

Translation of Immediate Report

T121
Public

Bank Leumi Le-Israel B.M.
Registration No. 520018078
Securities of the Corporation are listed on The Tel Aviv Stock Exchange
Abbreviated Name: Leumi
34 Yehuda Halevi Street, Tel Aviv 651316
Phone: 076-8858111, 076-889419; Facsimile: 076-8859732
Electronic Mail: David_S@bll.co.il

November 15, 2022
Reference: 2022-01-136921

To: Israel Securities Authority (www.isa.gov.il)
The Tel Aviv Stock Exchange (www.tase.co.il)

Immediate Report

Nature of Event: *Potential Issuance of subordinated bonds*

Reference number of previous reports on the matter: _____,
_____.

Attached please find file [Notice of intention Consolidated Sanitized isa.pdf](#)

The company is not an envelope company as that term is defined in the Stock Exchange bylaws.

Date and time at which the corporation first became aware of the event or matter:
November 14, 2022, at 14:00.

Details of signatories authorized to sign on behalf of the corporation:

Name of signatory	Title	other
Omer Ziv	Head of Finance and Accounting Division	

In accordance with Regulation 5 of the Securities Regulations (Periodic and Immediate Reports), 1970, a report filed pursuant to these regulations shall be signed by the corporation's authorized signatories. For a staff position of this matter, see the Authority's website: [click here](#).

Reference numbers of previous reports on the matter (do not constitute inclusion by way of reference): _____

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

Ticker: Leumi

Address: Yehuda Halevi Street 34, Tel Aviv 6513616, Tel: 076-8858111, 076-8859419

Facsimile: 076-8859732 Electronic Mail: David_S@bll.co.il company's website:

www.leumi.co.il

Previous names of the reporting entity:

Name of Electronic Reporter: David Raoul Sackstein, Position: Advocate, General Secretary
34 Yehuda Halevi Street, Tel Aviv 6513616, Phone: 076-8857984, Facsimile: 076-8859732
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Note: English translations of Immediate Reports of Bank Leumi are for convenience purposes only. In the case of any discrepancy between the English translation and the Hebrew original, the Hebrew will prevail.

The original Hebrew version is available on the distribution website of the Israel Securities Authority:

<http://www.mgna.isa.gov.il/>

November 15, 2022

To:
The Tel Aviv Stock Exchange
(TASE)
2 Ahuzat Bayit Street
Tel Aviv 6525216

To:
The Israel Securities
Authority (ISA)
22 Kanfei Nesharim
Street
Jerusalem 95464

Dear Sir/Madam,

Re: Potential Issuance of Subordinated Bonds

Bank Leumi le-Israel B.M. (hereinafter - the "**Bank**"), hereby announces that:

1. The Bank is assessing the potential issuance to the public of a new series of Subordinated Bonds (Series 406) and their listing on the Tel Aviv Stock Exchange (hereinafter - the "**Subordinated Bonds**" and the "**TASE**", respectively). The issuance of the Subordinated Bonds by the Bank (hereinafter - the "**Issuance**"), if issued, will be in accordance with the Shelf Offering Report to be published by Bank under the Bank's Shelf Prospectus.
2. Attached is a draft of the Deed of Trust for Subordinated Bonds (Series 406) (hereinafter - the "**Deed of Trust**"), together with the terms and conditions of the issuance. It should be clarified that the version of the attached Deed of Trust and the summary of the terms and conditions is a draft only, and the binding version of the issuance documents will be the version to be included in the Shelf Offering Report, if it is published.
3. It should be emphasized that the execution of the issuance, the issuance structure, scope, terms, and timing have not yet been determined and are subject to the Bank's discretion and to the existence, among other things, of suitable market conditions and the receipt of all the approvals required by law, including the approval of the Bank's competent organs and the approval of the TASE for the listing of the Subordinated Bonds, which, as at the date of this report, have not yet been received.
4. It should be clarified that this report does not create any obligation by the Bank to execute the issuance, nothing stated therein constitutes an offering to the public or an invitation to purchase the Bank's securities.

Respectfully,

Bank Leumi le-Israel B.M.

Omer Ziv, Head of the Finance and Accounting Division

It shall be clarified that this version of this Deed of Trust is a draft only. The version of the Deed of Trust may change materially up to the date of the actual issuance of the series of Subordinated Bonds, if issued. The binding version of the Deed of Trust for the Subordinated Bonds series, if issued, will be the version attached to the shelf offering report (if published by the Bank by virtue of the Shelf Prospectus) and its entry into force will only be subject to the issuance of Subordinated Bonds thereunder.

BANK LEUMI LE-ISRAEL B.M.

Deed of Trust for Subordinated Notes (Series 406)

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BANK LEUMI LE-ISRAEL B.M.

Deed of Trust for Subordinated Notes (Series 406)

Executed in Tel Aviv-Yafo on [] of December, 2022

BETWEEN

Bank Leumi le-Israel B.M., public company 52-001807-8
Of 34 Yehuda Halevi St., Tel Aviv 6513616
(hereinafter – the “**Bank**”)

As the First Party;

AND

Strauss, Lazer Trustees (1992) Ltd., private company no. 51-174206-6

Of 94 Yigal Alon Street, Alon Tower 2, Tel Aviv
(hereinafter – the “**Trustee**”)

As the Second Party;

WHEREAS: The Bank published a shelf prospectus, by virtue of which the Bank may offer to the public and issue, among other things, Subordinated Bonds by means of a shelf offering report, pursuant to the provisions of the Securities Law, 1968, in

accordance with the Stock Exchange's Rules and Regulations and guidelines and subject to the provisions of any law as they may be at that time;

AND WHEREAS: The Bank approached the Trustee with a request that it will serve as a trustee for the holders of the Subordinated Bonds (Series 406), which will be issued by the Bank under terms that are set out in this Deed of Trust, and the Trustee has agreed to sign this Deed of Trust and to act as Trustee for the holders of the Subordinated Bonds (Series 406);

AND WHEREAS: The Trustee declares that it is a company limited by shares that was incorporated in Israel under the Companies Law, 1999, and its main purpose is to engage in trusteeship and in other activities that are generally carried out by a trust company, and that it meets all the terms required pursuant with the Securities Law, 1968, to qualify as a trustee of the Subordinated Bonds which are the subject matter of this Deed;

AND WHEREAS: The Trustee declares that it is not precluded pursuant to any from engaging with the Bank in this Deed of Trust;

AND WHEREAS: On [] 2022, the rating agency S&P Maalot and Midroog Ltd. announced the assignment of ratings [] and [], respectively, for the issuance of Subordinated Bonds (Series 406) in the amount of up to NIS [] par value to be issued by the Bank.

AND WHEREAS: The Bank declares that it is not precluded pursuant to any law and/or agreement from engaging with the Trustee in this Deed of Trust;

AND WHEREAS: The Trustee does not have substantial interest in the Bank and the Bank does not have a substantial interest in the Trustee;

AND WHEREAS: The Bank declares that it is not precluded pursuant to any law and/or agreement from engaging with the Trustee in this Deed of Trust and from issuing the Subordinated Bonds (Series 406), in accordance with the terms and conditions of this Deed, and that on the date of the issuance of the Subordinated Bonds (Series 406), all the necessary approvals for carrying out the issuance required under any law and/or agreement shall be granted and that if any of the said approvals has not been granted, the issuance shall not be carried out.

Now, therefore, the Parties have agreed, represented and stipulated as follows:

1. Preamble, interpretation and definitions

- 1.1 The preamble to this Deed of Trust and the addenda and appendices attached thereto constitute a material and integral part thereof. In any event of a discrepancy between the Deed of Trust and the appendices attached thereto, the provisions of the Deed of Trust shall prevail.
- 1.2 The division of this Deed of Trust into sections and the section headings provided herein are for convenience and ease of reference only and shall not be used for interpretation.
- 1.3 Each term or expression in this Deed of Trust and its appendices shall have the meaning given to it in this Deed of Trust, unless they were expressly defined otherwise in the relevant appendix.
- 1.4 Anywhere in this Deed of Trust where the expression "subject to the provisions of any law" is used (or any other similar expression), the meaning is subject to any law that may not be conditioned upon, and anywhere in this Deed where the expression "despite any law" (or any similar expression) is used, the meaning is that the provision applies despite any law except for a law which may not be conditioned upon.
- 1.5 Reference in this Deed of Trust to the plural shall also mean the singular and vice versa, reference to the masculine shall also mean the feminine and vice versa, and reference to a person shall also mean a corporation, all provided that this Deed of Trust does not contain any expressed and/or implied contrary provision and/or unless the contents or the context require otherwise.
- 1.6 In any matter that is not referred to in this Deed of Trust and in any event of a discrepancy between the Securities Law and the regulations promulgated thereunder, or the provisions of the Rules and Regulations and Directives of the Tel Aviv Stock Exchange which may not be conditioned upon, as they may be from time to time, or between the provisions of Israeli law that may not be conditioned upon and the provisions of this Deed of Trust, the parties will act pursuant to the Securities Law, Rules and Regulations and Directives of the Tel Aviv Stock Exchange or other provisions of Israeli Law, as the case may be.
- 1.7 In any event of a discrepancy between the provisions described in the Prospectus and in the Shelf Offering Report in connection with this Deed of Trust and/or the Subordinated Bonds, the provisions of this Deed of Trust shall prevail. According to the Bank's review, there are no discrepancies between the provisions described in the Prospectus and in the Shelf Offering Report and the provisions described in this Deed of Trust and/or the Subordinated Bonds. If any such discrepancies arise, the provisions of this Deed shall prevail.
- 1.8 This Deed of Trust shall come into effect on the date of the actual allocation of the Subordinated Bonds by the Bank. It is hereby agreed that in the event that the issuance of the Subordinated Bonds is canceled for whatever reason, this Deed of Trust shall be null and void without any of the parties to this Deed having any claim against the other party.
- 1.9 In this Deed of Trust and in the Subordinated Notes, the following terms shall have the meaning set out opposite them, unless the content or context imply otherwise, or unless it is explicitly stated otherwise in this Deed of Trust:

The Prospectus or Shelf Prospectus	-	The Bank's Shelf Prospectus dated May 27, 2021;
Subordinated Bonds or the Bonds	-	Registered Subordinated Bonds (Series 406) that will be issued by the Bank under the terms set out in this Deed;
The Certificate of the Subordinated Bonds	-	The Certificate of the Subordinated Bonds, whose wording is set out in the First Addendum of this Deed, including the terms listed on the overleaf;
Holder of the Subordinated Bonds	-	Each of the following: (1) anyone in favor of whom Subordinated Bonds are registered with a member of the Stock Exchange and those Subordinated Bonds are included among the Subordinated Bonds registered in the Register in the name of the nominee company (hereinafter - an " Unregistered Holder "); (2) anyone in whose name Subordinated Bonds are registered in the Register, other than the nominee company (hereinafter - a " Registered Holder ");
The Trustee	-	Strauss, Lazer Trustees (1992) Ltd. or any other trustee that will replace him pursuant to the provisions of the Deed of Trust for the Subordinated Bonds and to the provisions of the law;
The Register	-	The register of the holders of the Subordinated Bonds as set out in Section 26 of this Deed;
This Deed or the Deed of Trust or This Deed of Trust		This Deed of Trust including the appendices and addenda attached thereto and which constitute a material and an integral part thereof;
The Companies Law	-	The Companies Law, 1999 and regulations promulgated thereunder, as amended from time to time;
The Securities Law	-	The Securities Law, 1968, and the regulations promulgated thereunder, as amended from time to time;
The Insolvency Law		The Insolvency and Economic Rehabilitation Law, 2018 and regulations promulgated thereunder, as amended from time to time;
Tel Aviv Stock Exchange (Stock Exchange)	-	The Tel Aviv Stock Exchange Ltd.;
The Principal of the Subordinated Bonds	-	The total par value of the Subordinated Bonds outstanding;
Business Day	-	Any day on which the majority of the banks in Israel are open to conduct transactions;

- Trading Day** - Any day on which trading is carried out on the Stock Exchange;
- The Nominee Company** - The nominee company of Bank Leumi le-Israel B.M;
- Special Resolution** - A decision taken at the meeting of the holders of the Subordinated Notes, in which they or their representatives held at least fifty percent (50%) of the balance of the par value of the subordinated notes in circulation on the date of record for the meeting, or at an adjourned meeting of this meeting, By themselves or by their proxies, holders of at least twenty percent (20%) of the said balance, which was received (either at the original meeting or at the adjourned meeting) by a two-thirds majority of the par value of the subordinated notes represented in the voting;
- Resolution or Ordinary Resolution** - A resolution that was passed at a general meeting of the holders of the Subordinated Bonds, which was attended, in person or by proxy, by holders of at least twenty-five percent (25%) of the balance of the par value of the Subordinated Bonds outstanding or at an adjourned meeting, which was attended by any number of participants, unless the meeting was convened at the request of holders, in which case, the legal quorum at the adjourned meeting will be the holders of at least 5% of the said balance, and which was passed (whether at the original meeting or at the adjourned meeting) by a majority of the holders of at least 50% of all votes cast, excluding abstainers;
- Banking Supervision Department** - The Banking Supervision Department of the Bank of Israel;
- PCB 202 or PCB 299** - Proper Conduct of Banking Business Directive Nos. 202 or 299 (as the case may be), published by the Banking Supervision Department of the Bank of Israel.

1.10 The following addenda and appendices are attached to this Deed of Trust, and form a material and integral part thereof:

- A. **The First Addendum** – the wording of the Certificate of the Subordinated Bonds and the terms listed on the overleaf thereof;
- B. **The Second Addendum** – provisions regarding meetings of holders of Subordinated Bonds;
- C. **Appendix A** – the version of PBC 202 as of the date of signing of this Deed;

D. **Appendix B** – the version of PBC 299 as of the date of signing of this Deed.

2. Issuance of the Subordinated Bonds

- 2.1 The terms of the Subordinated Bonds shall be as listed in the Certificate of the Subordinated Bonds and in the terms listed on the overleaf, which are attached to the First Addendum of this Deed and constitute an integral part thereof.
- 2.2 The trusteeship for the holders of the Subordinated Bonds and the roles of the Trustee pursuant to the terms of this Deed shall come into effect on the date of allocation of the Subordinated Bonds by the Bank.
- 2.3 Upon completion of the issuance and subject to all terms and conditions for the listing of the Subordinated Bonds on the Stock Exchange, the Subordinated Bonds will be listed on the Stock Exchange.

3. Appointment of the Trustee, his duties and roles

- 3.1 The Bank hereby appoints Strauss, Lazer Trust Company (1992) Ltd. as a trustee for the holders of the Subordinated Bonds, pursuant to Section 35B of the Securities Law (hereinafter – the “**First Trustee**”). The term of office of the First Trustee will continue until the date of convening the first meeting of holders that shall be convened by the First Trustee no later than 14 days from the date of filing the second annual report on the affairs of the trust, pursuant to Section 35h1(a) of the Securities Law (hereinafter – the “**First Appointment Meeting**”). Should the First Appointment Meeting approve the continuation of the tenure of the First Trustee with a simple majority, the Trustee shall continue to serve as Trustee until the end of the additional appointment period which was determined in the resolution of the First Appointment Meeting (which may continue until the final repayment date of the Subordinated Bonds).
- 3.2 Should the First Appointment Meeting and/or any other meeting held thereafter specify an end-date for the Trustee’s additional appointment period, his tenure will end pursuant to the holders’ resolution regarding the continuation of his tenure and/or regarding the appointment of another trustee in his stead.
- 3.3 If the Trustee is replaced by another trustee, the other trustee shall serve as trustee for the holders of the Subordinated Bonds pursuant to the provisions of Chapter E1 of the Securities Law including for those who are entitled to payments pursuant to the Subordinated Bonds, which have not been paid despite their being past due.
- 3.4 The duties and powers of the Trustee and the manner in which his role will be carried out will be in accordance with this Deed and subject to the provisions of any law.
- 3.5 The Trustee declares that as of the date of signing this Deed he is covered with professional liability insurance totaling USD 10 million for the period (**hereinafter – the “Coverage Amount”**). If the Coverage Amount is reduced to less than USD 8 million prior to the full repayment of the Subordinated Bonds, the Trustee shall inform the Bank of such reduction no later than 7 Business Days from the date on which he was informed by the insurer of such a reduction, in order to publish an immediate report on the matter. The provisions of this Section shall apply until such time as Securities Law Regulations regulating the Trustee’s insurance coverage obligation shall come into effect. Once such Regulations come into effect, the Trustee shall be required to inform the Bank only if it does not comply with the requirements of the Regulations.

