gil Bino (also serving as Chairman of FIBI's Board of Directors and as a director in the Bank), Mrs. Hadar Bino Shmueli and Mrs. Dafna Bino Or (serving as director in FIBI). All FIBI shares owned by Binohon (constituting core control shares pursuant to a Bank of Israel permit) are held in trust by Guy Trust and Management Ltd Company.
- 8.3. As of the date of this report, to the best of the Bank's knowledge, Instanz No. 2 Ltd (hereinafter: "**Instanz**") holds approximately 11.68% of the

rights in FIBI and Dolphin Energies Ltd (hereinafter: “**Dolphin**”) holds approximately 11.68% of the rights in FIBI’s capital and voting.

8.4. Instanz is a company fully owned by Sing Acquisitions Pte. Ltd, a corporation that was incorporated in Singapore, controlled (through Australian bodies) by Messrs. Helen and Michael Abeles. All FIBI shares owned by Instanz (constituting core control shares pursuant to a Bank of Israel permit) are held in trust by Guy Trust and Management Ltd Company.

8.5. Dolphin is a company controlled (through a chain of Australian bodies) by Mrs. Lee Liberman, Mr. Joshua Liberman, Mrs. Casey Liberman Harris and Mrs. Berry Liberman. All FIBI shares owned by Dolphin (constituting core control shares pursuant to a Bank of Israel permit) are held in trust by Guy Trust and Management Ltd Company.

8.6. To the best of the Bank’s knowledge, there is a voting agreement and collaboration between Binohon, Instanz, Instanz Holdings Ltd (formerly holding FIBI shares today held by Instanz) and Dolphin with respect to their holdings in FIBI and indirectly in the Bank.

9. **Viewing documents and Details concerning the Bank’s Representatives**

The text of the proposed resolutions and the immediate report regarding the convening of the meeting and its appendices can be viewed at the Bank’s offices at 42 Rothschild Boulevard Tel Aviv, Sunday-Thursday, up to the date of the meeting during regular business hours, upon coordinating this in advance with the Secretary of the Bank, Adv. Aviad Biller (Tel. 03-5196223) and on the Securities Authority website at: www.magna.isa.gov.il, on the Tel Aviv Securities Stock Exchange Ltd website at: www.tase.co.il and on the Bank’s website at: www.fibi.co.il.

Part B - Additional details in connection with approving the remuneration policy for officeholders at the bank

10. **Background**

- 10.1. On December 12, 2012, Amendment Number 20 to the Companies Law came into effect. The Amendment concerns the regulation of the remuneration structure for officeholders in public companies and in debenture companies and determines a special procedure to approve it. On November 19, 2013, the Proper Conduct of Banking Business Directive 301A was promulgated “Remuneration Policy in a Banking Corporation” (hereinafter: “**Directive 301A**” and/or “**the Supervisor’s Directive**”) containing additional provisions, *inter alia*, in connection with officeholders remuneration in banking corporations, as amended from time to time. On April 12, 2016 the Remuneration of Officeholders in Financial Corporations (Special approval and inadmissibility of expense for tax purposes in respect of irregular remuneration) Law, 5776-2016 (hereinafter: “**the Remuneration Law**”). The Bank’s remuneration policy is subject, *inter alia* to the Companies Law provisions, Directive 301A as amended from time to time and the Remuneration Law.
- 10.2. The remuneration policy tabled for approval at this meeting will replace the Bank’s previous remuneration policy for officeholders, which was approved at the Bank’s General Meeting on February 23, 2017 (hereinafter: “**the Previous Remuneration Policy**”) and will be valid for a period of three years following its approval date by the General Meeting.¹ This remuneration policy is part of a comprehensive remuneration policy containing additional parts relating to employees who are not officeholders in accordance with the Supervisor’s Directive.
- 10.3. The remuneration policy and its various components was discussed at a number of meetings of the Remuneration Committee and the Board of

¹ For additional details concerning the previous remuneration policy see the Bank’s immediate report from January 18, 2017 (Reference: 2017-01-006415).

Directors, also discussing the Remuneration Committee's recommendations. The Remuneration Committee and the Board of Directors were assisted by external consultants to formulate the policy.

Within the framework of such meetings, *inter alia* the following data was reviewed and examined, including: the relevant provisions from the Companies Law; the relevant provisions in Directive 301A; the Remuneration Law provisions; terms in office and employment of officeholders at the Bank; prevailing remuneration policy and bonus plan at the Bank and the extent of their effectiveness; comparative data relevant to the banking system; the data required with respect to the Bank's employees terms of employment in accordance with the Companies Law and the data mentioned in Section 2(b) to the Remuneration Law; comparative information in relation to remuneration in the banking system.

- 10.4. On January 21, 2020, following Remuneration Committee discussions from November 19, 2019, December 24, 2019 and January 6, 2020, the Bank's Board of Directors approved the remuneration policy for the Bank's Officeholders as stated in **Appendix A** attached to this report (hereinafter: "**the Remuneration Policy**"). The changes in the remuneration policy in relation to the previous remuneration policy are underlined.
- 10.5. The Remuneration Committee members who participated in the Committee discussion on January 6, 2020 within the framework of which its final recommendation to the Board of Directors was approved relating to the remuneration policy are: Yosef Horowitz (Chairman; External Director pursuant to the Companies Law), Ronen Harel (External Director pursuant to the Companies Law), Ilan Ayish (External Director pursuant to the Proper Conduct of Banking Business Directive).

The Board of Directors members who participated in the meeting on January 21, 2020 in which the remuneration policy was approved are: Irit Izakson (Chairwoman), Zadik Bino, Gil Bino, Jacob Sitt, David Assia (External Director pursuant to the Proper Conduct of Banking Business Directive), Daniel Furman (External Director pursuant to the Proper Conduct of Banking Business Directive), Menachem Inbar (External

Director pursuant to the Proper Conduct of Banking Business Directive), Yosef Horowitz (External Director pursuant to the Companies Law), Ilan Ayish (External Director pursuant to the Proper Conduct of Banking Business Directive), Ronen Harel (External Director pursuant to the Companies Law).

- 10.6. The names of the directors having a personal interest and the nature of their personal interest in the matter: All the Board of Directors members may have a personal interest deriving from the fact that the remuneration policy determines provisions relating to the terms in office and employment of directors at the Bank, including the Chairman of The Board of Directors, whereby with respect to the Chairman of the Board of Directors specific provisions were determined in the remuneration policy.

11. The Remuneration Committee and Board of Directors Reasons For Approving The Remuneration Policy

- 11.1. The remuneration policy coincides with the Supervisor's directive and includes provisions relating to tailoring the scope of the remuneration given to the Officeholders at the Bank to the provisions in the Remuneration Law.
- 11.2. The remuneration policy is designed to maintain the appropriate balance between the Bank's organizational strategy, its goals and its work plans, as determined from time to time, in accordance with the risk appetite and its risk management framework, and the creation of a set of appropriate incentives to recruit and preserve quality managerial workforce in senior managerial positions long term, the Bank requires for long-term business development and resilience.
- 11.3. With respect to the fixed remuneration component:
- 11.3.1. Further to the perception that it is also fitting to limit the scope of the fixed component, the remuneration policy determines caps on the Bank's Officeholders pay.
- 11.3.2. The fixed remuneration and all of its various components, encourages maintaining stability and continuity at the Bank's

management level and thereby assists in guaranteeing the prevalence of a professional, quality and effective management.

11.3.3. Upon determining the fixed remuneration for each one of the Officeholders, the Officeholder's education, qualifications, expertise, professional experience and achievements will also be taken into account, as well as his position, fields of responsibility and earlier wage agreements that were signed with him.

11.4. With respect to the annual bonus component:

11.4.1. The variable component is based on return to capital, effectiveness ratio and capital adequacy ratio and gives weight to the Bank's annual work plan, determined each year by the Board of Directors, *inter alia*, in accordance with the Bank's current risk appetite. The combination in the remuneration policy between the return to capital, effectiveness ratio and the capital adequacy ratio constitutes the combination creating the remuneration advancing the Bank's purposes, with the intent to create appropriate incentives for the officeholders on the one hand and maintaining the risk management policy of the Bank on the other hand.

11.4.2. Calculating the return to capital and the effectiveness ratio without neutralization or ad hoc adjustments, is the calculation optimally reflecting the Bank's business results, including but not limited to the scope of entitlement to annual bonuses purpose, and this *inter alia* in light of the lack of material business activities that are not within the regular course of business of the Bank, and the lack of material realistic investments by the Bank, whereby realizing them or assessing their value can create remarkable ad hoc events.

11.4.3. The deferral and spread of the variable remuneration mechanism, as determined in the remuneration policy corresponds with the Supervisor's Directive.

11.4.4. Within the framework of determining the scope of the annual bonus for an officeholder emphasis is also put on the contribution of each one of the officeholders to achieving the Bank's goals within the field of his responsibility upon distributing the measurable

component and within the framework of the discretionary bonuses component.

- 11.4.5. Caps on bonuses to officeholders at the Bank were included in the remuneration policy in monetary terms or in terms of the number of salaries.
- 11.4.6. The ratio between the fixed component and the variable component in the officeholders terms of employment, as expressed in the caps determined for the variable remuneration components is proportionate and balanced.
- 11.4.7. Insofar as remuneration for officeholders engaging in risk management, control and audit, unique provisions were determined in the remuneration policy taking into account the importance and sensitivity of the roles imposed upon these functions. Within the framework of approving the remuneration policy consideration is given, similar to the rest of the Officeholders at the Bank, and in accordance with the caps determined in the remuneration policy, the ratio between the fixed remuneration and the variable remuneration of these officeholders clearly inclines towards fixed remuneration.
- 11.4.8. The remuneration policy also includes the option of awarding special bonuses for a special contribution while determining a budget for these bonuses.

11.5. With respect to remuneration for termination of employment:

- 11.5.1. The remuneration policy also determines caps on remuneration for termination of employment.
- 11.5.2. In accordance with the Supervisor's Directive, a mechanism to spread and defer the remuneration for termination of employment was determined, constituting variable remuneration.

- 11.6. The remuneration policy also refers to terms in office and employment of the Chairman of the Board of Directors and the CEO, by such a manner that corresponds with the requirements in the Remuneration Law and the Supervisor's Directive.

- 11.7. The preparation of the remuneration policy process included an examination and reference to the ratio between the remuneration paid to officeholders at the Bank and remuneration paid to the Bank employees (including but not limited to the contractor's employees) and an expression of the examination and discussion of the matter was given in the remuneration policy.
- 11.8. The Remuneration Policy includes an option to lower the bonuses at the Board of Directors discretion.
- 11.9. The Remuneration Policy also includes provisions pertaining to clawback of the variable remuneration paid to an officeholder and this in accordance with the Supervisor's Directive.
- 11.10. The Remuneration Policy terms are reasonable and acceptable under the circumstances at hand and considering the liability imposed upon officeholders at the Bank and the scope of the Bank's activity.
- 11.11. While approving the remuneration policy, consideration was given to the option of inadmissibility of expense for tax purposes due to part of the remuneration which can be approved pursuant to the Remuneration Policy to the Chairman of the Board of Directors and the CEO will not be recognized as an expense for tax purposes, in accordance with Section 32(17) to the Income Tax Ordinance.
- 11.12. In light of all of the above and all of the data above, the remuneration policy is appropriate and reasonable under the circumstances.

12. Key changes in relation to the previous remuneration policy:

- 12.1. The monthly salary cap for officeholders was updated by an insignificant rate and the limitations within the remuneration policy were cancelled pertaining to the scope of permitted wage increases that do not exceed the monthly salary cap.
- 12.2. Changes were made to the bonus plan conditions for Officeholders who are subordinate to the CEO defined in the remuneration policy. Within this

framework, changes were made to the threshold conditions for payment of bonuses; it was determined that the annual bonus goals in terms of the return to capital and the effectiveness ratio indexes would be determined by the Remuneration Committee and the Board of Directors each year; and the quality component was updated in the annual bonus whereby the granting thereof is discretionary.

12.3. The bonus budget was updated for a special donation.

12.4. Changes were made in connection with the terms in office and employment of the Chairman of The Board of Directors.

13. The manner the previous remuneration policy is implemented in relation to the Chairman of the Board of Directors and the CEO:

13.1. The fixed remuneration for the Chairman of the Board of Directors stands at the maximum cap defined in Section 6.1 to the previous remuneration policy and is lower than the maximum cap defined in Section 6.1 to the remuneration policy tabled for approval before this meeting.

13.2. The fixed remuneration for the CEO stands at the maximum cap permitted in accordance with the Remuneration Law (see Section 6.2 to the Remuneration Policy). The CEO was not paid an annual bonus in the previous remuneration policy period beyond an increase in the fixed component in accordance with her terms of employment.

14. Reference to the Differences Between The Prevailing Remuneration Policy and the Terms in Office and Employment:

The terms in office and employment of officeholders at the Bank are in accordance with the remuneration policy tabled for approval by the General Meeting.

Sincerely,

**Aviad Biller, Adv.,
Corporate Secretary**

**Benzi Adiri,
Head of Resources Division**

The First International Bank of Israel Ltd

Appendices: Appendix A - The Remuneration Policy

Appendix A

The First International Bank of Israel Ltd

("The Bank")

Remuneration Policy for Officeholders

15. Definitions

In this document the following terms will assume the meaning hereunder unless expressly stated otherwise:

"The Bank"	- The First International Bank of Israel Ltd;
"Board of Directors"	- The Bank's Board of Directors;
"Proper Conduct of Banking Business Directive"	The Banks Supervisor's Proper Conduct of Banking Business Directive;
"Committee" or "Remuneration Committee"	- The Bank's Remuneration Committee;
"The Supervisor's Directive"	Directive 301A Proper Conduct of Banking Business Directive "Remuneration Policy in a Banking Corporation";
"The Companies Law"	- The Companies Law, 5759 - 1999;
"The Securities Law"	- The Securities Law, 5728 - 1968;
"The Remuneration Law"	- The Remuneration of Officeholders in Financial Corporations (Special approval and inadmissibility of expense for tax purposes in respect of irregular remuneration) Law, 5776-2016;
"Index"	- Consumer Prices Index;
"The Remuneration Policy"	Policy with respect to the terms in office and employment of the Bank's Officeholders;
"Monthly Salary"	Unless expressly stated otherwise elsewhere, the monthly salary is the monthly salary for the purpose

“Officeholder”	- of social contributions (not including social contributions on the Bank’s part and other benefits); - Director, CEO, Chief Business Manager, Vice CEO, Deputy CEO, any such acting officeholder at the Bank even if his title is different, and other manager directly subordinate to the CEO and/or manager defined as an officeholder with respect to the remuneration policy by the Bank’s Board of Directors, however with respect to specific sections in this policy reference is made only to some of the officeholders as detailed in the section;
“Bonus Year”	- The calendar year for which the annual bonus is calculated;
“Fixed Remuneration” or “Variable Remuneration”	- In accordance with the Supervisor’s Directive;
“Amendment 20”	- The Companies Law (Amendment No. 20), 5773 - 2012;
“Terms in Office and Employment”	- as As defined in the Companies Law.

The remuneration policy is worded in masculine form solely for convenience purposes and applies to women and men alike, without any difference and no change being made.

16. **Background and Approval of the Remuneration Policy Procedure**

16.1. On December 12, 2012 Amendment 20 came into effect, relating to the regulation of the remuneration structure for officeholders in public companies and in debenture companies and determines a special procedure to approve it. On November 19, 2013, the Supervisor’s Directive was promulgated containing additional provisions, *inter alia*, in connection with officeholders' remuneration in banking corporations, as amended from time to time. On April 12, ~~2016~~2016, the Remuneration Law was promulgated. The Bank’s remuneration policy is subject, *inter alia* to the Companies Law provisions, the Supervisor’s Directive as amended from time to time and

the Remuneration Law. The remuneration policy replaces the Bank's previous remuneration policy for officers, which was approved at the Bank's General Meeting on February ~~23~~¹⁶, ~~201~~²⁰¹⁷~~4~~. This remuneration policy is part of a comprehensive remuneration policy containing additional parts relating to employees who are not officeholders in accordance with the Supervisor's Directive.

- 16.2. The remuneration policy is designed to define, describe and detail the Bank's policy in relation to the remuneration for officeholders in the Bank, including the scope and components thereof. Determining the Bank's remuneration policy and publishing it is designed to enhance the degree of transparency of the Bank's activity insofar as office holders remuneration is concerned toward the shareholders.
- 16.3. Constituting one of the five biggest banks in the banking system, the Bank competes with respect to recruitment and preserving managers and leading professionals, *inter alia*, *vis-a-vis* other banks and financial bodies. The Bank's remuneration policy is designed, *inter alia* to guarantee the Bank's ability to recruit and preserve the quality managerial workforce it needs for its long-term business development and resilience.
- 16.4. The remuneration policy and its various components was discussed at a number of meetings of the Remuneration Committee and after the Remuneration Committee's recommendations were submitted, also at the Board of Directors meeting. The Remuneration Committee and the Board of Directors were assisted by legal counsel of the Gross, Kleinhendler, Hodak, Halevy, Greenberg, Shanhav & Co law firm ~~and the Cognum Financial Consulting Ltd firm~~. Within the framework of such meetings, *inter alia* the following data and information was reviewed and examined, including: the relevant provisions from ~~the Companies Law~~ Amendment 20; the relevant provisions from the Supervisor's Directive; the Remuneration Law provisions; the prevailing remuneration policy and bonus plan at the Bank; the terms in office and employment of Officeholders at the Bank; the Bank's employees terms of employment (including the requisite data to be addressed in accordance with the

Companies Law Amendment 20 and the data mentioned in Section 2(b) to the Remuneration Law); comparative information in relation to the remuneration in the Banking System.