4. The Bank's undertakings and declarations

- 4.1 The Bank undertakes towards the Trustee to pay, as a Trustee for the holders of Subordinated Bonds and on the dates set for such payment, all amounts of principal, interest and linkage differences payable pursuant to the terms of the Subordinated Bonds and to comply with all other terms and obligations imposed thereon pursuant to the Subordinated Bonds and pursuant to this Deed.
- 4.2 The Bank's engagement in this Deed of Trust was approved by the Bank as required by law, in accordance with its incorporation documents and in accordance with the provisions of the Banking Supervision Department.
- 4.3 The Bank did not engage in any other agreement, nor did it make any other commitment that contradicts its undertakings pursuant to this Deed.
- 4.4 As of the date of this Deed, no application was filed against the Bank and/or by the Bank for the appointment of a receiver and/or a liquidator, and no order was issued regarding any of these matters and, to the best of the Bank's knowledge, no application for such appointment or order is about to be filed.
- 4.5 The Bank's authorized and issued share capital as of the date of signing this Deed is as specified in the Bank's immediate report dated September 12, 2022 (Ref. No.: 2022-01-116269).

5. Absence of collateral for the Subordinated Bonds; repayment rights of the Subordinated Bonds; issuance of additional Subordinated Bonds; issuance of additional series

- 5.1 The Subordinated Bonds are not secured by any security or collateral, and pursuant to Section 3 of Appendix D of PCB 202, are not covered by a guarantee of the Bank or of a related entity nor are they subject to other arrangements that legally or economically improve the seniority of the Subordinated Bonds compared with that of depositors and other creditors of the Bank.
- 5.2 The rights of the holders of the Subordinated Bonds to the payment of principal, linkage differences and interest, as well as the other rights and claims arising from the Subordinated Bonds, including rights to receive compensation in respect of a breach of the terms and conditions of the Subordinated Bonds by the Bank, will be subordinate to the claims of all other creditors of the Bank of any kind, including the public's deposits which are deposited with the Bank from time to time, both those existing on the date of the Subordinated Bonds' issuance and those that will exist in the future, whether collateralized or not collateralized, except for the rights of other creditors of the Bank in respect of which it will be expressly determined (in accordance with the law or by some other means) that these will have equal seniority as that of the Subordinated Bonds or will be subordinate to them. For this purpose, it is clarified that (a) The Subordinated Bonds (Series 406) will have seniority equal or superior to that of any debt, bonds or capital notes that were issued and/or will be issued by the Bank in the future and recognized as Tier 2 capital, as this term is defined in PCB 202;¹ and (b) The Subordinated Bonds (Series 406) are subordinate

¹ The Subordinated Bonds (Series 406) have the same seniority as that of the Subordinated Bonds (Series 401) of the Bank, at a par value of NIS 614 million, whose repayment date is in 2028, Subordinated Bonds (Series 402) of the Bank, at a par value of NIS 209 million, whose repayment date is in 2033, Subordinated Bonds (Series 403), at a par value of NIS 1,441 million, whose repayment date is in 2030 and Subordinated Bonds (Series 404) of the Bank, at a par value of NIS 1,240 million, whose repayment date is in 2029, Subordinated

to the Bank's other capital notes and bonds of the Bank, which have been issued in the past and/or that will be issued in the future, notwithstanding any provision to the contrary that has been set out in their terms and conditions, should such provisions exist.

- 5.3 The Subordinated Bonds will have equal seniority among themselves (*pari passu*) and between them and all of the Bank's other Subordinated Bonds or other obligations of the Bank, whose seniority will be equal to that of the Subordinated Bonds, without a right of seniority or preference of any one over the other.
- 5.4 The Bank will be entitled to pledge its assets and transfer them and to carry out transactions as it may deem fit without any restriction as to the amount or otherwise.
- 5.5 The Bank reserves the right to assume, at any given time, any further obligations of any type whatsoever, as it deems fit, including undertakings whose seniority is higher and/or equal to and/or lower than that of the Subordinated Bonds, without having to obtain the approval of the Trustee and/or the holders of the Subordinated Bonds.
- 5.6 For the avoidance of doubt, it is hereby clarified that the Trustee is under no obligation to examine, and the Trustee did not, in fact, examine, the need to provide collateral to secure the payments to the holders of the Subordinated Bonds; the Trustee did not conduct an economic, accounting or legal due diligence survey of the Bank's financial position. By entering into this Deed of Trust, and by agreeing to act as trustee for the holders of the Subordinated Bonds, the Trustee does not express an opinion, whether explicit or implicit, as to the ability of the Bank to meet its obligations towards the holders of the Subordinated Bonds. The aforesaid shall not derogate from the duties of the Trustee pursuant to the law or pursuant to this Deed of Trust, nor shall it derogate from the duty of the Trustee (where such duty applies to the Trustee by law) to examine the effect of changes at the Bank, as from the issuance date of the Subordinated Bonds and thereafter, insofar as such changes could adversely affect the ability of the Bank to meet its obligations to the holders of Subordinated Bonds. It is also clarified that the Trustee's signing the Deed of Trust should not be construed as expressing an opinion regarding the quality of the Subordinated Bonds or the advisability of the investment therein.
- 5.7 Without derogating from the generality of the aforesaid, subject to the provisions of any law, the Bank reserves the right to issue additional series of Subordinated Bonds, hybrid equity instruments, bonds, deferred capital notes and/or other financial instruments (hereinafter - "**Additional Series**"), at any time, under terms that the Bank may deem fit (whether as part of a private offering, a public offering or otherwise), which will have a superior and/or equal and/or inferior seniority to that of the Subordinated Bonds (Series 406), and also to expand each of the Additional Series from time to time, without having to obtain the approval of the Trustee and/or the holders of the Subordinated Bonds. The issuance of Additional Series as aforesaid shall be carried out subject to the Bank's giving advance written notice to the Trustee to that effect and approving as part of the said notice that the Bank has fulfilled all its material obligations pursuant to the Deed of Trust.

Bonds (Series 405) of the Bank - at a par value of NIS 1,404 million, whose repayment date is in 2033, and Subordinated Bonds (2031 TACT Institutional) of the Bank, at a par value of USD 750 million, whose repayment date is in 2031. It is clarified that the seniority of the Subordinated Bonds will be of significance only in the event that the Subordinated Bonds (Series 406) have not been converted into Bank's shares in accordance with the terms and conditions set forth in this Deed of Trust.

- 5.8 Furthermore, and in addition to the aforesaid, the Bank reserves the right, subject to obtaining the listing approval of the Stock Exchange and subject to the provisions of any law, without having to obtain the approval of the Trustee and/or the holders of the Subordinated Bonds, to expand the series of Subordinated Bonds (Series 406) at any time at its own discretion, and to offer additional Series 406 Subordinated Bonds (hereinafter - the “**Additional Subordinated Bonds**”) as part of a private offering/s or as part of public offering/s pursuant to a prospectus(es), as the case may be. The Trustee undertakes to serve as Trustee for the holders of the Additional Subordinated Bonds, if any such Subordinated Bonds are issued as aforesaid, and all of the provisions applicable to the Subordinated Bonds shall also apply to the Additional Subordinated Bonds, which will be issued as aforesaid. The Bank reserves the right to issue Additional Subordinated Bonds at their par value, at a premium or at a discount, at its own discretion. The Subordinated Bonds (Series 406) outstanding and the Additional Subordinated Bonds (Series 406), which will be issued (if any), as aforesaid, shall constitute one series for all intents and purposes. The provisions of the Deed of Trust shall also apply to the Additional Subordinated Bonds that may be issued as aforesaid. For the avoidance of doubt, it is clarified that the holders of the Additional Subordinated Bonds will not be entitled to interest in respect of interest periods ended prior to the date of allocation thereof.

6. Banking Supervision Department

- 6.1 The Subordinated Bonds (Series 406) that will be issued by the Bank and will be fully repaid were drawn up in accordance with the criteria for inclusion in the Bank’s Tier 2 capital, as this term is defined in PCB 202. For details regarding the criteria for inclusion of equity instruments in a banking corporation’s Tier 2 capital pursuant to PCB 202, please see **Appendix A** of this Deed.
- 6.2 It is clarified that if the Banking Supervision Department does not recognize the Bank’s obligations pursuant to the Subordinated Bonds as part of the Bank’s Tier 2 capital, or if the Banking Supervision Department ceases to recognize them as such, or if the Banking Supervision Department recognizes them as another type of capital, this will not have any effect whatsoever on the terms and conditions of the Subordinated Bonds or on the rights attached thereto, and subject to the provisions of any law, the provisions of this Deed of Trust shall apply with regard to their seniority, and in particular the provisions of Section 5.2 above.
- 6.3 Immediate repayment of the Subordinated Bonds and any compromises and/or changes to the terms of the Subordinated Bonds, including with regard to matters pertaining to the conversion and repayment of the Subordinated Bonds, and any waiver of breach or non-fulfillment of any of the terms and conditions of the Deed of Trust as set out in Section 25.1 below and/or a change of the Deed of Trust as set out in Section 25.3 below, can only be effected subject to obtaining advance approval from the Banking Supervision Department.
- 6.4 The Bank and any other entity controlled by the Bank or in which the Bank has significant influence, shall not purchase Subordinated Bonds that were approved as Tier 2 capital of the Bank and as long as they constitute part of the Bank’s Tier 2 capital. Furthermore, the Bank will not fund, whether directly or indirectly, the purchase of the Subordinated Bonds that constitute part of the Bank’s Tier 2 capital.

7. The right to demand immediate repayment of the Subordinated Bonds

- 7.1 The right to demand immediate repayment of the Subordinated Bonds is restricted only to cases where a trustee serving as a liquidator is appointed to the Bank in accordance with the Insolvency Law or an order is granted by a competent court for the liquidation of the Bank and the aforesaid appointment or order is not revoked within 30 (thirty) days from the day on which it was issued. It is clarified that the Trustee or the holders of Subordinated Bonds may demand immediate repayment of the Subordinated Bonds, by means of an ordinary resolution, if one of the above causes is met only after the abovementioned 30 (thirty) days have elapsed and provided that the cause of immediate repayment has not been removed through that date. It is also clarified that the right to demand immediate repayment of the Subordinated Bonds shall only apply in the event that the Subordinated Bonds have not been converted into the Bank's shares in accordance with the terms and conditions set out in this Deed.
- 7.2 Without derogating from the other terms and conditions set out in the Deed of Trust for the purpose of demanding immediate repayment of the Subordinated Bonds, the Trustee and/or the holders of the Subordinated Bonds may only demand immediate repayment of the Subordinated Bonds after obtaining advance written approval from the Banking Supervision Department.
- 7.3 The Subordinated Bonds constitute an equity instrument issued by a bank, as set out in the Third Addendum A1 to the Securities Law, and therefore, the provisions of Section 35I1 of the Securities Law do not apply thereto.
- 7.4 If after the initial issuance of the Subordinated Bonds changes are made at any time to the Proper Conduct of Banking Business Directives of the Banking Supervision Department, such that the Subordinated Bonds (Series 406) may include further causes for immediate repayment without impairing the recognition of the Subordinated Bonds (Series 406) as Tier 2 capital of the Bank, the Bank will request from the Banking Supervision Department to approve a change in the terms and conditions of this Deed such that further causes will be added thereto for immediate repayment as aforesaid. It is clarified that the Banking Supervision Department's decision on this matter shall be final and that the Trustee and/or holders of the Subordinated Bonds may not appeal it.

8. Claims and proceedings by the Trustee

- 8.1 Without derogating from any other provision, the Trustee may institute, at its own discretion, such legal proceedings as he may deem fit in order to exercise the rights of the holders of the Subordinated Bonds or to protect their rights, or in order to enforce the fulfillment of any other undertaking of the Bank, in accordance with this Deed of Trust, after it has given a written notice of at least 7 days to the Bank; the Trustee may be required to do so if an Ordinary Resolution to that effect is passed. Regardless of the above, the Trustee has the right to bring those dates forward if the Trustee is of the opinion that any delay in demanding repayment of the Bank's debt places the rights of the holders of the Subordinated Bonds at risk. The Trustee will be allowed to institute legal proceedings and/or other proceedings even if the Subordinated Bonds have not been made immediately repayable - all in order to protect the rights of the holders of Subordinated Bonds and subject to any law.

- 8.2 For the avoidance of doubt, it is clarified that nothing in any of the provisions set out in Section 8 will infringe and/or derogate from the Trustee's right that is hereby conferred upon him, to apply, at any given time, at his own discretion and without having to inform the Bank, to the appropriate Court for guidance on any matter related to and/or which arises from this Deed and/or the performance of the trusteeship pursuant thereto, even before demanding the immediate repayment of the Subordinated Bonds.
- 8.3 The Trustee may, but is not obliged to, convene at any given time a general meeting of the holders of the Subordinated Bonds in order to discuss and/or receive its guidance on any matters pertaining to the Deed of Trust and may reconvene such a meeting.
- 8.4 The Trustee may, at his sole discretion, delay the performance of any action thereof pursuant to the Deed of Trust, for the purpose of addressing the meeting of the holders of the Subordinated Bonds and/or the Court until it receives from the meeting of the holders of Subordinated Bonds and/or the Court instructions on how to act, provided that this does not cause any damage to the holders of the Subordinated Bonds. Despite the aforesaid, the Trustee may not delay immediate repayment procedures resolved upon by a meeting of the holders of the Subordinated Bonds. It is clarified that under circumstances in which the Trustee is required to take urgent action, where refraining from taking such action prior to convening meetings of the holders of the Subordinated Bonds by the Trustee shall cause damage and/or material loss to the holders of the Subordinated Bonds, the Trustee may not refrain from taking such urgent action until the convening of a meeting of the holders of the Subordinated Bonds. For the avoidance of doubt, the aforesaid does not give the Trustee or the holders of Subordinated Bonds the right to delay the conversion of the Subordinated Bonds into the Bank's shares pursuant to the provisions on this matter as set out in the First Addendum.

9. Proceeds under trust

- 9.1 All proceeds that will be received and/or held from time to time by the Trustee, except for his fees and the repayment of any debt owed to him in any way, including, but not only, as a result of demanding immediate repayment of the Subordinated Bonds and/or as a result of proceedings it will institute against the Bank, if any, will be held by him in trust and will be used by him for the following purposes and in accordance with the following order of preference: First – for the purpose of settling the expenses, payments, levies and obligations that were expensed by the Trustee, imposed upon him or in the course of or as a result of carrying out the trust activities or otherwise in connection with the terms and conditions of the Deed of Trust, including his fees (provided that the Trustee did not receive his fees prior to that from the Bank or from the holders of the Subordinated Bonds), after the Trustee shall instruct the Bank in writing to transfer to the Trustee any payment owed to the Trustee by the Bank. It should be clarified that if the Bank was required to pay any of the expenses, including the Trustee's fees, but has not done so, the Trustee shall act to receive the said amounts from the Bank; if the Trustee manages to receive the said amounts, it will hold them in trust and will use them for the purposes listed in this Section in accordance with the order of preferences set out therein. The aforesaid does not exempt the Bank from its obligation to pay the expenses and fee payments as aforesaid where it is required to pay them in accordance with this Deed of Trust

or in accordance with the law and the Trustee shall continue to act to collect them from the Bank.

Unless otherwise decided in a Special Resolution of the meeting of the holders of the Subordinated Bonds, the remaining balance shall be used in accordance with the following order of preference: First – to pay the holders of Subordinated Bonds who have borne the payments pursuant to Section 23.6 below; Secondly – to pay the holders of the Subordinated Bonds the past due interest owed to them pursuant to the terms and conditions of the Subordinated Bonds and subject to the linkage terms of the Subordinated Bonds, *pari passu*, and proportionately to the amount of past due interest owed to each of them, without giving preference or priority to any of them; Thirdly - to pay the holders of Subordinated Bonds the amount of interest due to them pursuant to the terms and conditions of the Subordinated Bonds, *pari passu* and subject to the linkage terms of the Subordinated Bonds; Fourthly – to pay the holders of Subordinated Bonds the principal amounts due to them pursuant to the Subordinated Bonds they hold, *pari passu* and subject to the linkage terms of the Subordinated Bonds and proportionately to the amounts payable thereto without giving any preference in connection with precedence in the issuance of the Subordinated Bonds by the Bank or otherwise; Fifthly – the remaining funds, if any, will be paid by the Trustee to the Bank or to its substitute, as the case may be. The payment of the amounts by the Trustee to holders of Subordinated Bonds is subject to the rights of other creditors of the Bank, pursuant to the provisions of the law.