- 16.5. The considerations guiding the Remuneration Committee and the Board of Directors upon adopting the remuneration policy are, *inter alia*, advancing the Bank's purposes, its work plan and the Bank's long term strategy and in light of its control environment; the Bank's organizational culture; creating appropriate incentives for officeholders at the Bank, considering, *inter alia*, the Bank's risk management policy so that these encourage risk taking beyond the Bank's risk appetite; the size of the Bank and the nature of its activity considering the special nature of the banking system and the Bank within it; striking an appropriate balance between the variable remuneration components; increasing the officeholders identification with the Bank and its activity, increasing satisfaction and their motivation and preserving, over time, the quality officeholders at the Bank with the ability to lead the Bank to business success and contending with the challenges it faces.

With respect to the terms in office and employment including variable components, the office holders contribution to achieving the Bank's goals and profiting were also considered within the remuneration policy, and all long term and in accordance with the Officeholders position, and in light of the limitations relating to the Remuneration Law.

Whereupon the Remuneration Committee and the Board of Directors deemed it fitting, within the framework of this policy document, specific reasons and explanations were also given. The considerations mentioned in this Section 2.5 were considered in relation to the entire remuneration policy even if this was not expressly mentioned in a specific section.

- 16.6. The remuneration policy would be tabled for approval in accordance with Section 267A to the Companies Law.
- 16.7. The principles outlined in this remuneration policy will apply to the terms in office and employment of the officeholders at the Bank, that are approved

commencing from the approval of the remuneration policy date by the Bank's authorized organs. The Remuneration Policy does not prejudice engagements and/or other rights of officeholders in connection with their terms in office and employment at the Bank, prevailing on the date the remuneration policy is approved and rights that were accumulated and/or will be accumulated for periods preceding the remuneration policy approval date or for periods with respect to which agreements preceding the remuneration policy up to the date they were tailored to the policy as required by law and/or in the Supervisor's Directive apply.²

² It is clarified that the remuneration policy provisions are not harsher than the transitional provisions defined in relation to the Supervisor's Director nor prejudice rights that the transitional provisions intend to prevent. Similarly, the remuneration policy provisions themselves do not prejudice rights the officeholders accumulated for their periods of employment preceding the date the Remuneration Law commenced with respect to them.

17. **Appointing Officeholders at the Bank**

- 17.1. Officeholders serving today at the Bank are those whose education, qualifications, professional experience and achievements correspond with the desired policy at the Bank.
- 17.2. In accordance with the provisions in the Proper Conduct of Banking Business Directive 301, the Bank's Board of Directors determined procedures to elect officeholders, including criteria guaranteeing that the candidates for senior positions will hold suitable and appropriate qualifications to manage the banking corporation's affairs, including in relation to their qualifications, education, experience etc.
- 17.3. It is fitting and appropriate that the criteria such as experience, education and expertise and the like serve as a threshold condition for the appointment to office as an officeholder in the Bank, in comparison with stringent criteria determining the scope of the terms of employment to be granted to each officeholder. Alongside the provisions above, as detailed hereunder, upon determining the specific terms in office or employment the Remuneration Committee and the Board of Directors will also consider the candidates or those already serving in office, qualifications, professional experience and achievements.

18. **Employment Agreement, Wage, Fringe Benefits and termination of employment arrangements**

- 18.1. The terms in office and employment of an officeholder³ at the Bank as stated in this Section 4 will be defined by the authorized organs at the Bank, *inter alia* in relation to the position he is being appointed for or in which he serves, the authority and liability associated with the position, and also considering his education, qualifications, expertise, professional experience, achievements and earlier agreements that were signed with the officeholder (insofar as signed). The terms in office and employment of

³ In this Section 4 "Officeholders" - officeholders except the directors and the CEO.

officeholders at the Bank will be approved in a manner that corresponds with the provisions in the Remuneration Law.

- 18.2. In general, the employment of new Vice Presidents at the Bank will be on the basis of a personal employment agreement. It is noted that today ~~three~~ two officeholders serving at the Bank (not as members of the Executive), are employed under the collective arrangement applicable to managers and authorized signatories at the Bank. The terms of employment of these officeholders will continue to be determined in accordance with the provisions of the collective arrangement, and the provisions in this Section 4 will not apply to them.
- 18.3. The Remuneration Policy principles pertaining to the material aspects concerning the employment period, monthly wage, fringe benefits and the retirement arrangements at the Bank are defined hereunder. It is clarified that these principles do not prevent the authorized organs at the Bank from approving additional terms in office and employment that do not exceed these principles and/or are immaterial in relation to all the terms in office and employment of an officeholder or determine in the terms in office and employment supplementary provisions that do not exceed the principles defined in this remuneration policy.
- 18.4. The Employment Duration - in light of the organizational culture that developed at the Bank over the years based on the prevailing situation at the Bank, the employment agreements with officeholders will as a general rule be for an unlimited period whereby each party may terminate the employment agreement at any time, subject to the early notice period defined in the agreement.

Nonetheless, within the framework of the employment agreement, the Bank may determine an initial limited employment period not to exceed three years (hereinafter: “**the Initial Employment Period**”). During the initial employment period the Bank may undertake to pay that officeholder amounts, of a scope to be determined by the Bank and not to exceed the amounts that he would have received had he worked for the entire initial

employment period, and to determine provisions relating to reducing rights of an officeholder from the Bank where the officeholder requested at his initiative to terminate his employment at the Bank before the end of the initial employment period.

18.5. Monthly Salary -

18.5.1. Total Monthly Salary - the starting monthly salary for an Officeholder in the position of a member of the Bank's Management will be up to ~~NIS~~ NIS 75,000 (~~index-linked to the increase in the index~~) or a rate not to exceed 115% of the monthly salary of the Officeholder preceding him in his position, whichever is higher, however under no circumstances higher than NIS ~~400~~110,000 (~~index-linked to the increase in the index~~).

The cap stated in this Section 4.5.1 will be examined from time to time *vis-a-vis* the ~~banking-financial~~ system and will be updated if necessary and at the Remuneration Committee and the Board of Directors discretion.

18.5.2. Linking the Monthly Salary ~~—The~~ The monthly salary can be linked to the Index. In the case the index drops, the monthly salary will not change until the index increases offsetting the drop in the index.

~~18.5.3. Increasing monthly salaries for officeholders other than the Chairman of the Board of Directors or the CEO (beyond being index linked) — to enable preserving the officeholders in their positions overtime, the officeholders monthly salaries will be examined once every so often in light of the Bank's business situation and additional relevant considerations. If necessary a proposal to update the officeholders salaries (or some of them) will be prepared and will be brought before the Remuneration Committee and Board of Directors for approval (subject to the provisions in Section 11~~

~~hereunder) and as detailed hereunder, however under no circumstances no more than NIS 100,000 (index linked):~~

~~18.5.3.1. With respect to new officeholders an increase in wage will be permitted during the course of the first two years of starting their position of an accumulative rate of up to 25% of the starting monthly salary.~~

~~18.5.3.2. With respect to officeholders serving more than two years an increase in wage will be permitted once every two years by an accumulative rate of up to 8% of the current monthly salary.~~

~~For the avoidance of doubt, it is clarified that limiting a change in the monthly salary as stated in this Section 4.5.3, will not apply in the case of an officeholder transferring to another position in the Bank's Executive or in the case of a material change in the position such as a material expansion of authorities and in this respect the provisions in Section 4.5.1 above will apply~~

18.6. Severance Pay -

18.6.1. In any case the employee-employer relations are terminated (except circumstances pursuant to which the officeholders right to severance pay is negated fully or partially, pursuant to a judgment and/or additional circumstances to be determined by the Remuneration Committee and the Board of Directors (insofar as determined) the Officeholder will be entitled to severance pay as detailed hereunder.

18.6.2. The Bank will aspire to pay the severance pay to the new officeholders at the Bank pursuant to the provisions in Section 14 to the Severance Pay Law, 5723-1963. It is noted that on the date the remuneration policy is approved by the Board of Directors, there are a number of officeholders whose employment agreements do

not include the provisions in Section 14 to the Severance Pay Law as stated above.

18.6.3. Severance Pay will be calculated according to 100% of the monthly salary for each year subject to the details hereunder:

18.6.3.1. An officeholder, who was employed pursuant to a collective arrangement at the Bank, and transferred to employment pursuant to a personal employment agreement, will be entitled to severance pay according to a rate of 200% of his last salary under the collective arrangement, insofar as such compensation is higher than that he is entitled to receive pursuant to the beginning of Section 4.6.3 above (100% of the monthly salary), in the event his employment is terminated at the Bank's initiative.

18.6.3.2. For the avoidance of doubt, it is clarified that Section 4.9.2 hereunder will not apply to the said compensation amount for the period the officeholder was employed under the collective arrangement.

18.7. Early Notice Period -

18.7.1. The Bank may determine an early notice period in the employment agreement ranging between 3 months and 6 months on the Bank's part and on the Officeholder's part.

18.7.2. The default in employment agreements will be that the officeholder will continue to be employed at the Bank during the course of the early notice period. The Bank may waive the officeholder's employment at the Bank during the course of the early notice period and to pay the consideration he deserves instead of the early notice

together with the value of the fringe benefits and this also in the case of the employment ending before the end of the early notice period.

18.8. Bonus for Non Competition - During the course of a period of three months to six months following the severing of the work relations, the Bank may pay, for each month in the said period, an amount of the officeholder's monthly salary together with the value of the fringe benefits, and this for an undertaking not to compete with the Bank's activity on the part of the officeholder (beyond the payment instead of the early notice period as stated in Section 4.7.2 above). An acclimation bonus will not be paid in addition to the bonus for this non-competition bonus. The provisions in this Section 4.8 are subject to the provisions in Section 4.9.2 hereunder.

18.9. Retirement Bonus -

18.9.1. No retirement bonus will be paid beyond that detailed in Sections 4.6 and 4.8 above and that determined in this policy.

18.9.2. To date, in accordance with the Supervisor's Directive, remuneration to officeholders at the Bank with respect to termination of employment beyond that determined in the terms of employment of all the Bank employees or part of the non-competition bonus exceeding the value of three (3) monthly salaries, except by virtue of engagements or rights, prevailing or accumulative, as stated in Section 2.7 above (hereinafter: "**Variable Retirement Terms**"), will take into account actual performances over time and the reason for terminating the employment, and will be classified in accordance with the variable remuneration as detailed hereunder. In this respect, insofar as changes apply to the Supervisor's Directive in relation to what will be considered variable retirement terms, the definition of "variable retirement terms" will include such changes.

Payment of variable retirement terms as stated above will be subject to the deferred payments arrangement after the date the

officeholder leaves as well as activating the adjustment to performances mechanisms in retrospect, as detailed hereunder:

18.9.2.1. The officeholder will be entitled to the full variable retirement terms except in the case that in the years he served as an officeholder at the Bank, there was a material deviation from the comprehensive capital adequacy ratio and equity level 1, required pursuant to the Supervisor over the Banks directives at that time, and then the variable retirement terms will be paid relatively.⁴

18.9.2.2. An amount of a rate of 50% (Fifty Percent) of the variable retirement terms the officeholder is entitled to receive will be deferred and spread equally over each one of the three years following the date his employment was terminated as stated above, and will be linked to an increase in the index⁵ (hereinafter: “**the Deferred Retirement Bonus Share**”). Notwithstanding the above, if in the quarterly or annual financial statements, published just before the payment of the deferred retirement bonus share, there is a material deviation from the comprehensive capital adequacy ratio and the core tier 1 capital, required pursuant to the Supervisor over the Banks directives in effect at that time, then the deferred retirement bonus payment will be deferred by 12 additional months (hereinafter: “**the Updated Payment Date**”). In the case the material deviation from the

⁴ Thus for example, if the officeholder served as an officeholder at the Bank for 10 years until the date his employment was terminated, and in one year during this period there was a material deviation from the said ratios, then 1/10 of the variable retirement terms will not be paid to the officeholder.

⁵ The linkage mechanism will not reduce the deferred retirement bonus share.

comprehensive capital adequacy and the core capital ratios as stated above continues, in the quarterly or annual financial statements published just before the updated payment date, the deferred retirement bonus share will be cancelled and will not be paid.

It is clarified that the rest of the deferred retirement bonus shares, which are supposed to be paid on dates following the date upon which such a material deviation materialized, will not be cancelled and will be subject to withstanding the said condition, in the following years.

The arrangement fixed in Sections 4.9.2.1 and 4.9.2.2 above will not apply in the case of employment being terminated due to death, disability or serious illness of the officeholder.

18.9.2.3. In addition to the above, the clawback provisions pursuant to Section 10.2 hereunder will apply to the variable retirement terms.

18.9.2.4. Notwithstanding the provisions above, if during the termination of employment year the variable retirement terms together with the total bonuses pursuant to Section 5 below, did not exceed 40% of the fixed remuneration for the officeholder, the provisions in this Section 4.9.2 will not apply.

18.9.3. The provisions in this Section 4.9 do not derogate from existing or accumulated rights as stated in Section 2.7 above.

18.10. ~~Signature~~-Signing Bonus - in special cases justifying this (for example, such as payment for terminating the employee - employer relations of an officeholder instead of another or financial loss he sustains as a result of transferring to the Bank), the ~~signature~~-signing bonus of up to two monthly salaries is limited to the first year of employment.

- 18.11. Additional Fringe Benefits – The Bank will grant the officeholders the fringe benefits pursuant to the law, and may also grant additional fringe benefits to the officeholders such as making a vehicle available or payment instead of a vehicle; recuperation pay; social contributions to executive insurance or pension fund or provident fund (including but not limited to the severance pay component and loss of working capacity); contributions to advanced studies fund; vacation days; paid sick leave; copay with respect to various expenses such as telecommunication and computerization, bearing the cost of insurances, medical examinations, newspapers and the like.

The Bank will not gross up tax imposed upon the officeholder for any of his employment components except the possibility of grossing up ~~tax~~ ~~with~~tax with respect to the Chairman of the Board of Directors and the CEO and grossing up tax applicable to an officeholder resulting from the Bank making a vehicle available to him.

- 18.12. Benefits granted to the Bank’s employees for banking services - The Bank may grant benefits, loans and discounts with respect to banking transactions and services to the officeholder, pursuant to terms to be determined by the Bank with respect to these matters, from time to time, in relation to all the Bank’s employees or all of the senior level employees.

19. **Variable Component (Annual Bonus)**

The Bank may approve, from time to time remuneration plans for payment of annual bonuses to officeholders, ⁶in accordance with the principles detailed hereunder.

- 19.1. Annual Bonus (measurable component) -

⁶ In this Section 5 “Officeholders” - officeholders except the directors and the CEO.

19.1.1. The Bank may grant officeholders an annual bonus based on measurable criteria (hereinafter: “**the Measurable Component**”), of a total sum of up to 2 monthly salaries as detailed hereunder.

19.1.2. Threshold Conditions - the threshold conditions to payment to officeholders of the measurable component will be compliance with the capital adequacy ratios pursuant to the Supervisor of the Banks instructions in the bonus year. The Board of Directors may, after receiving the Remuneration Committee's recommendation, determine additional threshold conditions for payment of the measurable component.

~~19.1.2. the following accumulative conditions:~~

~~19.1.3. The rate of the net profit return to equity attributed to the shareholders (hereinafter: “**the Return of Capital**”) in the bonus year, will not be less than 8.5% (Eight and a Half Percent).~~

~~19.1.4. The actual effectiveness ratio, as calculated on the basis of the Bank's consolidated financial statements for the bonus year (hereinafter: “**the Effectiveness Ratio**”) will not exceed 70%.~~

~~19.1.5. Compliance with the capital adequacy ratios required under the Supervisor of the Banks directors in the bonus year.~~

~~19.1.6. Payment of annual bonuses to the Bank's employees for the bonus year.~~

19.1.3. The actual measurable component amount will be determined pursuant to the bank complying with the net return of profit rate to the equity indexes attributed to the shareholders (hereinafter: “**the Return of Capital**”), and the effectiveness ratio, pursuant to the Bank's consolidated annual financial statements.

The relevant targets in each one of the group indexes, will be based on measurable targets to be determined by the Board of Directors bearing in mind the work plan for the bonus year and/or other

measurable goals, including but not limited to the option of determining goals based on a comparison with the banking system's performances, to be approved by the Remuneration Committee and the Board of Directors at the beginning of each bonus year.

For each index the Remuneration Committee and the Board of Directors each year will determine the relative cap from the measureable component cap attributed to it.