- 9.2 Notwithstanding the provisions of Section 9.1 above, where the amount received as a result of instituting the said proceedings, which is distributable at any time whatsoever, as stated in that section, is less than NIS 1 million (hereinafter - the "**Minimum Amount**"), the Trustee will not be required to distribute it; rather, the Trustee may distribute the said amount or alternatively invest it, in whole or in part, in any of the investments permitted in accordance with Section 14 of the Deed of Trust; however, the Trustee will, in any event, distribute the remaining funds that have been deposited with him in accordance with the provisions of Section 9.1 above, at the earlier of the following: (1) When the balance of the amount deposited with the Trustee is NIS 1 million or more; (2) Together with the first payment of interest or principal to holders of the Subordinated Bonds, which is paid after receipt of the amount to be received as a result of instituting the said proceedings; (3) Immediately after the end of the calendar year following the last date on which funds were received by the Trustee for distribution; (4) When a meeting of the holders of the Subordinated Bonds passes a resolution with an ordinary majority that such a payment be made, all subject to the provisions of the Stock Exchange Rules and Regulations, the directives promulgated thereunder, and the by-laws of the Stock Exchange's clearing house (as the case may be), as amended from time to time.

Despite the aforesaid, the Trustee's fees and his reasonable expenses shall be paid out of the said funds immediately when they become due (and with regard to the expenses that have already been paid by the Trustee, the amounts of those expenses shall be reimbursed to the Trustee immediately upon the receipt of the funds by the Trustee), even if the amounts received by the Trustee are lower than the Minimum Amount.

10. Distribution notice

The Trustee shall notify the holders of the Subordinated Bonds of the time and place of the payment of any of the payments set out in Section 9 above, in a notice to be delivered 14 (fourteen) days in advance in the manner specified in Section 24 below. After the date specified in the said notice, the holders of the Subordinated Bonds shall be entitled to interest thereon at the rate set in the Subordinated Bonds, but only in respect of the remaining balance of the principal (if any) after deduction of the amount that was paid to them.

11. Refraining from payment for reasons that are not under the control of the Bank

- 11.1 Any amount payable to a holder of the Subordinated Bonds and which was not paid on the date on which it was due to be paid for reasons which are not under the control of the Bank, even though the Bank was willing to pay it on time, shall cease to bear interest and linkage differences as from the date on which it was due to be paid and the holder of the Subordinated Bonds shall be entitled to receive only the amounts he was entitled to on the date specified for such payment on account of the principal, interest and/or linkage differences, as the case may be.
- 11.2 Where such an amount was not paid within 14 (fourteen) days of the date set for the payment thereof, the Bank shall deposit the said amount with the Trustee, and such a deposit shall be deemed as the settlement of that payment and in case of settlement of all amounts payable in respect of the Subordinated Bonds, such a deposit shall also be deemed as redemption of that security.
- 11.3 All funds to be remitted to the Trustee by the Bank as set forth in Section 11.2 above, shall be deposited by the Trustee, in his name or to his order in securities of the Government of Israel or in any other securities, in which he is allowed to invest trust funds under the law of the State of Israel, all as the Trustee deems fit and subject to the provisions of any law and the provisions of Section 14 below. Once he has invested the said amounts, the Trustee shall not owe to the entitled parties the amount invested, but rather the consideration received from the disposal of the investments, net of the reasonable expenses relating to such an investment, including in respect of management of a trust account, should such an account be opened, the reasonable fees and net of the mandatory payments applicable to the trust account.
- 11.4 The Trustee shall hold the abovementioned amounts and shall invest them in the abovementioned manner until the end of one year from the redemption date of the Subordinated Bonds. After this date, the Trustee shall repay to the Bank the amounts it has accrued (including any earnings thereon), net of its reasonable expenses; the Bank shall hold those amounts in trust for the holders of the Subordinated Bonds for two additional years from the date they were remitted by the Trustee. The Bank shall confirm to the Trustee the repayment of the abovementioned amounts and such confirmation shall release the Trustee from any obligation whatsoever in connection with the amounts specified in the confirmation.
- 11.5 The Trustee shall transfer to each holder of Subordinated Bonds for whom amounts and/or funds due to holders of the Subordinated Bonds were deposited with the Trustee, those amounts payable to such holder of Subordinated Bonds out of those funds deposited as mentioned above, net of all reasonable expenses and mandatory payments applicable to the trust account in which the Trustee deposited the aforementioned funds, against presentation of the evidence required by the Trustee to his full satisfaction regarding that holder's right to receive those funds.

- 11.6 Where the repayment date or the specified date for any payment of interest and/or interest fall on a day which is not a Business Day, the date of that payment shall be postponed to the following Business Day without payment of any additional interest.
- 11.7 Any mandatory payment required by law shall be deducted from any payment in respect of the Subordinated Bonds.

12. Receipts as evidence

- 12.1 A receipt signed by an individual Registered Holder of the Subordinated Bonds from among the holders who are registered jointly in the Subordinated Bonds or a reference of a member of the Stock Exchange regarding the performance of a transfer through the Stock Exchange's clearing house (in the case of an Unregistered Holder) in respect of any principal and interest amounts paid to him by the Bank and/or the Trustee with respect to the Subordinated Bonds shall constitute evidence for full settlement of any payment made by the Bank and/or the Trustee in respect of the Subordinated Bonds and will exempt the Bank and/or the Trustee (as the case may be) from any obligation whatsoever in connection with the payment of the amounts specified in the receipt.
- 12.2 A receipt from the Trustee regarding the deposit of the amounts of the principal, the interest and the linkage differences with the Trustee in favor of the holders of the Subordinated Bonds as set out in Section 11 above, shall be considered as a receipt from the Holder of the Subordinated Bonds for purpose of Section 12.1 above.

13. Presentation of the Subordinated Bonds to the Trustee and registration in connection with partial repayment

- 13.1 The Trustee may demand that a Registered Holder present to it, at the time of any payment whatsoever made pursuant to the terms of the Subordinated Bonds, the certificates of the Subordinated Bonds in respect of which the payments are made, and such a Registered Holder shall be required to present to the Trustee the certificates of the Subordinated Bonds, provided that this will not subject the holder to any payment and/or expense, nor will it impose upon the holder any responsibility and/or liability.
- 13.2 The Trustee may write on the Subordinated Bonds a comment regarding the amounts paid and the date on which they were paid. In special cases, the Trustee shall be entitled, at his own discretion, to waive the requirement to present the certificates of the Subordinated Bonds after he was given an indemnification letter or a guarantee to his satisfaction in respect of damages that might be caused due to failure to write such a comment, all as he deems fit.
- 13.3 Notwithstanding the above, the Trustee may, as his own discretion, maintain records in some other manner, in respect of such partial repayments.

14. Investment of funds

All funds which the Trustee may invest pursuant to the Deed of Trust, shall be invested and/or deposited by the Trustee in one of the four largest banks in Israel, excluding Bank Leumi le-Israel B.M., in its name or to its order, in NIS-denominated bank deposits or in securities of the Government of Israel, rated no lower than AA, as the Trustee will deem fit, and subject to the terms of the Deed of Trust and to any law. Where the Trustee has invested the funds as aforesaid, it shall only owe the entitled holders in respect of those amount the consideration that will be received upon the disposal of the investments, net of

the reasonable expenses relating to the said investment and to the management of the trust account, should such account be opened, the reasonable fees and net the mandatory payments applicable to the trust account.

15. The Bank's obligations towards the Trustee

The Bank undertakes the following obligations towards the Trustee, in its capacity at the Trustee for the Subordinated Bonds, for as long as the Subordinated Bonds are outstanding, and amounts are due thereunder:

- 15.1 To consistently manage the Bank's businesses regularly and appropriately.
- 15.2 To provide the Trustee with copies of documents and information that the Bank delivered to holders of the Subordinated Bonds, if any. The Bank will also deliver to the Trustee or its authorized representative, who may be an attorney or certified public accountant by profession (and notification of the appointment of whom will be delivered to the Bank by the Trustee upon the appointment thereof) additional information in connection with the Bank, within a reasonable amount of time after the Trustee's demand to that effect, where such information may be essential and required in order to protect the rights of the holders of the Subordinated Bonds, and provided the Trustee has acted in good faith. Any information that is not in the public domain, which will be delivered to the Trustee or to its authorized representative, including an external authorized representative, as described above, will be held by the Trustee or by the representative in confidentiality and will not be delivered by them to others, and they will only use it if the disclosure or the use thereof is required for the purpose of carrying out their role pursuant to the Securities Law, in accordance with the Deed of Trust or under a Court order, and the external authorized representative on behalf of the Trustee will sign a letter of confidentiality for that purpose, as described in Section 22.3 below. It is hereby clarified that the delivery of information by the Trustee to the holders of the Subordinated Bonds will not constitute a breach of the Trustee's obligation to maintain confidentiality, provided that the Trustee delivers only the information required for the purpose of protecting the rights of the holders of the Subordinated Bonds and that the Trustee coordinates with the Bank the content and timing of the disclosure in advance, to the extent possible and permissible, in order to allow the Bank a reasonable amount of time to apply to a court of law in order to prevent the delivery of information as aforesaid, and in any event only the essential information will be delivered. Despite the aforesaid and subject to the provisions of any law which may not be conditioned upon, the Bank shall not deliver to the Trustee information that may impair the stability of the Bank, provided that in such a case, the Bank will provide the Trustee with a reason for non-delivery of such information. Documents and/or information which shall be provided to the Trustee pursuant to this subsection, shall be provided on the condition that their provision does not constitute an offense of "using inside information" as this term is defined in the Securities Law and subject to the undertaking of the Trustee and/or his representative as aforesaid to uphold confidentiality.
- 15.3 To conduct regular bookkeeping in accordance with the generally accepted accounting principles and in respect of these books, keep such books, including the documents that serve as references for these books (including Deeds of encumbrances, mortgage and invoices and receipts) and the other documents relating to his business, in his offices.

- 15.4 To inform the Trustee in writing and within two Trading Days, on the occurrence of an event listed in Section 7.1 above, all without taking into account the remediation period referred to in Section 7.1 above.
- 15.5 To notify the Trustee in writing and within two trading days after it became aware of any case in which foreclosure has been imposed on more than 50% of the Bank's assets, and any case in which a receiver and/or a special administrator and/or a liquidator and/or any other official holding similar roles and powers has been appointed with respect of more than 50% of the Bank's assets by virtue of the Insolvency Law, and to take all steps required to remove the foreclosure or cancel the receivership, liquidation, or management, as the case may be, and bear the costs incidental to those steps.
- 15.6 To provide to the Trustee the documents listed in Section 35J to the Securities Law. It is clarified that for the purpose of compliance with the provisions of this Section, publication of a report in the MAGNA system shall be regarded as the provision of this report to the Trustee.
- 15.7 Financial statements and a periodic report shall be provided to the Trustee by the Bank shortly after the publication thereof. It should be noted that any report posted by the Bank on the MAGNA system shall be considered as notice that was issued to the Trustee upon publication of such notice.
- 15.8 Proper Conduct of Banking Business Directive No. 332 of the Banking Supervision Department places restrictions on a banking corporation (and on a corporation under its control) on purchasing securities issued by it. Furthermore, it is clarified that, except as aforementioned, there are no restrictions on the Bank's right to distribute dividends to its shareholders and/or to carry out a buyback of its shares and/or to carry out any other distribution pursuant to the Companies Law. It is also clarified that the aforesaid does not give rise to any obligation of the Bank towards the holders of the Subordinated Bonds and it is presented here only for the purpose of fair disclosure.
- 15.9 To the extent that this will be under the control of the Bank, the Bank will take reasonable measures to ensure that the Subordinated Bonds shall be rated throughout their lives. The Bank does not undertake that it will not replace the rating agency over the life of the Subordinated Bonds. Where the bank replaces the agency that designates the rating of the Subordinated Bonds or terminates the work of that agency, including where there is more than one rating agency, the Bank shall publish an immediate report in which it will list the reasons for replacing such an agency or for the termination of its work, as the case may be.
- 15.10 If the Bank ceases to be a reporting corporation, it will deliver to the Trustee and the Registered holders in writing the reports required pursuant to the Consolidated Circular, as amended from time to time. For that purpose, the "**Consolidated Circular**" – the consolidated circular of the Commissioner of the Capital Market, Insurance and Savings for institutional entities, as amended from time to time. Notwithstanding the aforesaid, where it will be possible to continue publishing the said reports through the MAGNA system and/or the MAYA system, such reports will be published through those systems, instead of delivering those reports to the Registered holders as described above.
- 15.11 The Bank will maintain in its authorized and unissued share capital a sufficient number of ordinary shares as may be required for the purpose of converting the Subordinated Bonds in full pursuant to their terms and conditions.

- 15.12 The Bank shall refrain from distribution of bonus shares or from issuance of rights that may reduce the conversion rate (as defined in the First Addendum) below the par value of the Bank's share, and it will provide the Trustee with a written confirmation regarding the aforesaid before any distribution of bonus shares or issuance of rights.
- 15.13 To deliver to the Trustee, at his request and no later than 30 days from the date of issuance of Subordinated Bonds pursuant to this Deed of Trust, a clearing schedule according to the Subordinated Bonds (principal and interest) in the form of an Excel file.
- 15.14 To allow the Trustee to take part in the Bank's General Meetings (whether Annual General Meetings or Extraordinary General Meetings of the Bank's shareholders), without conferring upon the Trustee a voting right in such meetings.

16. Additional obligations

If an event listed in Section 7.1 above occurs and the Subordinated Bonds are called for immediate repayment, after obtaining the approval of the Supervisor of Banks as described in Section 7.2 above, the Bank shall take from time to time and at any time it is requested to do so by the Trustee, all the reasonable actions to enable the exercise of all the powers given to the Trustee.

- 16.1 Make the statements and/or sign all the documents and/or execute and/or cause the execution of all the necessary or required actions in accordance with the law, in order to validate the exercise of the Trustee's powers, authority and authorizations.
- 16.2 Give all the notices and instructions which the Trustee will deem to be beneficial in connection with the performance of the immediate repayment.

17. Applications to a Court

The Trustee may, at any time and subject to any law, apply to the competent court in connection with the Trust. The Trustee may also give its consent or approval to any application to the Court, which is made at the request of a holder of the Subordinated Bonds, and the Bank will indemnify the Trustee in respect of all reasonable expenses he may incur as a result of such an application, or from actions carried out as a result of such application or in connection therewith. If the application to the Court is made pursuant to a resolution of the holders of Subordinated Bonds, the holders of the Subordinated Bonds will indemnify the Trustee for all reasonable expenses he may incur as a result of such an application, or from actions taken as a result of such application or in connection therewith, and pursuant to the provisions of the law, this indemnification will be taken out of the deposit which will be deposited pursuant to the provisions of the law.

18. Proxies

- 18.1 The Bank hereby irrevocably appoints the Trustee as its proxy, to execute and carry out in its name and in its stead, all the actions that it will be required to take pursuant to the terms of this Deed, and generally to act in its name in relation to the actions that the Bank is required to take under this Deed and has not taken or to exercise some of the powers it was given, provided the Bank has not taken the actions it is required to take under the terms and conditions of this Deed within a reasonable amount of time from the Trustee's written demand, and provided that it has given the Bank advance notice of a reasonable amount of time, of its intention to exercise its powers pursuant to this Section.

- 18.2 An appointment pursuant to Section 18.1 above shall not obligate the Trustee to take any action and does not derogate from the Bank's undertaking pursuant to the Deed of Trust and the Bank hereby exempts the Trustee in advance in the event that it does not take any action or that it does not take such action on time or in the correct manner, and the Bank waives in advance any claim against the Trustee and its agents in respect of any damage that was caused or may be caused to the Bank directly or indirectly, in respect thereof, based on any action taken or not taken as aforesaid.