~~19.1.6.1. in accordance with the return of capital and the effectiveness ratio as follows: the return of capital component~~

Return of Capital	Bonus in terms of monthly salaries
8.5%	0.5
9.5%	0.75
10.5% and over	1

~~19.1.6.2. The effectiveness ratio component~~

The effectiveness ratio	Bonus in terms of monthly salaries
Compliance with the effectiveness ratio determined by the Board of Directors in the work plan of the Bank for the bonus year (“the Work Plan Ratio”)	0.25
Improvement of percentage point (1%) from the work plan ratio	0.75
Improvement of two percentage points (2%) from the work plan ratio	1

~~19.1.7. In the case the return of capital or effectiveness ratio rate will be in the range of the values detailed above, this bonus component amount will be determined, lineal, between the two closest values.~~

~~19.1.8-19.1.4.~~ Adjustments will be made to the measurable component (deductions or additions) of a scope of 20% accumulatively, in accordance with actual compliance with the return of capital and equity tier 1 ratio rate in that year, compared to the goals determined for these indexes in the Bank's work plan and/or in regulation, in accordance with a mix determined each year by the Remuneration Committee, however under no circumstances will the total of the measurable component exceed 2 monthly salaries as stated in Section 5.1.1 above.

~~19.1.9-19.1.5.~~ One One half third of the measurable component will be paid to the officeholder without additional conditions, and two thirds one half of the measurable component will be multiplied by the score afforded to the officeholder in the quantitative and quality indexes, most of which are comprised of measurable criteria affected by that officeholder's activity or the activity of the unit that he is in charge of, including criteria reflecting the correct risk management or compliance with the target decisions determined for the purpose of controlling the risk level, and which were approved in advance by the Remuneration Committee pursuant to the CEO's recommendation (hereinafter: "**KPI**'s").

19.2. Annual Bonus (Quality Component) -

19.2.1. In addition to the provisions in Section 5.1 above, the Remuneration Committee and the Board of Directors may approve a personal quality bonus component for whichever of the officeholders for the bonus year, from the budget of a total amount not to exceed ~~one two~~ average month²s salaries~~y~~ for each one of ~~those~~ officeholders (hereinafter: "**the Personal Quality Bonus**").

19.2.2. The Personal Quality Bonus will be granted at the CEO's discretion in relation to the officeholder's performance in the bonus year, and will be ~~approved by~~ approved by the Remuneration Committee and the Board of Directors.

19.2.3. As part of the CEO's discretion, various considerations will be taken into accounts relating to the officeholder and the Bank's performance including: satisfying the compliance with the laws, regulations and regulatory provisions goals; contribution to the Bank's strategic planning and application, performing and promoting strategic plans and targets; leading reorganization plans and withstanding goals deriving from them; implementation, performance and promoting investment and/or material acquisition plans (including acquisitions which may reduce the current profitability); leading implementation, fulfillment and execution of projects in connection with protecting the environment and safety; leading projects and procedures in the Bank's ethics and procedures field; material findings in the internal and external audit reports; compliance with the risk management and risk appetite policy of the Bank, including compliance with decisions and targets set for control at the risk level.

~~19.2.4. Payment of the annual quality bonus to the officeholders will be contingent upon payment of annual bonuses to the Bank's employees for the bonus year.~~

19.3. Special Bonus -

19.3.1. The CEO will be entitled from time to time (also during the bonus year and even if the Bank fails to meet all or some of the threshold conditions) to grant officeholders or any of them, an additional bonus for exceptional performances and/or a special contribution to achieving the Bank's targets, from a special budget not to exceed a total sum of NIS ~~500,000~~ One Million per year for all officeholders. Insofar as the special bonus amount for a single officeholder is not

considered an immaterial change pursuant to Section 11 hereunder, the bonus will be subject to additional approvals pursuant to the law.

19.3.2. The total of all the discretionary bonuses to be granted for the bonus year to a single officeholder will not exceed 3 monthly salaries.

19.4. Remuneration of officeholders dealing with risk management, control and audit - In accordance with the Supervisor's Directive, in relation to the risk management, control and audit of the Bank (the internal auditor, chief accountant and chief risk manager or any other future officeholder to be defined as such) (hereinafter: "**The Supervisory and Control Functions**") in the bonuses plans shall be determined by standards that take into consideration the importance and sensitivity of the roles assigned to such functions, including but not limited to as detailed in this Section 5.4 hereunder:

19.4.1.1. It is noted, within the framework of approving the remuneration policy the Remuneration Committee and the Board of Directors considered, similar to the rest of the Officeholders at the Bank, and in accordance with the caps determined in the remuneration policy, the ratio between the fixed remuneration and the variable remuneration of these supervisory functions clearly tilts toward the fixed remuneration.

19.4.1.2. The KPI's and the CEO's discretion regarding the supervisory and control functions bonuses as stated above in this Section, will not be dependent on the business results of the fields whereby the activity thereof they are monitoring, auditing or supervising.

19.4.1.3. The CEO's functions with respect to the KPI's and the CEO's discretion with respect to the bonuses will be done by the Audit Committee for the Bank's internal auditor and by the Risk Management Committee, upon

consulting with the bank's CEO for the chief risk manager of the Bank.

19.4.1.4. The bonuses plans will include provisions pertaining to the relevant consideration in connection with the KPI's and the CEO's discretion within the framework of the quality annual bonus for the supervisory and control functions as opposed to the other officeholders.

19.5. Calculating the bonus at the time the work relations are terminated - in the case the work relations end between the officeholder and the Bank during a calendar year (except pursuant to circumstances that payment of compensation by law is negated and additional circumstances that the Remuneration Committee and the Board of Directors may determine), the Remuneration Committee and the Board of Directors will examine that officeholder's eligibility to a partial bonus for the current year, ~~provided that the bonus amount does not exceed the amount he would have been entitled to at the end of that year (based on the data at the time the work relations end) according to, multiplied by~~ the relative part of his employment period in the bonus year, subject to the spread arrangements in Section 5.10 hereunder.

19.6. Calculating the bonus for an officeholder who began working in the bonus year - with respect to an officeholder who began working during the course of the bonus year and actually worked six months and more, the Bank may pay him a bonus for that year pursuant to this remuneration policy principles, multiplied by the period he actually worked of the total year. An officeholder who worked less than six months during the bonus year, will not be entitled to a bonus for that year, unless the Remuneration Committee and the Board of Directors decided otherwise, subject to any other approval required by law, insofar as required.

19.7. The Annual Bonus Cap - the annual bonus amount (including the special bonus) for an officeholder will not exceed a sum of the officeholder's 5 monthly salaries, whereby the total amount of all discretionary bonuses to

be granted for a bonus year to an officeholder will not exceed 3 months salaries. -

19.7.19.8. The ration between the fixed remuneration and the variable remuneration - the total variable remuneration for officeholders for a bonus year will not exceed 40% of the total fixed remuneration in that year.

19.8.19.9. The remuneration caps and adjustment to the Remuneration Law - the total annual remuneration of an officeholder will not exceed ~~exceed 1.8 million NIS (excluding payments and contributions to pension and severance pay payments pursuant to the law).~~ However, if in a given calendar year, the ~~permitted cap pursuant to the Remuneration Law (Section 2(a) or Section 2(b) to the Remuneration Law, as applicable), allows for remuneration exceeding 2.5 million NIS, the total remuneration (as defined in the Remuneration Law) for an officeholder who is not the CEO or director, will not exceed~~ 72% of the highest cap permitted under the Remuneration Law (Section 2(a) or Section 2(b) to the Remuneration Law, as applicable) not including payments and contributions to pension and severance pay by law, however no more than the remuneration cap pursuant to Section 2(a) to the Remuneration Law. ^{7 8}

If exceeding the cap stated in Section 5.9 above, the exceeding amount will be deducted from the total bonuses stated in this Section 5.

⁷ Notwithstanding the above, exceeding the aforementioned cap will be permitted in the case of ad hoc contributions in the employment terms or for non-competition bonus, provided that the total annual remuneration per officeholder who is not the CEO or director, does not exceed the remuneration cap (as defined in the Remuneration Law) permitted under Section 2(a) to the Remuneration Law (excluding payments and provisions to the payment and severance pay payments by law). Similarly, the provisions therein in and of themselves do not prejudice rights the officeholders accumulated for their periods of employment preceding the date the Remuneration Law commenced with respect to them.

⁸ In this respect it is noted that the expense for the lowest remuneration, according to the cost of a full time position, paid by the Bank, to a Bank employee, including but not limited to an employee of a headhunter contractor that the Bank is its actual employer, and the employee of a service contractor employed to render a service to the Bank, in 2018, with respect to Section 2(b) to the Remuneration Law, stood at approximately 87 Thousand NIS per year, according to the full time position cost (not including payments and contributions to severance pay and remuneration pursuant to the law). in this respect, "Headhunter Contractor", "Service Contractor" and "Actual Employer", within the meaning thereof in the Remuneration Law.

19.9.19.10. Spreading the Annual Bonus⁹ -

19.9.1.19.10.1. 50% of the bonus paid pursuant to Section above to the officeholder for the bonus year (hereinafter in this Section 5.10: “**the Annual Bonus**”) will be paid to the officeholder just after the date the Bank’s financial statements are approved for the Bonus Year.