19. The Trustee's fees and expenses

- 19.1 The Bank shall pay the Trustee a fee for its services as trustee in the first year of trust and as long as there will be Subordinated Bonds (Series 406) outstanding, and in respect of any consecutive year or part thereof, amounting to a total of NIS 7,000 plus VAT as required by law. The annual fees shall be paid to the Trustee at the beginning of every year of trust in respect of the next full year of trust.
- 19.2 The Trustee shall also be entitled to receive a special fee of NIS 350 per hour plus VAT as required by law, in respect of special events/tasks:
- 19.2.1 Reasonable actions arising from breach of this Deed by the Bank;
- 19.2.2 Reasonable actions in connection with demanding immediate repayment of the Subordinated Bonds or in connection with a concern for infringement of the holders' rights (including convening of holders' meetings) and/or actions in connection with the resolution of a meeting of holders to call for immediate repayment of the Subordinated Bonds;
- 19.2.3 Special actions which are not included in the current activities of the Trustee or in its ordinary course of business (such as, but not only, work required due to restructuring of the Bank) or work arising from the Banks' demand or from future change of rules and/or regulations and/or other binding directives that will apply in connection with the activities of the Trustee and his undertakings pursuant to this Deed, provided that he obtains the Bank's advance approval, which will not be unreasonably withheld.
- 19.3 The Trustee will also be paid fees in respect of all actions relating to (including without derogating from the generality of the aforesaid, its participation) the meetings of holders of the Subordinated Bonds (excluding general and special meetings of the Bank's shareholders) at a rate of NIS 350 per hour plus VAT as required by law in respect of each meeting.
- 19.4 In case the Subordinated Bonds Series is expanded, the trustee will be eligible to a one-time additional payment of NIS 3,000.
- 19.5 The payments set out in this Section shall be paid to the Trustee in respect of the period until the end of the trust period of the Subordinated Bonds (Series 406) that will be issued pursuant to the terms of the Deed of Trust and the appointment of a receiver to the Bank, the appointment of a managing receiver, the appointment of a liquidator for the Bank and/or the management of the Trust under the supervision of a Court, will not detract from the Trustee's right to the payment of his fees and expenses as set out in this Deed.
- 19.6 The Trustee will also be entitled to reimbursement of reasonable expenses it will incur as part of fulfilling his role and/or pursuant to the powers conferred upon him pursuant to this Deed, including in respect of publications in the press and the

appointment of experts, so long as the Trustee obtains the Bank's advance approval, which will not to be unreasonably withheld.

- 19.7 If changes are made to legal provisions, whereby the Trustee will be required to take actions and/or carry out examinations and/or to prepare additional reports and/or incur additional expenses, which will be needed for the purpose of fulfilling its role as a reasonable trustee, the Bank will bear all the reasonable expenses incurred by the Trustee in respect thereof, including reasonable fees in respect of those actions, provided that the Trustee obtain the Bank's approval in advance, which will not be withheld unreasonably.
- 19.8 All the amounts set out in this section are linked to the CPI published on November [], 2022 for October 2022.
- 19.9 If a trustee has been appointed to replace a Trustee, whose tenure has ended in accordance with Sections 35B(a1) or 35N(d) of the Securities Law, the holders of the Subordinated Bonds will pay the difference between the fees of the Trustee who has been appointed, as aforesaid, and the fees paid to the Trustee he replaces, if such a difference is unreasonable, and the relevant provisions of the law shall apply at the time of such a replacement. The holders will bear the said difference by offsetting the proportionate share of the difference from each payment that the Bank makes to holders of the Subordinated Bonds in accordance with the terms of the Deed of Trust and by remitting the said amount directly to the Trustee.
- 19.10 If the Bank will be required by law to deposit a deposit to secure the Bank's payment of special expenses of the Trustee, the Bank shall act in accordance with such provisions.
- 19.11 In the event that the Subordinated Bonds are converted into shares pursuant to the terms of this Deed, the Trustee's tenure pursuant to the Deed of Trust will end and the Trustee will be entitled to receive on that date all payments accrued as of the day that preceded the date of the conversion notice in respect of fees and/or expenses pursuant to the provisions of this Deed.
- 19.12 It is clarified that the Bank's undertakings to pay the Trustee's fees and expenses as set out in this Deed shall have seniority that is equal to the Bank's obligations towards its ordinary creditors including deposits by the public.

20. Special powers and responsibilities of the Trustee

- 20.1 The Trustee may deposit all the notes and documents that serve as evidence, represent or establish its right in connection with any asset held by it at that time, in a safe or in any other place of its choosing, with any banker or any bank or with any attorney, insofar as this is reasonable and coordinated with the Bank. If the Trustee has done this, he will bear no responsibility for any loss that may be caused in connection with such deposit, provided that it did not act negligently.
- 20.2 As part of its execution of the trust's affairs pursuant to this Deed, the Trustee may act according to the opinion or advice of an attorney, an accountant, an appraiser, surveyor, broker or other expert. Regardless of whether such an opinion or advice were given at the request of the Trustee or at the request of the Bank or in any other manner, the Trustee shall bear no responsibility to any losses or damages that may be caused as a result of any action or omission by him in reliance on such advice and/or opinion, provided that it did not act negligently.

- 20.3 Any such advice or opinion may be given, sent, or delivered by letter, telegram, telephone, facsimile or any other electronic means for transfer of information, and the Trustee shall bear no responsibility for actions he carried out based on an advice or opinion or information delivered in one of the aforementioned manners, even if there were errors therein or if they were inauthentic, provided that the Trustee was unaware of it and did not act negligently.
- 20.4 The Trustee shall not be required to inform any party of the signing of this Deed and will not be allowed to interfere in any way with the management of the Bank's business or affairs, subject to the provisions of any law which may not be conditioned upon, provided it is not expressly stated otherwise in this Deed.
- 20.5 The Trustee shall be entitled to receive a certificate that has been signed by two directors in the Bank, certifying that in their opinion, a transaction, a step, an action or anything whatsoever, are desirable and serve the interest of the Bank, as sufficient evidence that the transaction, the step, action or thing are indeed desirable and serve the interest of the Bank.
- 20.6 The Trustee shall use the trusteeship, the powers, authorizations and authority conferred upon him pursuant to this Deed, at his sole discretion, and - except in the event of fraud or negligence - will not bear responsibility for any damage caused due to errors in judgment made in good faith.
- 20.7 Any exemption from responsibility that was given to the Trustee pursuant to the provisions of this Deed, if any, is subject to the condition that the Trustee was not grossly negligent in carrying out the action (or omission), including in the exercise of judgment in respect of which the exemption was given, or did not act in malice, in breach of a fiduciary duty or in breach of the provisions of the Deed of Trust and the Subordinated Bonds.

21. The Trustee's power to engage agents

As part of the management of the trust's business and if there is reasonable need to do so, the Trustee may appoint an agent that will act in his stead, whether such agent is a lawyer or another person, in order to perform or participate in the performance of special activities that should be performed in connection with the trust, including the institution of legal procedures, upon advance coordination with the Bank and provided that such actions are reasonable under the circumstances, and the Trustee shall have the agent sign a confidentiality letter in order for him to comply with the provisions set out in Section 15.2 above. The Trustee shall also be entitled to settle the reasonable fee of any such agent at the expense of the Bank, provided that he is allowed to do so pursuant to this Deed or pursuant to the fees agreement with the Bank, and the Bank will reimburse to the Trustee for any such reasonable expense upon receipt of demand to that effect from the Trustee, to the extent that the Trustee has given the Bank advance notice regarding the appointment of such agents and that the said expenses are reasonable under the circumstances. The appointment of an agent shall not detract from the Trustee's duties pursuant to this Deed or pursuant to any law, nor will it detract from the Trustee's responsibilities in respect of his actions and the actions of his agents.

22. The Trustee's powers

- 22.1 The Trustee shall not be obliged to inform any party whatsoever of the signing of this Deed.

- 22.2 Subject to the provisions of any law, the Trustee is not required to act in a manner that is not expressly specified in this Deed of Trust in order to become aware of any information, including about the Bank and/or in connection with the Bank's ability to meet its obligations to the holders of the Subordinated Bonds and this is not part of its role as trustee.
- 22.3 Subject to the provisions of any law and to what is stated in this Deed of Trust, the Trustee undertakes, by signing this Deed, to maintain confidential any information provided to him by the Bank, not to disclose such information and not to use it for any purpose, unless such disclosure or use is required for the purpose of protecting the rights of the holders of Subordinated Bonds and securing the Bank's undertakings pursuant to the Deed of Trust or a Court order.
- 22.4 As part of his trusteeship, the Trustee may rely on any written document including a letter of instruction, a notice, request, agreement or certificate, which is expected to be signed or issued by a certain person or entity, which the Trustee believes in good faith has been signed or issued by such person or entity.

23. Indemnification of the Trustee

- 23.1 The Trustee's fees and expenses shall be paid by the Bank in accordance with the provisions of the Deed of Trust. In addition, with respect to special matters that do not fall within the scope of the Bank's obligation to pay the Trustee's fees and expenses as set out in Section 19 above and in cases where the Trustee incurs expenses that the Bank should incur pursuant to this Deed, the Trustee shall be entitled to be indemnified by the holders of the Subordinated Bonds or by the Bank, as the case may be, including in respect of reasonable expenses it incurred in connection with actions it performed pursuant to his obligations under the terms of this Deed or according to the law or at the demand of a competent authority or at the demand of the holders of the Subordinated Bonds, provided that:
- 23.1.1 He may not demand indemnification in advance in respect of a matter than may be delayed.
- 23.1.2 The indemnity undertaking shall include indemnification in respect of a tort liability, imposed on the Trustee pursuant to a final ruling or pursuant to a compromise to which the indemnifying party agreed towards a third party that is not a holder of the Subordinated Bonds, provided that this indemnification undertaking shall apply subject to the following conditions:
- (a) The expenses that were expensed and/or that will be expensed by the Trustee are reasonable.
- (b) The Trustee acted in good faith and this activity was carried out in the course of fulfilling his role, provided that the Trustee was not grossly negligent in carrying out the action or has not acted with malice.
- 23.2 Without derogating the compensation rights conferred upon a Trustee by law and subject to what is stated in this Deed and/or in the Bank's obligations pursuant to this Deed, the Trustee, his proxy, manager, agent or another person who was appointed by the Trustee pursuant to this Deed, may receive indemnification out of the funds and investments to be received by the Trustee from the proceedings it instituted or which it obtained in any other manner, in connection with the obligations they have undertaken upon themselves, in connection with expenses that

they expensed during the course of executing the trust or in connection with such actions, which in their opinion were required to execute the above and/or in connection with the use of the powers and permits given to them pursuant to this Deed as well as in connection with various legal proceedings, attorneys' opinion and other experts' opinions, negotiations, discussions, claims and demands with regard to any matter and/or thing that were carried out and/or were not carried out in any manner in connection with the matter under discussion, and the Trustee may withhold the funds he holds and pay out of those funds the amounts required for the payment of the said indemnification. All of the said amounts shall have preference over the rights of the holders of the Subordinated Bonds and subject to the provisions of any law, provided that the Trustee has acted in good faith and in accordance with the obligations imposed upon it pursuant to any law and pursuant to this Deed, and provided that the Trustee did not act with gross negligence or malice.

23.3 Entitlement to indemnification:

23.3.1 **Will apply to the Bank** in any case where (1) the entitlement to indemnification is established under any law and/or under the terms of the Deed of Trust; and (2) actions that were carried out or are required to be carried out at the demand of the Bank.

23.3.2 **Shall apply to the Holders** who were deemed Holders on the record date (as defined in Section 23.5 below) in any case where (1) the entitlement to indemnification was established due to a demand by Subordinated Bonds Holders; (2) Failure by the Bank to pay the indemnification entitlement amount that applies to it in accordance with this Section 23.3. It should be clarified that the payment in accordance with subsection (2) above does not detract from the Bank's obligation to bear the indemnification entitlement in accordance with the provisions of Section 23.3.1 above.

23.4 Where expenses were expensed by the Trustee for the purpose of carrying out its role and the Bank is not required to pay those expenses pursuant to this Deed, the holders of the Subordinated Bonds shall indemnify the Trustee. If such expenses were expensed in connection with activities that pertain to several series of the Bank's Subordinated Bonds for which the Trustee serves as the trustee (including for the purpose of protecting the rights of the holders of the Subordinated Bonds), the Trustee shall act to collect the indemnification amount from holders of the Subordinated Bonds of the relevant series on a pro rata basis proportionately to the par value of the Subordinated Bonds outstanding from each and every series.

23.5 The record date for determining a Holder's indemnification liability is as follows:

23.5.1 In any case where the indemnification liability is required due to a urgent decision or action required to prevent material adverse effect on the rights of Subordinated Bonds without such decision or action first being approved by a meeting of the Subordinated Bonds holders - the record date for the liability shall be the end of the trading day on which the action was taken or the decision was made, and if such day is not a trading day, then the trading it preceding it.

23.5.2 In any case where the indemnification liability is required in accordance with a resolution of a meeting of the Subordinated Bonds holders - the record date for the liability shall be the record date for participating in the meeting (as set in the meeting's convening notice), and such liability shall also apply to a Holder, who was not present or did not participate in the meeting.

23.6 Notwithstanding the provisions of Section 23 above, whenever the Trustee sees fit, for the purpose of protecting and/or exercising the rights of the holders of the Subordinated Bonds and/or whenever the Trustee will be required, pursuant to the provisions of this Deed and/or a directive issued by a competent authority and/or pursuant to any law and/or at the demand of the Bank and/or at the demand of the holders of the Subordinated Bonds, to institute legal proceedings and various actions pursuant to its obligation according to the Deed of Trust, and if the Bank does fails to pay the indemnification amounts to the Trustee within a reasonable amount of time, the Trustee shall immediately convene a meeting of the holders of the Subordinated Bonds in order to confirm, with a Special Resolution, their responsibility for covering the expenses involved in the procedures and actions which the Trustee shall institute (including damages amounts that may be incurred by the Trustee or amounts that the Trustee may owe to any third party), in which case, the amount deposited by each holder shall bear annual interest at a rate equal to the interest payable on the Subordinated Bonds (as set out in the First Addendum) and shall take precedence in payment as set out in Section 9.1 above. In the event that the holders of the Subordinated Bonds refuse to bear the expenses involved in the institution of the proceedings and the various actions taken by the Trustee and in the event that the indemnification funds should be deposited in advance with the Trustee and such amounts were not deposited as required, the Trustee shall not be required to institute the proceedings and various actions, provided that the matter under discussion is not one that cannot be delayed. It is hereby clarified that the holders' agreement to bear the indemnification amounts does not exempt the Bank from its obligations, should there be such obligations, pursuant to this Deed and/or in accordance with the law, to bear and cover expenses involved in the institution of proceedings and actions as aforesaid, without the aforesaid stipulating that the Bank is liable to bear the expenses where the holders of the Subordinated Bonds refuse to bear the expenses involved in the institution of the proceedings. Furthermore, all funds to be received from disposal procedures and from various actions shall also be used to reimburse and cover the expenses which the holders of the Subordinated Bonds have undertaken to bear in accordance with the order of payment precedence set out in Section 9.1 above. The aforesaid does not detract from the Trustee's duty to act in order to collect the funds from the Bank, where the Bank should have had to pay these funds. It should be clarified that, under circumstances where the Trustee is required to take urgent action and refraining from taking such action before meetings of the holders of the Subordinated Bonds are convened by the Trustee shall cause material damage and/or loss to the holders of the Subordinated Bonds, the Trustee shall not be entitled to refrain from taking urgent action as aforesaid until a meeting of the holders of the Subordinated Bonds is convened. It should be clarified that, with regard to this Section, an action of the Trustee which was approved by a Special Resolution of the holders of Subordinated Bonds shall be considered an action that was reasonably required. Where such a Special Resolution was passed as aforementioned, such resolution shall bind all the holders of the Subordinated Bonds, even if they objected to the resolution or did not take part in the vote.

24. Notices

24.1 Any notice to the holders of the Subordinated Bonds on behalf of the Bank or the Trustee shall be issued by reporting through the Israel Securities Authority's MAGNA reporting system. The Trustee may instruct the Bank to post a report and the Bank will be required to post any such report on the MAGNA system in the name of the Trustee, as worded and delivered in writing by the Trustee to the Bank, at the demand of the Trustee. In cases where this is required by law, the notice will also be issued by way of publishing a notice pursuant to the provisions of the law. Any such notice published or sent as aforesaid shall be considered as having been delivered to the holders of the Subordinated Bonds, on the day of the publication of the notice or the posting of the report on the MAGNA system, as the case may be.

Notwithstanding the above, in cases where the Trustee is required by law to file certain reports, reporting will be carried out by the Trustee, in which case the reporting through the MAGNA system by the Trustee shall be considered as a notice that was received by the Bank upon publication thereof.

24.2 Any notice or demand on behalf of the Trustee to the Bank or on behalf of the Bank to the Trustee may be delivered by (1) Certified mail according to the address specified in the Deed of Trust, or according to another address on which the Bank shall inform the Trustee or the Trustee shall inform the Bank in writing; (2) Email or facsimile or (3) By courier. Any such notice or demand shall be considered to have been received: (a) If delivered by certified mail – three business days from the day on which it was delivered at the post office; (b) If delivered by email or facsimile (after verifying by phone that the notice was received) – after one business day from the day on which it was delivered; (c) If delivered by courier – when it was delivered to the addressee by the courier or when the addressee was presented with it, as the case may be.

24.3 Copies of notices and summons the Bank shall deliver to the holders of the Subordinated Bonds shall also be delivered by the Bank to the Trustee. It is clarified that, for the purpose of complying with the provisions of this Section, a publication of a report on the MAGNA reporting system shall be viewed as delivery thereof to the Trustee.

25. Waiver, compromise and changes in the Deed of Trust

25.1 Subject to the provisions of any relevant law, the Trustee may waive - from time to time and at any time, if in his opinion this does not infringe the rights of the holders of the Subordinated Bonds - any breach of or non-compliance with any of the terms of the Deed of Trust by the Bank, except with respect to the repayment date of the principal of the Subordinated Bonds, the amount of the principal of the Subordinated Bonds, the interest rate in respect of the Subordinated Bonds, the dates of interest payments, demanding immediate repayment of the Subordinated Bonds, or a Trigger Event (as defined in the terms and set out overleaf) the seniority of the Subordinated Bonds and in respect of the reports that the Bank is required to provide the Trustee in accordance with the provisions of This Deed.

25.2 Subject to the provisions of the Securities Law and the Companies Law and the regulations promulgated thereunder, including Section 350 to the Companies Law, and after obtaining the advance approval of the meeting of holders of the Subordinated Bonds, which was attended, in person or by proxy, by holders holding at least fifty percent (50%) of the outstanding par value of the principal of the

Subordinated Bonds, or in an adjourned meeting which was attended by the holders in person or by proxy, holding at least twenty percent (20%) of the said balance, and which was passed with a majority of holders of at least two thirds of the par value of the Subordinated Bonds represented in the vote, the Trustee may, whether before or after the principal of the Subordinated Bonds becomes repayable, reach a compromise with the Bank in connection with any right or claim of the holders of the Subordinated Bonds, and reach any settlement regarding any of the rights of the holders of the Subordinated Bonds, or of the holders of the Subordinated Bonds towards the Bank and agree to the change of the terms of the Subordinated Bonds, provided that the aforementioned does not constitute a debt settlement agreement as defined in Section 350Q of the Companies Law.

- 25.3 Subject to the provisions of any law, the Trustee and the Bank may reach an agreement to change the Deed of Trust, before or after the principal of the Subordinated Bonds becomes payable, provided that one of the following conditions is met:
 - 25.3.1 The Trustee is satisfied that the change does not harm the holders of the Subordinated Bonds, except in cases of changes to the identity of the Trustee or his fees as per the Deed of Trust or for the purpose of appointing a trustee instead of a trustee whose tenure has ended, and except with regard to the repayment date of the principal of the Subordinated Bonds, the amount of the principal of the Subordinated Bonds, the amount of interest payable on the Subordinated Bonds, the interest payment dates, demanding immediate repayment of the Subordinated Bonds and the Trigger Event (as defined in the terms set out overleaf) the seniority of the Subordinated Bonds and with regards to the reports the Bank must provide to the Trustee pursuant to the provisions of this Deed.
 - 25.3.2 The holders of the Subordinated Bonds have agreed to the proposed change by a resolution passed in a meeting of holders of the Subordinated Bonds attended by the holders of at least fifty percent of the outstanding par value of the Subordinated Bonds with a majority of at least two thirds of the par value of the Subordinated Bonds represented in the vote or by such a majority in an adjourned meeting of holders of the Subordinated Bonds attended by holders who hold at least twenty percent of the said outstanding balance.
 - 25.3.3 The Bank will issue an immediate report regarding any change and/or waiver as aforesaid, immediately upon execution thereof.
- 25.4 Where the Trustee has reached a compromise with the Bank after obtaining advance approval of the meeting of the holders of the Subordinated Bonds as aforesaid, the Trustee shall be exempt from liability for this action, as approved by the general meeting, provided that by implementing the resolution of the general meeting the Trustee did not breach his fiduciary duty or acted in bad faith.
- 25.5 In any case where the Trustee uses his rights pursuant to this Section, he may demand from the holders of the Subordinated Bonds to deliver to him the certificates of the Subordinated Bonds for the purpose of entering a comment regarding any compromise, waiver, change or amendment as aforesaid, and the Bank shall enter such a comment at the request of the Trustee.
- 25.6 Any waiver, compromise or change in the Deed of Trust as set out in this Section shall be subject to advance written approval of the Banking Supervision Department.

26. Register of holders of the Subordinated Bonds

- 26.1 The Bank shall keep in its office a register of the Registered holders of the Subordinated Bonds (Series 406) (hereinafter - the “**Register**”) pursuant to the provisions of the Securities Law, which may be reviewed by any person whatsoever; the Bank will record in the Register the names of the holders of the Subordinated Bonds, the number of Subordinated Bonds they hold and their par value. The Bank will also record in the Register transfers of ownership of Subordinated Bonds pursuant to the provisions of this Deed. The Trustee and any holder of the Subordinated Bonds may review the Register by prior arrangement with the Bank.
- 26.2 The Subordinated Bonds (Series 406) issued pursuant to the Prospectus shall be allocated to the nominee company and registered in its name in the Register of the Subordinated Bonds holders.
- 26.3 The Register of the Subordinated Bonds holders shall serve as prima facie evidence as to the correctness of the records contained therein. In cases of discrepancy between the register of the holders of the Subordinated Bonds and a certificate of the Subordinated Bonds, the evidentiary value of the Register of the holders of the Subordinated Bonds is preferable to the evidentiary value of the certificate of the Subordinated Bonds.
- 26.4 The Bank shall not be required to record in the register of holders of Subordinated Bonds any notice of explicit, implicit or estimated trust, nor any encumbrance or charge of any type or any equitable right, claim or offset or any other right in connection with the Subordinated Bonds.
- 26.5 The Bank shall only recognize the ownership of the person in whose name the Subordinated Bonds were registered. The legal heirs, administrators of the estate or executors of the will of a Registered Holder and any person entitled to the Subordinated Bonds as a result of bankruptcy of a Registered Holder (and, in the case of a corporation – as a result of a liquidation thereof), may be registered as the holders of such Subordinated Bonds after providing evidence to the satisfaction of the Bank, of their right to be registered as the holders thereof.
- 26.6 The Subordinated Bonds may be transferred in respect of any par value amount, provided that such amount is in whole New Israeli Shekels in accordance with a transfer letter drawn up in the format normally used by the Bank and properly signed by their Registered Holder, or his legal representatives.
- 26.7 The letter of transfer should be delivered to the Bank’s registered office to be recorded, together with the certificates of the Subordinated Bonds and any proof of identity or right that will be required by the Bank for the purpose of proving the transferor’s right to transfer them, as well as any the amount required for any mandatory payment imposed by the government in respect of the transfer, if any. Where taxes or any other mandatory payment is imposed on a transfer letter of the Subordinated Bonds, the Bank will be provided with evidence regarding the payment thereof, to the satisfaction of the Bank.
- 26.8 The Bank may retain the letter of transfer.
- 26.9 Where only part of the principal amount specified in the said Subordinated Bonds is transferred, the certificate of the Subordinated Bond will be first split into several certificates, in accordance with the following provisions, such that the aggregate amount of all principal amounts specified in those certificates shall be equal to the principal amount specified in the said security’s certificate.

- 26.10 All expenses involved in the transfer, including stamp duty and other levies, if any, shall be payable by the party requesting the transfer.
- 26.11 Any Subordinated Bond certificate can be split by means of filing an application for a split of the said certificate into several Subordinated Bonds, whose aggregate principal amount is equal to the principal amount specified in the certificate whose split is requested, against the delivery of that certificate to the Bank at its registered office for the purpose of carrying out the split; the application for a split signed by the registered owner of the said Subordinated Bonds shall be attached to the certificate delivered to the Bank.
- 26.12 The split shall be carried out within three months from the date on which the certificate was delivered at the Bank's registered office as aforementioned.
- 26.13 The certificates of the new Subordinated Bonds issued as a result of the split shall each have a par value in whole New Israeli Shekels.
- 26.14 All expenses involved in the split, including levies, if any, shall be payable by the party requesting the split.
- 26.15 The provisions included in this Section shall also apply to waiver of certificates of Subordinated Bonds, mutatis mutandis.

27. Replacing the Trustee and expiry of its tenure

- 27.1 The termination of the tenure of the Trustee or its expiry (as the case may be) and the appointment of a new Trustee shall be subject to the provisions of the Securities Law.
- 27.2 Subject to the provisions of any law, holders' resolution regarding the termination of the Trustee's tenure and his replacement with another trustee shall be passed in a meeting attended by at least two holders who hold 50% of the outstanding par value of the Subordinated Bonds or in an adjourned meeting attended by at least two holders who hold at least 10% of the outstanding par value of the Subordinated Bonds; such resolution shall be passed with a majority required to pass a Special Resolution.
- 27.3 Subject to the provisions of any law, the Trustee whose tenure has expired shall continue to serve until the appointment of another trustee. The Trustee shall transfer to the new trustee all documents and amounts which it has collected in connection with the trust that is the subject matter of the Deed of Trust and shall sign any documents required for this purpose.
- 27.4 Each new trustee shall have the same powers, duties and authority and will be able act, for all intents and purposes, as if he was appointed Trustee from the outset.
- 27.5 The Bank will publish an immediate report in any case where a trustee resigns and/or a new trustee is appointed.

28. Meeting of holders of the Subordinated Bonds

The meetings of the holders of the Subordinated Bonds shall be conducted in accordance with the provisions of the Second Addendum of this Deed.

29. Reporting to the Trustee

- 29.1 As long as there will be outstanding Subordinated Bonds for which the Trustee serves as trustee and as long as any payment is to be made thereunder, the Bank will provide to the Trustee with:
- 29.1.1 Audited financial statements of the Bank for the fiscal year ended on December 31 of the previous year, shortly after the publication thereof and no later than the dates specified in the Securities Law.
 - 29.1.2 Every quarterly report, shortly after the publication thereof, to which the Bank will attach the review report of its independent auditor in connection with the quarterly report.
 - 29.1.3 No later than two weeks after the publication of the annual financial statements, a confirmation from the Bank regarding the execution of the interest payments due prior to the date of the confirmation and the date of payment thereof, as well as a breakdown of the outstanding Subordinated Bonds at the interest payment date, and a confirmation from the Bank that in the period subsequent to the publication date of the previous annual financial statements through the confirmation date, there was no material breach of the Deed by the Bank.
 - 29.1.4 Every immediate report that submitted to the Securities Authority, on the date in which the report is filed with that authority, and where the report is a public report, the transmission of the report through the MAGNA reporting system shall be considered as delivery to the Trustee.
 - 29.1.5 A copy of every document delivered by the Bank to the holders of the Subordinated Bonds and the details of any information that the Bank delivers to them in any other manner, and any additional information pursuant to a reasonable demand by the Trustee and subject to the provisions of any law and the commitment to confidentiality.
 - 29.1.6 Any other report which the Bank is required to deliver to the Trustee pursuant to the law.
 - 29.1.7 A report will be provided regarding any change in the rating of the Subordinated Bonds or the discontinuance of rating, by the rating agency.
- 29.2 It is clarified that, for the purpose of complying with the provisions of this Section, a publication of a report on the MAGNA reporting system shall be viewed as delivery thereof to the Trustee.

30. Addresses

For purposes of this Deed, the addresses of the parties shall be as set forth in the preamble to this Deed, or any other address in respect of which a proper notice was given in writing.

31. Electronic signature

By signing this Deed, the Trustee authorizes the Bank's authorized electronic signatories to sign in his name and in his stead an electronic copy of the Deed of Trust for the purpose of transmission thereof on the MAGNA as required in the Securities (Electronic Signature and Reporting) Regulations, 2003.

32. Exercise of rights pursuant to the Deed and the Subordinated Bonds

Unless stated otherwise, the provisions of the Deed of Trust shall apply to Subordinated Bonds that will be held from time to time by any holder of Subordinated Bonds (Series 406).

Subject to the provisions of any law, the holders of the Subordinated Bonds may exercise their rights pursuant to the Subordinated Bonds and the Deed of Trust only through the Trustee or pursuant to a resolution of a general meeting of the holders of the Subordinated Bonds, in the manners listed in the certificate of the Subordinated Bonds and in the Deed of Trust. Despite the aforesaid, where the Trustee does not comply with the provisions with the Deed of Trust and the provisions of the certificate of the Subordinated Bonds, holders of the Subordinated Bonds will be entitled to exercise their rights, including pursuant to a resolution of the general meeting.

33. The Trustee's liability

33.1 Notwithstanding the provisions of any law and the provisions of the Deed of Trust, insofar as the Trustee has acted to execute his role in good faith and within a reasonable amount of time, and also clarified the facts that a reasonable trustee would have clarified under the circumstances, he shall not be held liable toward a holder of the Subordinated Bonds for damage caused to such holder as a result of the Trustee's exercising his judgment pursuant to Sections 35H(d1) or 35I1 of the law, unless the plaintiff proves that the Trustee acted in gross negligence. It is hereby clarified that where a discrepancy arises between the provisions of Section 33.1 and other provisions in the Deed of Trust, the provisions of Section 33.1 shall prevail.

33.2 Where the Trustee acted in good faith and without negligence pursuant to the provisions of Sections 35H(d2) or 35H(d3) of the Law, he shall not be held liable for the execution of such action.

34. General

34.1 Without detracting from any other provision in this Deed, any waiver, extension, discount, silence, refraining from taking action (hereinafter, each - "**Waiver**") on the part of the Bank and/or on the part of the Trustee, regarding the non-compliance or partial compliance or incorrect compliance with any of the parties' undertakings pursuant to this Deed, shall not be considered a waiver on the part of the Bank and/or the Trustee, as the case may be, of any right but rather as a limited consent for the special circumstances under which it was given.

34.2 Without derogating from any other provision of this Deed, any change in the Bank' or the Trustee's undertakings requires the advance written consent of the counterparty. Any other consent, whether given orally or by way of waiver and refraining from taking action, or in any way other than in writing, shall not be considered as consent of any type whatsoever.

35. Other agreements

Subject to the provisions of any law and the limitations imposed on the Trustee by law, the execution of the Trustee's duties pursuant to this Deed, or his very status as trustee, shall not prevent the Trustee from engaging in various contracts with the Bank, or from entering into transactions with the Bank in the ordinary course of the Trustee's business.

36. Governing law and jurisdiction

- 36.1 This Deed of Trust and its appendices and addenda shall be governed solely by Israeli law. In any matter that is not referred to in This Deed and in any case of a discrepancy between the provisions of the law which may not be conditioned upon and the provisions of This Deed, the parties shall act in accordance with the provisions of Israeli law.
- 36.2 The only Court that will have jurisdiction to discuss matters pertaining to the Deed of Trust shall be the competent Court of Tel Aviv-Jaffa.

In witness whereof the parties have signed:

Bank Leumi le-Israel B.M.

Strauss, Lazer Trustees (1992) Ltd.

I the undersigned, [], legal counsel of Bank Leumi le-Israel B.M. (hereinafter – the “**Bank**”), hereby confirm that this Deed was lawfully signed by the authorized signatories of the Bank.

[], Adv.

I the undersigned, Einav Lazar, Adv., the legal counsel of Strauss, Lazer Trust Company (1992) Ltd. (hereinafter – the “**Trustee**”), hereby confirm that this deed has been lawfully signed by the authorized signatories of the Trustee.

Einav Lazar,
Adv.

First Addendum to the Deed of Trust – Subordinated Bond (Series 406)

Bank Leumi le-Israel B.M.