19.9.2.19.10.2. 50% of the Annual Bonus will be deferred and spread across three equal payments, over the following three years (hereinafter: “**the Deferred Payment**”).

19.9.3.19.10.3. Making each deferred payment will be subject to compliance with the requisite capital adequacy ratios required pursuant to the Supervisor of Banks directives in the year preceding the date the deferred payment is made. ~~targets to be set in this respect in the bonus plan and which will be based on compliance with the minimum capital adequacy ratios defined in the Supervisor over the Bank’s directives and the return on capital targets as set in the bonuses plan (except the term relating to payment of annual bonuses to the Bank’s employees for that same year).~~ The deferred payments will be index linked.¹⁰ The Bank may determine that in the case the bank does not comply with the deferred bonuses conditions, the maturity of the bonus will be deferred by an additional 12 months, then the Bank's compliance with the deferred condition on average over the original deferred period and the additional deferred period will be examined.

19.9.4.19.10.4. It is clarified, that in the case the deferred payment is not paid, or is paid partially, the rest of the deferred payments, which are supposed to be paid on the following dates, will not be cancelled and will be submit to fulfilling the aforesaid condition, in the years to follow.

⁹Since the annual bonus cap will not exceed 5 monthly salaries, then as a general rule no spread of the annual bonus will be made according to Section 5.10.6 hereunder.

¹⁰ The linkage mechanism will not reduce the deferred retirement bonus share.

~~19.9.5.~~19.10.5. It is further clarified that in the case the employee- employer relations end, the deferred payments will not be brought forward that the officeholder is entitled to receive for earlier years and the provisions in this Section 5.10 will not apply thereto and to the annual bonus the officeholder is entitled to receive for the bonus year during which the employee - employer relations ended (if and insofar as entitled).

~~19.9.6.~~19.10.6. Notwithstanding the provisions above, if in a given bonus year the annual bonus the officeholder is entitled to receive for that year does not exceed 40% of the fixed remuneration for the officeholder, all the annual bonus for the bonus year as stated on that date and without a spread and deferral mechanism pursuant to this Section 5.10.

19.10.19.11. Reducing the Annual Bonus at the Board of Directors Discretion -

The Remuneration Committee and the Board of Directors may deduct from the annual bonus amounts subject to the limitations determined in the law and in agreements. Upon exercising discretion, various considerations will be taken into account relating to the Bank's performance including: the bank's results in relation to the results of the other ~~five~~four largest banks in Israel; profits for ad hoc events; special external circumstances affecting all the banking system in Israel; material detrimental change in the bank's situation or the macro financial situation; withstanding compliance to the laws, regulations and regulatory provisions goals; contribution to the Bank's strategic planning and application, performing and promoting strategic plans and targets; leading reorganization plans and withstanding goals deriving from them; implementation, performance and promoting investment and/or material acquisition plans (including acquisitions which may reduce the current profitability); leading implementation, fulfillment and execution of projects in connection with protecting the environment and safety; leading projects and procedures in the Bank's ethics and procedures field; failure events; and material findings in the internal and external audit reports.

19.11.19.12. Officeholders employed under a personal employment agreement who are not members of the Bank's Executive -

19.11.1.19.12.1. The scope of the bonus for such officeholders as stated in this section will not exceed the average bonus (in number of salary terms) actually paid to the officeholder for a given bonus year as stated in this Section 5.

19.11.2.19.12.2. The manner the bonus is determined for an officeholder as stated in this section, will be determined in accordance with the principles stated in Section 5.1 through 5.3 above, *mutatis mutandis*.

19.11.3.19.12.3. The provisions in Sections 5.5 through 5.11 above, *mutatis mutandis*, will apply to an annual bonus granted to officeholders as stated in this Section 5.12.

19.12.19.13. Officeholders employed under a collective arrangement -

19.12.1.19.13.1. Notwithstanding the provisions in this Section 5, officeholders of the Bank employed under a collective arrangement, will be entitled to an annual bonus to be capped by multiplying the monthly salary of that officeholder by three times the number of the average salary paid to the collective arrangement employees. The scope of the annual bonus up to the said cap, will be determined at the CEO's discretion and the approval of the Remuneration Committee and the Board of Directors, and subject *inter alia* to Section 5.7 above.

19.12.2.19.13.2. As stated above, today there are ~~three~~two officeholders employed under a collective arrangement, whereby the Bank's policy is that new vice-presidents will be employed solely under personal employment agreements. In light of the employment characteristics under the collective arrangement and the cap that was determined in relation to the annual bonus for these officeholders, the Remuneration Committee and the Board of Directors were of the opinion that it was inappropriate to apply the annual bonus

principles determined in this remuneration policy to these officeholders.

~~19.13-19.14.~~ Negating Bonuses - if the term in office of any of the officeholders comes to an end pursuant to circumstances in which he will not be entitled to severance pay and/or additional circumstances to be determined by the Remuneration Committee and the Board of Directors (insofar as determined), his eligibility to the annual bonus will be negated and for any part of the annual bonus not yet paid to him.

20. Terms in Office and Employment of the Chairman of The Board of Directors and the CEO

20.1. Chairman of The Board of Directors -

20.1.1. The terms in office and employment of the Chairman of the Board of Directors, including all of its components, are subject to the caps stipulated in this remuneration policy and in the Remuneration Law.

20.1.2. The Chairman of the Board of Directors will only be entitled to a fixed remuneration. The remuneration amount for the Chairman of the Board of Directors will be determined in relation to the manner the members of the Board of Directors at the Bank are remunerated, *inter alia* the size of the bank, the complexity of its activities and considering the scope of position of the Chairman of the Board of Directors.¹¹

20.1.3. The total annual remuneration of the Chairman of the Board of Directors (excluding payments and contributions to pension and severance pay pursuant to by law), will not exceed ~~2.25~~approximately 3.045 million NIS, linked to the increase in the index subject to the Remuneration Law (excluding payments and

¹¹ Notwithstanding the provisions above, the Bank may pay the Chairman of the Board of Directors social benefits and accompanying expenses in accordance with that practiced in the terms of employment of officeholders at the bank (As defined in the Companies Law).

contributions to pension and severance pay payments pursuant to the law and/or equivalent to such payments and provisions insofar as employee- employer relations do not apply between the Chairman and the Bank).¹² ~~The said cap can be linked to the Index as stated above.~~

20.1.4. The Chairman of the Board of Directors will be entitled, at its discretion, to make changes and adjustments in the monthly salaries and/or in the terms in office and employment, subject to comparable changes and adjustments in other terms, subject to the cap stated in Section 6.1.3 above.

20.1.5. The provisions in Section 4 to this remuneration policy, except Section 4.5 above, will apply to the terms in office and employment of the Chairman of the Board of Directors.

20.2. CEO -

~~20.2.1.~~ The terms in office and employment of the CEO, including all of its components, are subject to the caps stipulated in this remuneration policy and in the Remuneration Law.

20.2.1.

~~The CEO insofar as the cap permitted under the Remuneration Law (including but not limited to Section 2(b) to the Law) enables this, it will be possible to increase the fixed remuneration of the CEO by an additional fixed remuneration not to exceed 2.5 monthly salaries per year. For the additional fixed remuneration component the Bank will make payments and contributions to a pension and to severance pay by law.~~

¹²See in this respect Footnote 7 above. ~~Notwithstanding the above, exceeding the aforementioned cap will be permitted in the case of ad hoc contributions in the employment terms or for non-competition bonus, provided that the total annual remuneration for the Chairman of the Board of Directors does not exceed the remuneration cap (as defined in the Remuneration Law) permitted under Section 2(a) to the Remuneration Law (excluding payments and provisions to the payment and severance pay payments by law).~~

20.2.2. The CEOs total fixed annual remuneration (excluding payments and contributions to pension and severance pay payments required by law) will not exceed approximately 3.045 million NIS, linked to the increase in the index subject to the Remuneration Law (excluding payments and contributions to pension and severance pay payments required by law), subject to the power to approve immaterial changes in the terms in office and employment of the CEO in accordance with Section 11 hereunder¹³.

20.2.3. The CEO will be entitled, at its discretion, to make changes and adjustments in the monthly salaries and/or in the terms in office and employment, subject to comparable changes and adjustments in other terms, subject to the cap stated in Section above.

20.2.4. The Remuneration Committee and the Board of Directors may grant to the CEO an annual bonus of a monetary amount of a sum of up to 2 monthly salaries, if they found that there are reasons justifying them, including that the cap permitted by the Remuneration Law (including but not limited to Section 2(b) to the Remuneration Law) allows this.

20.2.5. The provisions in Section 4 to this remuneration policy, except Section 4.5 above, will apply to the terms in office and employment of the CEO.