Registered Subordinated Bond (Series 406)

Number ___ par value _____

1. This certificate attests that Bank Leumi le-Israel B.M. (hereinafter – the “**Bank**”) shall pay any entitled party (as defined in the terms overleaf) the amounts it has undertaken to pay as set out in the terms overleaf and in the Deed of Trust dated December [], 2022 drawn up and signed by the Bank on the one hand and Strauss, Lazer Trustees (1992) Ltd. as the Trustee on the other hand (hereinafter – the “**Deed of Trust**”) and its appendices.
2. The Subordinated Bonds are not secured by any securities and/or collateral, as described in Section 5 of the Deed of Trust.
3. The seniority of the Subordinated Bond shall be as set out in Section 5 of the Deed of Trust.
4. This Subordinated Bond is issued subject to the terms set out overleaf and in the Deed of Trust. It is hereby clarified that the provisions of the Deed of Trust shall constitute an integral part of the provisions of the First Addendum and shall bind the Bank, the Trustee and the holders of the Subordinated Bonds.
5. The Subordinated Bonds may not be called for immediate repayment and no changes may be made therein or in the Deed of Trust, unless advance written approval has been granted by the Banking Supervision Department and pursuant to all the terms set out in the Deed of Trust.
6. Any transfer of a Subordinated Bonds’ certificate is subject to the restrictions listed in Section 26 of the Deed of Trust.

Signed with the Bank’s stamp, which was stamped on: _____

Bank Leumi le-Israel B.M.

Attorney's Certification

I the undersigned, [], the legal counsel of Bank Leumi le-Israel B.M. (hereinafter – the “**Bank**”), hereby [confirm] that this certificate has been lawfully signed by the authorized signatories of the Bank.

[], Adv.

Terms Written Overleaf

1. General

- 1.1 This Series 406 Subordinated Bond is issued pursuant to a Deed of trust drawn up and signed on December [], 2022 between the Bank on the one hand and Strauss, Lazer Trustees (1992) Ltd. as a trustee on the other hand (hereinafter – the “**Deed of Trust**”).
- 1.2 The terms of the Subordinated Bonds (Series 406) (the terms written overleaf) are a material and integral part of the provisions of the Deed of Trust and the provisions of the Deed of Trust shall be deemed to have been expressly included in the terms of these Subordinated Bonds. In the event of a discrepancy between that which is stated in this Subordinated Bond and that which is stated in the Deed of Trust, the provisions of the Deed of Trust shall prevail.

2. Definitions

- 2.1 The terms in this Subordinated Bond shall have the meaning given to them in the Deed of Trust, unless the content or context imply otherwise, or if they were expressly defined otherwise in this Subordinated Bond.
- 2.2 Reference in this Subordinated Bond to the plural shall also imply the singular and vice versa, reference to the masculine shall also imply the feminine and vice versa, and reference to a person shall also imply a corporation, all provided that this Subordinated Bond does not contain any contrary explicit or implicit provision or unless the content or the context require otherwise.
- 2.3 In this Subordinated Bond, the following terms shall have the meaning set out opposite them:

Entitled Party	- Holder of the Subordinated Bond, who is entitled to payment of principal and/or interest, pursuant to the terms of the Subordinated Bonds;
Government Bond	- A government bond issued by the Government of Israel and listed on the Stock Exchange, denominated in Israeli currency, linked to the consumer price index, bearing annual fixed interest, which is repayable in one lump sum and whose issued par value is at least NIS one (1) billion;
The First Offering Report	- The first Shelf Offering Report according to which the Subordinated Bonds (Series 406) will be offered and issued for the first time;

- Consumer Price Index or Index** - The price index known as the “Consumer Price Index” which includes vegetables and fruit and is published by the Israel Central Bureau of Statistics and including such index even if it is published by any other official entity or institution that will replace the Israel Central Bureau of Statistics, and including any other official index which shall replace the aforementioned index, whether or not based on the same data and calculations on which the existing index is based;
- If the Index is replaced by any such entity or institution, such entity or institution shall determine the ratio between the other index and the replaced index, and where such ratio was not determined as aforesaid, it will be determined by the Israel Central Bureau of Statistics, and where that ratio is not determined as aforesaid, it will be determined by the Trustee, in consultation with economic experts he shall select and whose identity shall be approved by the Bank;
- Basic Index** - The Consumer Price Index published on November [], 2022 in respect of the month of October 2022;
- Known Index** - The last known Index;
- Payment Index** - The Known Index on payment date;
- First Trading Day** - The first day of trading in the Subordinated Bonds (Series 406) after the end of the acceptance period, as defined by the first offering report.

3. **Date of repayment of the principal of the Subordinated Bonds**

- 3.1 The principal of the Subordinated Bonds shall be repaid in one lump sum on October 11, 2033 to Entitled Parties whose names appear on record on the Payment Date in the Register of the Subordinated Bonds (Series 406).
- 3.2 Repayment of the principal as aforesaid shall be carried out against delivery to the Bank of the certificates of the Subordinated Bonds on the payment date, at its registered office or any other location on which the Bank will give notice. The Bank’s notice as aforementioned shall be published no later than five (5) business days prior to the payment date.
- 3.3 The payments of the principal of the Subordinated Bonds shall be made subject to the linkage terms set out in Section 5 below.

4. Interest on the Subordinated Bonds

- 4.1 The unpaid principal of the Subordinated Bonds will bear annual interest at the fixed rate set out in the tender according to which the Subordinated Bonds (Series 406) will be offered for the first time and its rate will be set out in the immediate report on the issuance results (hereinafter - the “**Annual Interest**”).
- 4.2 The interest will be paid to the holders of the Subordinated Bonds once a year on October 11 of each of the years from 2023 to 2033, for the twelve-month period that ended the day before the payment date, with the exception of the payment for the first interest period, which will be paid on October 11, 2023 for the period beginning on the first trading day after the tender day for the Subordinated Bonds (Series 406) and ending on October 10, 2023 (hereinafter - the “**First Interest Payment**”).
- 4.3 The interest rate on the date of the First Interest Payment will be calculated in accordance with the number of days in the period beginning on the first trading day after the tender day for the Subordinated Bonds (Series 406) and ending on October 10, 2023, on the basis of a 365-day year (hereinafter - the “**Interest Rate on First Interest Payment**”).
- 4.4 If the Bank does not exercise its right to repay the Subordinated Bonds by early repayment in accordance with Section 8 below, the Annual Interest Rate on the Subordinated Bonds will be updated on October 11, 2028 (hereinafter - the “**Interest Change Date**”), such that the Annual Interest Rate will increase or decrease, as the case may be, according to the difference between the Benchmark Interest Rate on the Interest Change Date and the Benchmark Interest rate on the offering date of the Subordinated Bonds pursuant to First Offering Report (hereinafter - the “**Interest Difference**”). It is clarified that if the Interest Difference is negative, the Annual Interest borne by the principal of the Subordinated Bonds will be reduced by the amount of the Interest Difference beginning on the Interest Change Date.

For this purpose, the “**Benchmark Interest Rate at the Issuance Date**” means – the average annual return on a Government Bond, the remaining term to maturity of which is 6 years, during the 30 trading days the last of which falls five trading days prior to the date of calculating the Benchmark Interest Rate (hereinafter - the “**Calculation Date**”). In the event of there being more than one such series of Government Bonds, the average return will be calculated for all the series of Government Bonds whose term to maturity is six years at the Calculation Date. In the event of there being no series of outstanding Government Bonds whose term to maturity is exactly 6 years at the Calculation Date, a calculation will be made of the weighted average returns, as referred to above, for two series of Government Bonds whose term to maturity is the closest to 6 years, with the maturity term of one being greater than 6 years and of the second - less than 6 years. The aforesaid weighted average will be calculated according to the maturity terms of the two abovementioned series, without taking into account the size of the series.²

2 The weighted average will be calculated as follows: Of the series of outstanding government bonds on the Calculation Date, two series will be selected whose term to maturity is the closest to 6 years, provided that the term to maturity of one series (hereinafter - “**Series A**”) is lower than 6 years, and the term to maturity of the second series (hereinafter - “**Series B**”) is greater than 6 years. When calculating the weighted average, each of the said series will be given a different proportionate weight, such that the average term to maturity will be

The meaning of the “**Benchmark Interest Rate at the Interest Change Date**” shall be – the average annual return on a Government Bond, the remaining term to maturity of which is 5 years, during the 30 trading days the last of which falls five trading days prior to the date of calculating the Benchmark Interest Rate (hereinafter in the paragraph - the “**Calculation Date**”). In the event of there being more than one such series of Government Bonds, the average return will be calculated for all the series of Government Bonds whose term to maturity is 5 years at the Calculation Date. In the event of there being no series of outstanding Government Bonds whose term to maturity is exactly 5 years at the Calculation Date, a calculation will be made of the weighted average returns, as referred to above, for two series of Government Bonds whose term to maturity is the closest to 5 years, with the maturity term of one being greater than 5 years and of the second - less than 5 years. The aforesaid weighted average will be calculated according to the maturity terms of the two abovementioned series, without taking into account the size of the series.³

- 4.5 It is clarified that the calculated interest rate may be less than zero, i.e., negative. The Bank will apply to the Tax Authority for a tax ruling on the issue of deducting or crediting tax in respect of negative interest and shall inform the Trustee and the holders of Subordinate Bonds (Series 406) to that effect by way of publishing an immediate report.

If, at the Interest Change Date, the calculated interest rate that the Subordinated Bonds (Series 406) bear is less than zero, the Bank shall not collect negative interest from the holders of the Subordinated Bonds (Series 406), so long as all of the following conditions have not been fulfilled and the Bank has reported their fulfillment at least 30 days prior to the Interest Calculation Date:

4.5.1 A tax ruling is received from the Israel Tax Authority whereby the holders of the Subordinated Bonds (Series 406) may offset the negative interest against other income.

4.5.2 The Stock Exchange and members of the Stock Exchange will make arrangements regarding the payment of negative interest.

- 4.6 On the First Trading Day following the Tender on the Subordinated Bonds (Series 406), the Bank will publish an immediate report regarding the results of the offering, which will detail the following: (a) The Interest Rate on the First Interest Payment; (b) The Benchmark Interest Rate on the offering date.

- 4.7 Within 2 business days after the Interest Change Date, the Bank shall publish an immediate report which will details the following: (a) The Benchmark Interest Rate on the Interest Change Date; and (b) The updated Annual Interest Rate of the Bonds.

exactly 6 years. For instance, assuming that the term to maturity of Series A is 5.75 years and that the term to maturity of Series B is 6.75 years, the proportionate weighting given to Series A will be 0.75 and the proportionate weighting given to Series B will be 0.25.

³ The weighted average will be calculated as follows: Of the series of outstanding government bonds on the Calculation Date, two series will be selected whose term to maturity is the closest to 5 years, provided that the term to maturity of one series (hereinafter - "**Series A**") is lower than 5 years, and the term to maturity of the second series (hereinafter - "**Series B**") is greater than 5 years. When calculating the weighted average, each of the said series will be given a different proportionate weight, such that the average term to maturity will be exactly 5 years. For instance, assuming that the term to maturity of Series A is 4.75 years and that the term to maturity of Series B is 5.75 years, the proportionate weighting given to Series A will be 0.75 and the proportionate weighting given to Series B will be 0.25.

4.8 The interest will be paid to those persons whose names are listed in the Register of the Subordinated Bonds (Series 406) on October 5, for the payments due on October 11 of each of the years 2023 to 2033 (hereinafter - the “**Effective Date**”), with the exception of the last interest payment, which will be paid on October 11, 2033 to those persons whose names are listed in the Register on the payment date, and which will be paid together with the repayment of the principal of the Subordinated Bonds against the delivery of the Subordinated Bond certificates to the Bank as set out in Section 3.23.2 above.

4.9 Any tax that would be withheld pursuant to the provisions of any law shall be withheld from any interest payment, unless the Bank is presented with a tax withholding exemption.

4.10 The interest payments for the Subordinated Bonds shall be made subject to the linkage terms set out in Section 5 below.

5. **Linkage of the principal and interest**

The principal and interest of the Subordinated Bonds shall be linked to the Basic Index as defined above, as follows: If it transpires on the date of any payment of principal or interest, as the case may be, that the Payment Index has increased or decreased compared to the Basic Index, the Bank will increase or decrease the payment of principal or interest, proportionately to the rate of increase or decrease of the Payment Index over the Basic Index. It should be noted that pursuant to the Stock Exchanges’ guidelines, the linkage method of the principal and interest shall not change throughout the life of the Subordinated Bonds.

6. **Conversion of the Subordinated Bonds into the Bank’s shares in certain cases**

6.1 **Definitions**

In Section 6, the terms listed below shall have the meaning set out opposite them in the Subordinated Bonds:

The Bank’s Common Equity Tier 1 Capital Ratio	- The Bank’s Common Equity Tier 1 capital ratio pursuant to PCB 202 and the transitional provisions set out in PCB 299 (<u>Appendix A</u> and <u>Appendix B</u> of the Deed of Trust, respectively), and pursuant to the provisions of PCB 201;
Trigger Event for Principal Loss Absorption	- The Bank’s Common Equity Tier 1 Capital Ratio drops below 5%; ⁴

4 It should be noted that, in accordance with the Reporting to the Public Directives of the Banking Supervision Department applicable to the Bank, the Bank is required to immediately notify the Banking Supervision Department in the event that its minimum Common Equity Tier 1 Capital Ratio or its minimum total capital ratio falls below the ratios set by the Banking Supervision Department, and therefore a Trigger Event for principal loss absorption might occur at any time and not necessarily on the date in respect of which the financial statements of the Bank are being prepared.

- Trigger Event for Non-Viability** - The earlier of the following two events:
- (a) A notice in writing to the Bank from the Banking Supervision Department that a conversion of the bonds is necessary since if this were not to take place, in the opinion of the Banking Supervision Department, the Bank would reach the point of non-viability;⁵ or
 - (b) A notice in writing to the Bank from the Banking Supervision Department about a decision to inject capital from the public sector, or equivalent support, without which the Bank would reach the point of non-viability, as determined by the Banking Supervision Department.

- Trigger Event** - A Trigger Event for Principal Loss Absorption or a Trigger Event for Non-Viability;

- The Bank's Shares** - Fully repaid ordinary shares of NIS 1 par value each of the Bank.

6.2 If circumstances arise that constitute a Trigger Event, the Bank will publish an immediate report and will perform a conversion of the Subordinated Bonds (Series 406) into the Bank's shares (hereinafter - "**Conversion**") in accordance with the provisions set forth below:

6.2.1 The Bank will publish an immediate report and shall notify the Trustee regarding the occurrence of the Trigger Event (hereinafter - the "**Conversion Notice**") that will list (a) The date on which the Conversion will take place, which will be no less than twenty-one (21) days after the date of the Conversion Notice (hereinafter - the "**Conversion Date**") and no more than forty-five (45) days after that date; (b) The conversion rate according to which the Conversion will be carried out on the Conversion Date (hereinafter - the "**Conversion Rate**"); and (c) The number of Bank's shares that will be issued in respect of the Conversion; and (d) The interest and linkage differences to be paid according to Section 6.2.4 below. It is clarified that giving a Conversion Notice to be published by the Bank shall constitute preponderant evidence that will

5 It should be noted that PCB 202 does not include a definition of the term "point of non-viability". The FAQ document dated February 28, 2018, which was prepared by the Bank of Israel, sets out several examples that do not necessarily exhaust all cases in which the Banking Supervision Department might use its discretion to order a conversion of the Subordinated Bonds, as follows:

- A. The Bank's assets do not provide adequate protection to depositors and creditors;
- B. The banking corporation fails to meet past due commitments or there is a real concern that it will not be able to meet such commitments;
- C. The banking corporation's level of capital is insufficient to support the risks involved in its activity, and the banking corporation does not take measures to increase the capital or is unable to increase the capital due to market conditions or due to material damage to its reputation;
- D. There is significant deterioration of the banking corporation's liquidity position, which is reflected, among other things, in its difficulty to obtain short-term funding or in a concern that the liquidity ratios will be breached.

obligate the Trustee and the holders regarding the occurrence of a Trigger Event.

- 6.2.2 The conversion rate will be the higher of: (a) the average of the closing prices set for the Bank's shares on the TASE in the last 14 consecutive trading days before the day on which the conversion notice was delivered; and (b) a floor price of NIS [] ([] agorot)⁶ subject to the adjustments set out in Section 6.36.3 below (hereinafter - the "**Floor Price**"). The Floor Price will be linked to the Index according to the principal and interest linkage mechanism of the Subordinated Bonds as set out in Section 5 above, mutatis mutandis.
- 6.2.3 On the Date of Conversion, all Subordinated Bonds will be repaid in full by way of conversion into Bank's shares, in accordance with the Conversion Rate. The number of Bank's shares to which a holder of the Subordinated Bonds will be entitled at the time of the Conversion will be calculated by dividing the outstanding balance of the principal of the Subordinated Bonds plus linkage differences (as defined below) by the Conversion Rate. If fractions of shares arise as a result of such a division, they will be sold and the consideration in respect thereof will be paid to the holders, provided that the paid amount will be no less than NIS 30. For this purpose, "**linkage differences**" - the linkage differences that accrued up to the day prior to the Conversion Notice date, if any.
- 6.2.4 The holders of the Subordinated Bonds will be entitled to any interest (calculated based on 365 days per year) accrued up to the day preceding the date of the Conversion Notice. The payment of the accrued interest, as aforesaid, if any, will be made in cash at the time of the Conversion, and paid to the entitled parties who hold the Subordinated Bonds on the Payment Date.
- 6.2.5 As from the date of the Conversion Notice, the Subordinated Bonds will no longer bear interest and the Bank will not be allowed to repay the principal of the Subordinated Bonds or any part thereof by way of early repayment.
- 6.2.6 It is clarified that, as of the Conversion Date, the holders of the Subordinated Bonds will no longer be considered to be holders of the Bank's Subordinated Bond (as the term "Holder of Bonds" is defined in the Securities Law), and will instead be considered to be shareholders in the Bank for all intents and purposes. Furthermore, the tenure of the Trustee for the Subordinated Bonds pursuant to the Deed of Trust will end on the Conversion Date.
- 6.2.7 Despite that which is stated in the previous paragraphs, if until to the Conversion Date a temporary or permanent liquidator is appointed to the Bank by a competent court, and that appointment is not canceled by the time of the conversion, the Subordinated Bonds will not be converted into the Bank's shares, as aforesaid, and the preferential nature of the rights of the holders as compared with the rights of the shareholders of the Bank and with the rights of the creditors that have inferior repayment ranking than that of the Subordinated Bonds will be maintained. It is clarified that nothing in the aforesaid detracts from the provisions of Section 6.2.5 above, and the Subordinated Bonds shall not, in any event, bear interest and linkage differences after the date of the Conversion Notice. It is further clarified that in the event of the cancellation of

⁶ The quoted price is equal to half (50%) of the average closing prices set for the Bank's shares on the TASE in the last 14 consecutive trading days until November 28, 2022 (inclusive).

the appointment of a liquidator, as aforesaid, before the Conversion Date, the procedure for the Conversion of the Subordinated Bonds into Bank's shares in accordance with the provisions of this Section 6 will be renewed.

- 6.2.8 The Bank's shares that shall be allocated as a result of the Conversion shall bear equal rights to the rights of the ordinary shares that are a part of the Bank's issued equity as of the Conversion Date, and shall confer upon their owners the full amount of the dividends and any other distribution (insofar as there may be one), and shall also confer all other rights that are conferred at that time upon the Bank's shares, the record date for receipt thereof is after the Conversion Date.
- 6.2.9 The conversion of the Subordinated Bonds into the Bank's shares, and the payment of the interest and linkage differences that have accrued in cash, as described in the Subordinated Bonds, will be considered the final and absolute repayment of all of the Bank's commitments towards the holders of the Subordinated Bonds. It is clarified and emphasized that the conversion of the Subordinated Bonds into the Bank's shares, as aforesaid, constitutes an integral part of the terms of the Subordinated Bonds and accordingly, this will not constitute a breach of any term whatsoever of the terms of the Subordinated Bonds or of the Deed of Trust, and in any event, no ground will arise for a claim or demand from the Bank on the part of the Trustee and/or on the part of the holders and no advance or retroactive agreement by the Trustee and/or holders shall be required for the execution of the Conversion. Without derogating from the aforesaid, the holders of the Subordinated Bonds will be deemed to have agreed to the Conversion of the Subordinated Bonds, as aforesaid, and as having irrevocably waived their rights in accordance with the Subordinated Bonds to payments of principal, interest and linkage differences in respect of the Subordinated Bonds, as well as any other rights arising therefrom.
- 6.2.10 It is clarified that the Subordinated Bonds are not convertible into the Bank's shares by the holders, but rather by the Bank alone, in accordance with the terms of the Subordinated Bonds, nor are they redeemable in cash by the holders. Nothing in the aforesaid will derogate from the holders' rights to make the Subordinated Bonds immediately repayable in the event of liquidation, in accordance with Section 8 of the Deed of Trust.
- 6.2.11 The holders of the Subordinated Bonds shall be liable for any tax liability that may arise, if any arises, as a result of the Conversion of the Subordinated Bonds into Bank's shares.⁷
- 6.2.12 Accordingly, and subject to the provisions of the Banking Law (Licensing), 1981, in the event that on the Conversion Date, the conversion of the Subordinated Bonds into Bank's shares will lead to an individual holder of the Subordinated Bonds holding more than 5% of the Bank's issued and paid-up share capital, and that holder has not received the approval that is required in

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It should be noted that in accordance with the decision of the Israel Tax Authority dated May 20 2013 entitled "Tax Implications of the Issue of Financial Instruments Issued in Accordance with Basel III Principles", automatic conversion of Subordinated Bonds into shares upon the occurrence of a Trigger Event shall not constitute a taxable event for subordinated bonds holders. To the best of the Bank's knowledge, as of the date of signing this Deed of Trust, the position of the Israel Tax Authority is the same as detailed in the said ruling.

that respect from the Governor of the Bank of Israel (hereinafter - the "**Governor**"), then some of the shares to which such holder would be entitled will be transferred to a trustee who will be appointed by the Bank. The Bank will instruct the trustee to whom the said shares will be transferred to hold them for a period of no more than 180 days, such that if until the end of the said period no approval has been received from the Governor for the holding of the shares by said holder, the trustee will act within an additional period, which may not exceed 180 days, to sell shares on the Stock Exchange, such that the number of the Bank's shares that remain in that holder's hands will not exceed 5% and to transfer the proceeds of the sale, less the tax required by law, to the holder. Upon approval by the Governor, the Bank shall be entitled, but not bound, to extend all the periods mentioned above.

For the purpose of this paragraph, the term "**trustee**" shall mean – a trust company whose parent company or sister company is a bank or a member of the Stock Exchange or, an attorney or a trust company of an attorney, or a certified public accountant or a trust company of a certified public accountant.

- 6.2.13 The Bank has received approval from the Stock Exchange for listing the shares that will arise from the conversion of the Subordinated Bonds, if and when such conversion shall be carried out. The Stock Exchange's approval is subject to the fulfillment of the conditions set out in the Stock Exchange's Rules and Regulations and guidelines.
- 6.2.14 The Bank's shares arising from the Conversion will be registered to the Nominee Company in favor of those who held the Subordinated Bonds that have been converted into shares.
- 6.2.15 Notwithstanding the provisions of 6.2, if circumstances arise that constitute only a Trigger Event for principal losses absorption, the Bank may (but is not bound to) carry out a partial conversion of the Subordinated Bonds into Bank's shares, at a Conversion Rate that will increase the Tier 1 capital ratio of the Bank to at least 5%.
- 6.2.16 Pursuant to the provisions of PCB 202, the offering of the Bank's shares as a result of the Trigger Event must take place before equity is injected from the public sector, so that the equity received from the public sector will not be diluted.

6.3 Adjustments

- 6.3.1 If the Bank carries out a split in its capital, a consolidation of its capital or a reduction of its capital, an adjustment will be made to the Floor Price.
- 6.3.2 If the Bank distributes a dividend to the Bank's shareholders, an adjustment will be made such that the Floor Price will be multiplied by the ratio between the base price of a Bank's share on the Stock Exchange "ex dividend", and the closing price of a Bank's share on the Stock Exchange on the last trading day before the "ex dividend" day.
- 6.3.3 If the Bank distributes bonus shares to the Bank's shareholders, an adjustment will be made such that the number of the shares arising from the Conversion to which a holder of the Subordinated Bond will be entitled upon their conversion will increase by a number of shares of that class that the holder would have

been entitled to as bonus shares, had the Subordinated Bonds been converted on the last trading day before the ex-day.

- 6.3.4 If the Bank offers securities to the holders of the Bank's shares by way of a rights issue, an adjustment will be made such that the number of the shares that will arise from the Conversion to which the holder of a Subordinated Bond is entitled upon the Conversion will increase by the ratio between the closing price of the share on the Stock Exchange on the last trading day before the "ex day" and the base price of the share "ex rights".
- 6.3.5 Apart from the adjustments described above, no adjustments whatsoever will be made to the Floor Price or to the number of Bank's shares that will arise from the Conversion of the Subordinated Bonds, including in the event of any offerings whatsoever (including offerings to interested parties).
- 6.3.6 The Bank shall publish an immediate report in respect of each adjustment carried out as described above.

7. Provisions regarding the payments

- 7.1 Any payment payable pursuant to the terms of the Subordinated Bonds to Entitled Parties who are Unregistered Holders shall be transferred by the Bank to the Nominee Company, in order for it to be transferred to the Entitled Parties through the Stock Exchange's clearing house and through Stock Exchange members.
- 7.2 Any payment payable pursuant to the terms of the Subordinated Bonds to Entitled Parties who are Registered Holders shall be made by way of bank transfer to the bank account of the Entitled Party, whose details shall be delivered to the Bank by the Entitled Party in a written notice to be posted by certified mail; this notice shall bind the Bank only with respect to payments, the record date for settlement of which shall be 30 days after the date on which the notice was received at the Bank's registered office.

Where the Registered Holder has not provided to the Bank, in time, a written notice regarding the details of its bank account to which payments should be transferred pursuant to the Subordinated Bonds, any such payment will be made by check, which will be posted by certified mail to the last address recorded in the register of holders of the Subordinated Bonds. Posting a check to an Entitled Party by certified mail, as aforesaid, will be considered, for all intents and purposes, as payment of the amount that is specified therein, on the date on which it was posted as aforesaid, provided that it was paid upon its proper presentation for collection. Any amount payable to a holder of the Subordinated Bonds and which was not paid on the date on which it was due to be paid for reasons which are not under the control of the Bank, even though the Bank was willing to pay it on time, shall cease to bear interest and linkage differences as from the date on which it was due and the holder of the Subordinated Bonds shall be entitled to receive only the amounts he was entitled to on the date specified for such payment on account of the principal and interest.

- 7.3 Where any payment date falls on a day which is not a business day, the date of that payment shall be postponed to the following Business Day without payment of any additional interest and the record date for purpose of determining the entitlement for payment shall not change due to that.
- 7.4 Any mandatory payment required by law shall be deducted from any payment in respect of the Subordinated Bonds.

- 7.5 If the Bank is unable, for any reason whatsoever which is not under its control, to make a payment to Entitled Parties, it shall deposit this amount with the Trustee pursuant to Section 11 of the Deed of Trust.
- 7.6 For the avoidance of doubt, it is clarified that whoever does not hold the Subordinated Bonds on the day on which entitlement to any payment pursuant to the Subordinated Bonds is determined, will not be entitled to that payment.

8. **Early redemption of the of the Subordinated Bonds at the initiative of the Bank**

Subject to the provisions of the Stock Exchange's Rules and Regulations and the Directives issued thereunder, and to the Directives issued by the Israel Securities Authority, the Bank will be entitled, at its discretion⁸ and without giving the holders of the Subordinated Bonds and/or to the Trustee a right of choice, to carry out Early Redemption, in whole or in part, of the Subordinated Bonds (hereinafter – “**Early Redemption**”), subject to the following terms and conditions:

- 8.1 The Bank shall be entitled to perform a single Early Redemption only.
- 8.2 Early repayment will be made no earlier than September 11, 2028 and no later than October 11, 2028.⁹
- 8.3 In any case where an Early Redemption date as aforesaid falls on a day other than a business day, the early redemption date will be postponed to the first business day following it.
- 8.4 The Bank shall obtain advance written approval for the execution of the Early Redemption from the Banking Supervision Department.
- 8.5 The amount to be paid to holders of the Subordinated Bonds in the event of Early Redemption will be the par value of the Subordinated Bonds that are up for Early Redemption, i.e., the principal of the Subordinated Bonds, plus any interest and linkage differences through the date on which Early Redemption is performed.
- 8.6 The Bank shall inform the holders of the Subordinated Bonds of the performance of the Early Redemption no less than seventeen (17) days and no more than forty-five (45) days before the date of performing the Early Redemption.
- 8.7 Any amount to be paid by way of Early Redemption by the Bank shall be repaid to all holders of the Subordinated Bonds on a pro rata basis according to the par value of Subordinated Bonds held on the relevant date for such Early Redemption.

⁸ It should be noted that, in accordance with the provisions of PCB 202, the Bank may not exercise an option for an Early Redemption, unless one of the follow conditions is met:

- A. The Subordinated Bonds will be replaced with equity of identical or higher quality and the replacement will be carried out under terms that the Bank is able to meet on all matters relating to the capacity of its revenues (alternative offerings may be carried out simultaneously but not after the instrument has been redeemed); or
- B. The Bank has proven that its equity ratio is much higher than the minimum capital requirements as stated in PCB 201, Introduction, Scope of Application and Calculation of Requirements, after the exercise of the Early Redemption.

⁹ If full early repayment is not made by the Bank by October 11, 2028, the annual interest of the Subordinated Bonds will be updated as set out in Section 4.4 above.4.4

- 8.8 The record date for entitlement to receive payment in respect of Early Redemption shall be the record date for entitlement to receive payment in respect of interest.
- 8.9 The minimum amount of the Early Redemption shall be no less than NIS 1 million. In addition, Early Redemption shall not be performed for part of a series of Subordinated Bonds if the final redemption amount is lower than NIS 3.2 million. In the event of partial Early Redemption, the interest accrued until the partial Early Redemption date shall be only paid according to the par value redeemed by way of Early Redemption. In the case of partial Early Redemption, if any, the Bank shall issue an immediate report, announcing: (1) The percentage of the Early Redemption in terms of the outstanding balance; (2) The percentage of the partial redemption in terms of the original series; (3) The interest rate to be paid as part of the partial redemption on the redeemed portion; (4) The interest rate to be paid as part of the partial redemption, calculated in relation to the outstanding balance; (5) The record date for eligibility for Early Redemption of the principal of the Subordinated Bonds in terms of the original series; and (6) The record date for entitlement for receiving the Early Redemption of the principal of the Subordinated Bonds which will take place six (6) days prior to the date set for the Early Redemption.
- 8.10 It is emphasized and clarified that the right to decide on Early Redemption, as described above, is an exclusive right of the Bank, subject to the restrictions set out in Section 8 above, and that the holders of the Subordinated Bonds shall have no right to demand Early Redemption, under any circumstances whatsoever. Nothing in the aforesaid derogates from the rights of the holders to make the Subordinated Bonds repayable immediately upon the occurrence of one of the events described in Section 7.1 of the Deed of Trust.
- 8.11 In the event that the Stock Exchange decides to delist the Subordinated Bonds, pursuant to the provisions of the Rules and Regulations of the Stock Exchange and the guidelines set thereunder, since the value of the public's holdings in Subordinated Bonds is lower than the amount prescribed by the Stock Exchange's Rules and Regulations and guidelines regarding delisting, the Bank will not carry out Early Redemption of the Subordinated Bonds due to the said notice of the Stock Exchange. The Subordinated Bonds shall be delisted from the Stock Exchange and shall be subject, among other things, to the tax implications arising therefrom.

Second Addendum to the Deed of Trust

Meetings of holders of the Subordinated Bonds

The following provisions shall apply to the meetings of the holders, subject to the provisions of any law:

1. The Trustee will convene a holders' meeting at the demand of one or more holders, holding at least five percent of the outstanding par value of the Bonds. Furthermore, the Trustee or the Bank may, if they deem it necessary, invite the holders of the Subordinated Bonds to a meeting of holders of the Subordinated Bonds. If the Bank convenes such a meeting, it is required to immediately notify the Trustee, in writing, of the place, date and time at which the meeting is to be held, as well as of the matters that will be discussed therein, and the Trustee or a representative on his behalf may participate in such a meeting without having a voting right. Where the meeting is convened at the request of holders of the Subordinated Bonds, the Trustee may demand from those who requested the convening of the meeting indemnification for the reasonable costs involved therein.

It is clarified that an indemnification demand by the Trustee will not have an adverse effect on the convening of a meeting convened for the purpose of carrying out an action which is intended to prevent the infringement of the rights of the holders of the Subordinated Bonds and such an indemnification demand will not detract from the Bank's duty to bear the expenses involved in the convening of the meeting.

A Trustee who was asked to convene a holders' meeting by holders as described above, shall convene the meeting within 21 days from the day on which the request to convene such meeting was made, for a date as set out in the summons, provided that the date of the meeting shall not be earlier than seven days and not later than 21 days from the date of the summons; however, the Trustee may bring forward the meeting to a date that is at least one day after the date of the summons, if he believes that such action is required in order to protect the holders' rights.