21. **Directors Remuneration**

21.1. The remuneration to directors at the bank will be based on the annual remuneration and the remuneration per meeting (hereinafter in this Section 7: “**the Remuneration**”), including but not limited to a written decision or by telephone conversation. VAT stipulated by law will be added to the annual remuneration and the remuneration per meeting. With respect to the

¹³ See in this respect Footnote 7 above.

Chairman of The Board of Directors, the provisions in Section 6.1 above will apply.

- 21.2. The remuneration for directors and external directors will be in accordance with the Companies Regulations (Rules pertaining to Remuneration and External Director's Expenses), 5760 - 2000 (hereinafter: "the **Remuneration Regulations**"). Bearing in mind the nature and size of the Ban and the functions and obligations of a director in a banking corporation, the Bank may determine that the payments to directors will also be in accordance with the provision applicable to a relative remuneration pursuant to the Remuneration Regulations.
- 21.3. The Directors will be entitled to reimbursement of expenses in accordance with the Remuneration Regulations.
- 21.4. The members of the Board of Directors will only be entitled to fixed remuneration.

22. **Insurance, Indemnification and Exemption**

- 22.1. Directors and Officeholders liability insurance - the Bank may purchase a directors and officeholders liability insurance policy to apply to the directors and the officeholders at the Bank and/or in its subsidiary companies and for companies of the Bank's Group, as in effect from time to time, including the CEO and officeholder who are controlling shareholders and/or their relatives and/or who the controlling shareholders may have an interested in including them in the insurance policy, and including but not limited to companies from the controlling shareholder at the Bank's group (subject to sharing in the costs of the insurance) (hereinafter in this Section 8: "**the Group**"), to insure their liability subject to the limitations and approvals determined in the law (including but not limited to a policy of the run-off type or insurance in connection with a peril or relevant event). The scope of the insurance cover will be determined from time to time in accordance with the scope of the Bank's activity and the risks associated thereto, the Bank's equity and it being a banking corporation and public company.

22.2. Without derogating from Section 8.1 above, in accordance with Regulation 1B1 to the Companies Regulations (Leniencies in transactions with interested parties), 5760 - 2000 (hereinafter: “**the Leniency Regulations**”), the Bank may engage in such a directors and officeholders liability insurance policy during the course of the remuneration period, and all within the framework of the terms detailed hereunder:¹⁴

22.2.1. The limits on liability for all the Group will not exceed ~~100~~120 million USD per claim or accumulatively (subject to the provisions in Section 8.2.2 hereinafter); the Bank’s deductible (in the case of a claim against the Bank) of a sum of 50 Thousand USD, ~~except or~~ 100 ~~T~~thousands USD for claims filed in the USA and Canada (the directors and the officeholders do not pay the deductible).

~~22.3.~~ The Remuneration Committee and the Board of Directors approved the renewal of the insurance policy and determined that no material changes would apply to the insurance conditions, except the option of increasing the limit on liability, insofar as the increase in the insurance premium does not exceed the amount detailed in Section 8.2.3 hereunder.

22.2.2.

22.2.3. The insurance premiums for the policy for all the Group will not exceed a sum of ~~436~~400 thousand USD per year, whereby an increase in the insurance premiums amount to be paid for a given period in relation to the premium for the period preceding it or for the insurance period ~~ending~~beginning on ~~December 3~~January 1, ~~2015~~2019, relatively over the course of the periods (whichever ~~his~~is higher) in New Shekels will not exceed a rate of 20%, in addition to a depreciation of the Shekel rate in relation to the US Dollar

¹⁴ It is noted that these terms were also approved by the Bank’s General Meeting of ~~June 29,~~ December 20, 2018, including but not limited to as an amendment to the remuneration policy.

(insofar as there was such a deprecation in comparison with the relevant period).

22.4.22.3. Indemnification in Advance - the Bank may provide an undertaking for indemnification in advance to any officeholder of the bank by virtue of his role as officeholder at the Bank or his role in other companies in which he was appointed on behalf of or at the request of the Bank, subject to the limitations and approvals determined in the law. The indemnification undertaking amount, for all the officeholders at the Bank, accumulatively, pursuant to all the undertakings for indemnification to be given by the bank, for one set of events for which indemnification can be given, will not exceed 25% (Twenty Five Percent) of the Bank's equity consolidated pursuant to the last financial statement (annual or quarterly) published before actual payment of the indemnification. The provisions above do not derogate from the undertaking to indemnify if and insofar as approved and/or given in the past by the Bank to the officeholders and which is valid and/or letters of indemnification to be given to the officeholders by the subsidiary companies at the Bank for them serving as officeholders in these subsidiary companies, in accordance with the terms to be determined in the subsidiary company.

22.5.22.4. Retrospect Indemnification - the Bank may indemnify any officeholder retrospectively as broadly as possible pursuant to the Companies Law.

22.6.22.5. Exemption from Liability - the Bank will be entitled to grant the officeholder, subject to the provisions in the law, an exemption from liability due to any damage that he sustains, directly or indirectly, due to a violation of the duty of care by the officeholder toward it and its activity by virtue of his role as officeholder, subject to the statutory provisions and subject to receiving the approvals required by law.

Such an exemption will not apply in relation to an act or omission of an officeholder with respect to a decision or transaction that the controlling shareholder or an officer has a personal interest therein. The aforementioned reservation does not apply to officeholders in the past

and/or present who were first appointed before this remuneration policy approval at the General Meeting (~~that convened on~~ February 23, 2017), and who are entitled to an exemption pursuant to resolutions adopted in the past at the Bank.

23. **The ratio between the terms in office and employment of the officeholders and the Bank's employees terms**¹⁵

- 23.1. The Bank's employees are employed pursuant to a collective arrangement guaranteeing a higher level of employment tenure up to retirement age. This in comparison with officeholders whereby the majority thereof are employed under personal agreements for unlimited periods. Similarly, the Bank's employees benefit from unique remuneration components in accordance with the collective arrangement provisions and their terms are significantly better than the average and external wage in the economy.
- 23.2. The Remuneration Committee and the Board of Directors are of the opinion that the differences between the terms in office and employment of officeholders and the the terms of employment of the Bank's employees (including the contractor's employees) to date do not detrimentally affect the work relations at the bank.
- 23.3. Upon determining the officeholders at the bank terms of employment and office, the Remuneration Committee and the Board of Directors will consider, *inter alia*, the differences between the terms in office and employment of the officeholders and the terms of the bank's employees.
- 23.4. The cost of the average remuneration for officeholders, who are bank employees pursuant to this policy, insofar as implemented in accordance with the bank's results in ~~2015~~2018, is approximately ~~5.5.86-16~~ times, respectively, the average cost and approximately ~~6.246.8~~, respectively, of

¹⁵ Including MATAF - Financial IT & Operations Ltd., a subsidiary wholly owned by the Company, rendering services to the Bank and constituting an integral part of its activity.

the external cost of the remuneration paid to the rest of the Bank's employees and the contractor's employees.¹⁶

24. Variable Remuneration Clawback

24.1. Clawback pursuant to the Companies Law Provisions

24.1.1. Without derogating from any relief available to the Bank pursuant to the law, if it is clarified that any of the officeholders were paid a payment in connection with his term in office and employment on the basis of data which turned out to be misleading and were restated in the Bank's financial statements, and in light of them being restated the officeholder should have been paid a lower amount than that actually paid, the officeholder will reimburse the Bank, upon its demand, any such payment.

24.1.2. If it is clarified that a component of the terms in office and employment were not paid in full or in part to any of the officeholders, on the basis of the data which turned out to be misleading and were restated in the Bank's financial statements, and in light of them being restated the officeholder should have been paid a higher amount than that actually paid, the Bank will credit the officeholder the part of the missing payment and will make available to it any credit owing to him calculated based on the terms in office and employment from the outset, on the basis of the data as represented.

¹⁶It is further mentioned that the CEO's remuneration cost under the remuneration policy, as an officeholder holding the highest remuneration at the Bank, in accordance with the Bank's results in 2018, is approximately 10.31 times the average cost and approximately 12.47 the external cost of the remuneration paid to the rest of the Bank's employees and the contractor's employees.

The said ~~relations-ratios~~ were calculated in the following manner:

The remuneration expenses of officeholders in ~~2015-2018~~ were taken for the numerator.

In the denominator the remuneration expenses paid to the rest of the Bank's employees and the contractor's employees (without the officeholders) were taken for 201~~8~~⁵ who worked a full year in a full time position.

24.1.3. The provisions in Sections 10.1.1 and 10.1.2 above will apply during the course of a period of three years from the payment date, and no later than two years after the termination of employment of the officeholder at the bank.

24.1.4. The Remuneration Committee and the Board of Directors will be entitled to determine the clawback data, thus they will be executed within a reasonable period considering the amount that must be reimbursed.

24.2. Clawback pursuant to the Supervisor's Directive

24.2.1. Variable remuneration shall be granted and paid subject to the stipulation that it is recoverable from the Officeholder to the Bank, if exceptional circumstances prevail, in particular as detailed in Sections 10.2.2 and 10.2.3 hereunder:

24.2.2. The Officeholder took part in conduct that caused exceptional damage to the Bank, including but not limited to illegal activity, violation of fiduciary duty, intentional violation or grossly negligent disregard of the Bank's policies, rules, and procedures, subject to that detailed hereunder:

24.2.2.1. In respect of this section, "exceptional damage" means any actual monetary expense the Bank incurs (including a company under its control) due to a fine and/or monetary sanction on the part of an authorized authority and/or final judgment and/or final arbitration award and/or settlement validated as a binding judgment upon the bank (including a company under its control), to be paid deriving from conduct stated in Section 10.2.2 above, exceeding 5% of the bank's equity on the date the expense manifested pursuant to its last known consolidated statements. It is clarified for the avoidance of doubt that an accounting contribution made by the Bank on the basis of an earlier estimation or assessment

that it is obligated to pay the expense, will not be considered an actual expense in this respect and will not be considered “exceptional damage”. The actual monetary expense will be calculated after deducting amounts paid or expected to be paid to the bank to better its damages by third parties and considering recognition of tax losses.

24.2.2.2. A variable remuneration is recoverable pursuant to this Section 10.2.2, if granted for a year during which there the circumstances stated in Section 10.2.2 applied to the officeholder, meaning the officeholder was privy that same year to the conduct causing the bank the exceptional damage as stated above.

24.2.2.3. The clawback amount (net, excluding taxes deducted) under the circumstances stated in this Section 10.2.2, will not exceed the difference between the variable remuneration paid to the officeholder for the period during which such conduct happened and the variable remuneration that would have been paid to the officeholder had the monetary expense the Bank sustained, as stated in Section 10.2.2 would have been attributed over this period (while attributing some of the expense, insofar as possible, to each year of the conducts year, and failing to attribute it, by way of a linear distribution of the expense of the period years).

24.2.3. Fraud or deliberate inappropriate conduct with respect to which the data turned out to be misleading and were restated in the bank’s financial statements:

24.2.3.1. In respect of this section, “restated” is restating due to a material mistake in the bank’s financial statements.

24.2.3.2. Variable remuneration will be recoverable pursuant to this Section 10.2.3, if paid for a period with respect to which they were restated in the bank's financial statements, and if such restatement caused a change in the information on the basis of which the variable remuneration was granted, provided that the officeholder was privy to the fraud or inappropriate conduct as stated above.

24.2.3.3. The clawback amount (net, excluding taxes deducted) under the circumstances stated in this Section 10.2.3, will not exceed the difference between the variable remuneration paid to the officeholder for the said period and the variable remuneration that would have been paid to the officeholder pursuant to the Bank's financial statements, as restated for that period.

24.2.4. Activating the Clawback

24.2.4.1. The decision whether to demand recovery pursuant to this Section 10.2 will be made by the Board of Directors, provided that in discussions and upon reaching the decision directors who do not have a personal interest in the decision participate. The Board of Directors will be entitled to appoint an independent Board of Directors Committee or another committee of a composition that it decides upon and which may also have as members persons who do not serve as directors at the Bank (hereinafter: "**The Committee**"). The Committee will discuss the matter and submit its recommendations to the Board of Directors.

24.2.4.2. In accordance with the Board of Directors decision as stated in Section 10.2.4.1 above, the Bank shall take all reasonable means, including legal means, in order to

recover an appropriate amount equal to part or all of the variable remuneration paid, that are recoverable pursuant to Sections 10.2.2 and 10.2.3 above, when the criteria for clawback have been met and subject to the law.

24.2.4.3. When deciding if, and to what extent, it is reasonable to demand the recovery of part or all of the variable remuneration paid, as stated in Section 10.2.4.1 above, the Board of Directors is to take into account all the relevant considerations, including the level of the officeholder's responsibility and extent of involvement in the issue.

24.2.4.4. Before the Board of Directors makes its decision pursuant to which the officeholder must return all or some of the variable remuneration paid to him, in accordance with the clawback criteria detailed in this document, the officeholder will be given an opportunity to plead his case. The order of the procedure to plead his case will be determined by the Board of Directors or the Committee, who may, *inter alia*, determine that pleading his case may be in writing or before whoever is appointed to entertain the matter by the Board of Directors or the Committee.

24.2.5. The Clawback Period

24.2.5.1. Variable remuneration is to be subject to clawback for a period of 5 years from the date it is granted (hereinafter: "**the Clawback Period**"). The clawback period also includes the deferral period of the variable component.

24.2.5.2. The clawback period shall be extended by two years in the case of an officeholder, when all of the following conditions exist:

24.2.5.3. During the clawback period the Bank launched an internal investigation or was notified by a regulatory authority (including a regulatory authority abroad) that an investigation was opened, unless the investigation ended at least six months before the end of the clawback period (hereinafter: “**the Investigation**”).

24.2.5.4. The Bank is of the opinion that the investigation is liable to reveal that the criteria for clawback, as noted in Sections 10.2.2 and 10.2.3 above, existed.

24.2.5.5. The Bank’s Board of Directors decided that the conditions for extending the clawback period for the officeholder, as noted above, were fulfilled.

24.2.5.6. Upon adopting the resolution in relation to an extension, the Board of Directors will take all the relevant consideration into account, including but not limited to the officeholder's degree of liability and the extent of his involvement in the matter. The extension period will expire when the relevant investigation ends and when the officeholder’s degree of liability is clarified.,

24.2.6. Exemption from Clawback

Notwithstanding the provisions in this document above, when the total variable remuneration granted to an officeholder for the calendar year not to exceed 1/6 of the fixed remuneration in that year, the clawback mechanism determined in this Section 10.2 will not be activated in relation to that variable payment that was paid.

25. **An Immaterial Change in the employment Terms**

25.1. In accordance with the provisions in the law, the Remuneration Committee or the CEO at the Bank (in relation to officeholders who are subordinate to the CEO at the bank) will be entitled to approve a change that is not

material in the employment terms approved pursuant to this policy, as stated under Section 272(d) to the Companies Law or pursuant to Regulation 1B3 to the Leniency Regulations, as applicable. Such an approval by the CEO will be reported to the Remuneration Committee.

25.2. Within this framework, the Remuneration Committee or the Bank's CEO, as applicable, may approve, from time to time, during the remuneration policy period, changes to the terms in office and employment of an officeholder that are in line with the remuneration policy, whereby the result of such changes on each officeholder on the change date is not expected to exceed 7% per year and no more than ~~10~~15% for the entire remuneration policy period, in relation to the annual cost to the bank of the remuneration to the relevant officeholder, as in effect on the date the remuneration policy was approved or in relation to the annual cost to the bank of the officeholder's remuneration in the previous calendar year, whichever is higher. These changes will be considered immaterial in relation to the prevailing remuneration at that time. Insofar as the change does not refer to a quantitative value, the materialness will be examined pursuant to the nature of the matter.

25.3. It is clarified that a change that is not considered a change that is immaterial will be approved by law.

26. **The Remuneration Policy Period**

The remuneration policy will be in effect for a period of three years, to commence on the date approval is received by the General Meeting of the Remuneration Policy and in relation to the annual bonuses to apply in the bonus years 2020 through to 2022 (inclusive). Should the General Meeting fail to approve the remuneration Policy, and the Bank's Board of Directors decides to adopt it, notwithstanding the General Meeting's objection, the remuneration policy will be valid for three years from the date it is approved by the Board of Directors as stated above. Insofar as the annual bonuses for officeholders are concerned for the year 2019, the prevailing remuneration policy of the Bank will apply to them as approved by the General Meeting on February 23, 2017.

27. **Miscellaneous**

- 27.1. Changes may apply to the identity of the officeholders and their position types or position sizes who serving therein will be considered year to year officeholders, and persons who served as officeholders in a given year and their terms in office and employment were subject to this remuneration policy, will not necessarily continue to serve as officeholders in the following year and their terms in office and employment will not be subject to this policy and vice versa. Similarly, the bank may change the terms in office and employment of a given officeholder at any time and there is no obligation to impose upon the officeholder the same terms in office and employment that applied in previous years.
- 27.2. The Remuneration Committee and the Board of Directors may examine, from time to time, the Remuneration Policy and the need to adjust it, if a material change applied to circumstances that prevailed at the time it was determined or for other reasons, and adjusting the remuneration plans for the officeholders at the bank to the remuneration policy.
- 27.3. An officeholder will not receive remuneration in any form from a control permit holder at the bank, within the meaning thereof in the Banking Law (Licensing) 5741 - 1981, including but not limited to their relatives or corporations under the control of any one of them, who do not belong to the banking group. This section will not apply to a director who is not an external director, however will apply to the Chairman of the Board of Directors.