2. A summons for a meeting issued on behalf of the Trustee solely for the purpose of consultation with the holders of the Subordinated Bonds shall be issued at least one day before the date on which such meeting is to convene.
3. A summons for such a meeting, for consultation with the Subordinated Bonds holders only, shall be published at least one day before the convening of said meeting. No agenda shall be published for such a consultation meeting, no resolutions shall be passed at the meeting and no legal quorum shall be required in respect of this meeting.
4. No resolution lawfully passed in a meeting convened as aforesaid shall be disqualified, even if due to error, if notice thereof was not given to all holders of the Subordinated Bonds, or if such notice was not received by all holders of the Subordinated Bonds. The provisions of this Section shall apply if the summons for the meeting (or for an adjourned meeting, as the case may be) was also delivered through the MAGNA system.
5. The persons holding the Subordinated Bonds on the record date specified in the summons to the holders' meeting shall be entitled to participate and vote in the holders' meeting.

6. A holder who is a controlling shareholder of the Bank, a relative thereof or any corporation controlled by any of them (hereinafter – a “Related Holder”) shall not be taken into account for the purpose of determining the legal quorum at a meeting of holders, and their votes shall not be counted in the number of votes cast in such a meeting.
7. If, within half an hour from the time designated for the commencement of such meeting, no legal quorum is present, the meeting shall be adjourned to another date no sooner than two Business Days after the date set for the original meeting, or one Business Day, if the Trustee believes this is required to protect the rights of the holders; if the meeting was adjourned, the Trustee shall give the reasons for the adjournment in the report regarding the convening of the meeting and it may do so in the notice of convening the original meeting.
8. The Trustee may declare that the original meeting and/or the subsequent meeting will be split into class meetings for discussion purposes. The classes shall be determined at the Trustee's sole discretion.
9. Where a holders’ meeting was adjourned without changing its agenda, summons for the new date for the subsequent meeting shall be issued as soon as possible and no later than 12 hours before the subsequent meeting.
10. A person or persons who will be appointed by the Trustee, the Bank and any other person or persons who will be authorized for this purpose by the Bank, may attend the meetings of holders of the Subordinated Bonds without any voting rights. If, at the Trustee’s discretion, a discussion in part of the meeting should be held without the presence of the Bank’s representatives, the Bank’s representatives or anyone acting on its behalf shall not attend that part of the meeting. Notwithstanding the provisions of this Section, the Bank may attend the opening of the meeting in any event in order to express its position regarding any topic on the agenda of the meeting, and/or in order to present a particular issue (as the case may be).
11. Any resolution will be passed by counting the votes cast.
12. At every meeting of holders, the Trustee or anyone appointed by the Trustee shall serve as the chairman of that meeting. The chairman may determine that votes will be cast by using voting slips or by voting during the course of the meeting. Where the chairman determined that votes will be cast using voting ballots, the Trustee will ensure that the text of the voting ballot shall be posted on the MAGNA system and will set the time at which the vote will be closed and by which the holders should send to the Trustee their ballots, after they have filled them out and signed them according to law. The Trustee may demand that holders declare within the ballot whether or not they have conflicting interests. A holder who will not fill out the ballot in full and/or will not prove his entitlement to participate and vote in the meeting in accordance with provisions and dates set by the chairman of the meeting shall be considered as not having delivered a ballot and therefore as having opted not to vote on the matter(s) included in the ballot.
13. Accordingly, the Trustee may, at his own discretion and subject to any law, hold meetings by ballots and without convening them, as well as to hold votes by voting slips in an adjourned meeting not attended by the legal quorum required to pass a resolution, provided

that through the date set for that purpose in a notice on convening the meeting or on holding a vote, as the case may be, the Trustee will receive ballots from holders who constitute the legal quorum required to pass a resolution in an original meeting or in an adjourned meeting, as the case may be.

14. Where a meeting of the holders of the Subordinated Bonds is convened (regardless of whether it was convened by the Bank, the holders or the Trustee), the Trustee will examine whether the holders of the Subordinated Bonds have a conflict of interests between an interest that stems from their holding of the Subordinated Bonds and any other interest they may have, as determined by the Trustee (hereinafter – a “**Different Interest**”). The Trustee may demand that a holder who participates in the meeting inform the Trustee, prior to voting, of any Different Interest he has and also whether he has such a conflict of interests.
15. Without derogating from the generality of the above, any of the following shall be considered to have a conflicting interest:
 - 15.1. A holder who served as an officeholder in the Bank close to the date of the event that underlies the resolution to be voted on in the meeting;
 - 15.2. Any holder in respect of whom the Trustee determined that he has a “conflicting interest” pursuant to the aforesaid and subject to any law and/or any provision of a competent authority including: Any holder that will provide to the Trustee a written statement to the effect that he has any material personal interest that deviates from the interest of all the holders of the Subordinated Bonds in the relevant meeting of holders of the Subordinated Bonds. A holder who shall not provide such a written statement after he has been asked to do so by the Trustee, shall be considered as someone who has declared that he has such a personal interest and the relevant trustee shall determine in respect of them that they have a conflicting interest. Without derogating from the provisions of Section 18, the Trustee shall examine whether a holder has a “conflicting interest” after considering the holder’s holdings in other securities of the Bank and/or securities of any other corporation which is relevant to the resolution presented for the approval of the meeting (as described in the ballot), in accordance with that holder’s statement.
16. It should be clarified that such an assessment of conflict of interests, where the Trustee believes it is necessary, shall be held separately for each and every resolution on the agenda of the meeting as well as separately for each and every meeting. It should also be clarified that declaring a holder as having a Different Interest in any resolution or meeting does not, in and of itself, indicate that the holder has a different interest in another resolution on the agenda of the meeting or that he has a Different Interest in other meetings.
17. For the purpose of assessing conflict of interests as aforesaid, the Trustee may rely on a legal opinion that he commissions, and the provisions of the Deed of Trust regarding bearing of expenses shall apply to such an opinion.
18. When counting the votes cast in a holders’ meeting, the Trustee shall not take into account the votes of holders that did not comply with its demand as set out in Section 14 above or the votes of holders in respect of whom he found that a conflict of interest exists as stated

in that Section. Despite the aforesaid, where the total holdings of the holders who participate in the vote and who do not have a conflicting interests is lower than five (5) percent of the outstanding par value of the Subordinated Bonds of the relevant series, the Trustee shall also count the votes of the holders who have conflicting interests.

19. Each holder, whether attending the meeting in person or by proxy, will have one vote in respect of NIS 1 par value of the total outstanding principal of the Subordinated Bonds by virtue of which he is entitled to vote.
20. In the case of joint holders of a Subordinated Bond, only the vote of the holder listed first will be accepted.
21. Holders of the Subordinated Bonds may use some of their votes to vote in favor of a proposed resolution, against a proposed resolution, or to abstain, as they see fit.
22. For purposes of counting abstaining votes in resolutions passed in a meeting, no distinction will be made between those having a “conflicting interest” and those not having a “conflicting interest”.
23. An instrument of appointment of an agent shall be drawn up in writing and signed by the appointer or by his proxy who was duly authorized in writing to do so. Where the appointer is a corporation, the appointment will be drawn out in writing, stamped with the corporation’s stamp and signed by the authorized signatories of the corporation, and the appointee may act on behalf of the corporation he represents. The instrument of appointment of an agent will be drawn up in any form that will be acceptable to the Trustee. The agent does not have to be a holder of the Subordinated Bonds. The instrument of appointment and the power of attorney or the other certificate according to which the instrument of appointment or a certified copy of such power of attorney shall be delivered to the Trustee by the time of opening of the meeting, unless otherwise determined in the notice regarding the convening of the meeting.
24. A vote cast pursuant to the terms set out in the document that appoints an agent shall be valid even if the appointer has passed away, or was declared legally incompetent prior to the vote, or if the instrument of appointment was revoked, or if the Subordinated Bond in respect of which the vote was cast was transferred, unless a notice was received at the Bank’s registered office prior to the meeting regarding the death of the appointer, or a declaration regarding legal incompetency, the revocation or transfer, as the case may be.
25. The Trustee shall draw up minutes of the meeting of the holders of the Subordinated Bonds, which shall be recorded in the register of minutes and kept in the Trustee’s registered office for a period of seven years from the date of the meeting. The minutes of each such meeting shall be signed by the meeting’s chairman, and each such signed minute shall serve as a prima facie evidence of what is stated therein, and unless there is evidence to the contrary, any resolution that was passed in such a meeting shall be deemed to have been duly passed. The Trustee may draw up minutes of a meeting or parts thereof by means of a recording.
26. The register of minutes of the holders’ meetings shall be maintained at the Trustee’s office and shall be available for perusal by the Bank and the holders of the Subordinated Bonds. Notwithstanding the above, the Trustee may, in special cases, withhold the delivery of a

certain portion of the minutes to any entity, if, at the Trustee's sole discretion, this will be reasonably required in order to prevent infringement of the rights of the holders of the Subordinated Bonds; however: (a) Under no circumstances will the Trustee withhold the delivery of any part of the minutes of meeting if the Bank submits it with a written demand whereby the receipt of the full minutes is required to meet the requirements and/or directives of a competent authority and/or in order to meet the provisions of any law.

27. The announcement of the chairman of the meeting that a resolution had been passed or rejected, and the entry made to that effect in the register of minutes, shall be prima facie evidence thereof.

Appendix A – the version of PBC 202 as of the date of signing of this Deed;

Appendix B – the version of PBC 299 as of the date of signing of this Deed.

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Regulatory Capital Structure

1. Regulatory capital consists of the two following tiers:
 - A. Tier 1 Capital (going-concern capital), which includes:
 - (1) Common Equity Tier 1 capital; and
 - (2) Additional Tier 1 capital
 - B. Tier 2 Capital (gone-concern capital)

Limits on the Capital Structure

2. The capital structure is subject to the following limits:
 - A. Tier 2 capital may not exceed 100% of Tier 1 capital, after the required deductions from that capital.
 - B. Capital instruments qualified to be included in Tier 2 capital may not exceed 50% of Tier 1 capital after the required deductions from that capital. This limit does not include the capital instruments included in Upper Tier 2 capital prior to the Directive's issue, at the balance of those instruments as at December 31, 2013, and pursuant to the transitional provisions set forth in Proper Conduct of Banking Business Directive No. 299 (Regulatory Capital – Transitional Provisions).

Definitions

3. Below are the definitions for the Directive:

“Investment”

- A direct, indirect¹ and synthetic holding of capital instruments. For example, banking corporations should look through holdings of index-tracking securities to determine their underlying holdings of capital.
- Holdings in both the banking book and the trading book. The net long position should be included in the same underlying exposure where the maturity of the short position matches the maturity of the long position or has a residual maturity of at least one year. Offsetting long positions with short positions shall only be done if the two exposures are recorded in the trading book or in the banking book

¹Indirect holdings are exposures or parts of exposures that, if a direct holding is impaired, will result in a loss to the banking corporation substantially equivalent to the impairment of the direct holding.

- Underwriting positions held for longer than five working days. Underwriting positions held for five working days or less can be excluded.
- However, if the capital instrument does not meet the criteria for Common Equity Tier 1 capital, Additional Tier 1 capital, or Tier 2 capital of the banking corporation in accordance with this Directive, the capital is to be considered common shares for the purposes of this definition
- Subject to the discretion of the Banking Supervision Department, and with the prior thereof, banking corporations may temporarily exclude certain investments where these have been made in the context of resolving or providing financial assistance to reorganize a distressed institution.

“Financial Corporation” – one of the following:

- A banking corporation and its subsidiaries and a foreign corporation that is a bank;
- An insurance company;
- A credit card company and acquirer;
- A mutual fund or portfolio management company;
- A provident fund or pension fund management company;
- Another company whose principal occupation is in the capital market;

Common Equity Tier 1 Capital

4. Common Equity Tier 1 capital consists of the sum of the following elements:
 - A. Common shares issued by the banking corporation that meet the criteria set forth in Appendix A;
 - B. A premium on the common shares included in Common Equity Tier 1 capital;
 - C. Retained earnings, including dividend proposed or declared subsequent to the balance sheet date;
 - D. Accumulated other comprehensive income and other retained earnings for which disclosure was made, including:
 - (1) Of which: unrealized gains (or losses) from adjustment of available-for-sale securities at fair value;
 - (2) Unrealized gains or losses from cash flow hedges;

- (3) Foreign currency translation adjustments of autonomous units held abroad;
 - (4) Capital reserve created from a benefit on account of share-based payment transactions;
 - (5) Receipts on account of shares, provided that there is an irrevocable commitment to purchase and allocate them, as well as amounts received in exchange for options to purchase shares, provided that these amounts are not refundable;
 - (6) Other funds that have received the approval of the Banking Supervision Department.
- E. Common shares issued by a subsidiary of the banking corporation that have been consolidated and are held by a third party (minority interest), provided that the following two conditions are met:
- (1) The shares giving rise to the minority interests would, if issued by the banking corporation, meet all of the criteria for classification as common shares, as detailed in Appendix A;
 - (2) The subsidiary that issued the shares is itself a corporation subject to the same minimum prudential standards and level of regulation as a banking corporation.
- The amount of the minority interests recognized as Common Equity Tier 1 capital shall be calculated as detailed in Appendix B.
- F. Regulatory adjustments and deductions from Common Equity Tier 1 capital as detailed in Section 5.

Regulatory Adjustments and Deductions from Common Equity Tier 1 Capital

5. Set forth below are the required regulatory adjustments and deductions:
 - A. Goodwill and all other intangibles, including any goodwill included in the valuation of significant investments in the capital of financial corporations that are outside the scope of regulatory consolidation of the banking corporation, and including mortgage servicing rights. This is net of any associated deferred tax liability which would be extinguished if the intangible assets become impaired or derecognized under the Reporting to the Public Directives. Negative goodwill should not be added to capital;
 - B. Deferred tax assets that rely on future profitability of the banking corporation. Deferred tax assets may be netted with associated deferred tax liabilities only if the deferred tax assets relate to taxes levied by the same taxation authority and offsetting is permitted by the relevant taxation authority. Where these deferred tax assets are attributed to timing differences, the amount to be deducted is set out in accordance with Section 13 “threshold deductions”. All other such assets, e.g., those relating to operating losses, such as the carry forward of unutilized tax losses, or unused tax credits, are to be deducted in full net of payable deferred tax liabilities as described above. The DTLs permitted to be netted against payable DTAs must exclude amounts that have been netted against the deduction of goodwill, intangibles and defined benefit pension assets, and must be allocated on a pro-rata basis between receivable DTAs subject to the threshold deduction treatment and DTAs that are to be deducted in full.
 - C. Defined benefit pension fund that is recorded as an asset in the balance sheet, net of any associated deferred tax liabilities which would be extinguished if the asset should become impaired or derecognized under the Reporting to the Public Directives. Assets in a fund to which the banking corporation has unrestricted and unfettered access, such that it can withdraw the funds from the fund quickly and without difficulty, can, at the approval of the Banking Supervision Department, offset the deduction. Defined benefit pension fund’s liabilities must be fully recognized in the calculation of Common Equity Tier 1 capital;

- D. The amount of accumulated other comprehensive income in respect of cash flow hedges of items that are not presented at fair value in the balance sheet (including projected cash flows). That is to say, positive amounts will be deducted, and negative amounts will be added back;
- E. Increase in equity resulting from a securitization transaction, such as that associated with expected future margin income (FMI) resulting in a gain-on-sale, in accordance with Section 562 of Proper Conduct of Banking Business Directive 205, “Measurement and Capital Adequacy – Credit Risk – Securitization”;
- F. Unrealized gains and losses that arose from changes in the fair value of liabilities that stemmed from changes in the banking corporation’s own credit risk. In addition, with regard to liabilities in respect of derivative instruments, derecognize all accounting valuation adjustments (DVA) arising from the bank’s own credit risk. There should be no offsetting between valuation adjustments from the bank’s own credit risk and those arising from its counterparties’ credit risk;
- G. Shortfall of the stock of provisions to expected losses according to the internal ratings-based (IRB) approach in accordance with Proper Conduct of Banking Business Directive 204 “Measurement and Capital Adequacy – The Internal Ratings based (IRB) Approach to Credit Risk”; the full amount is to be deducted and should not be reduced by any tax effects that could be expected to occur if provisions were to rise to the level of expected losses.
- H. Investments in own common shares (treasury stock), whether held directly or indirectly (including any own stock which the bank could be contractually obliged to purchase); the treatment described will apply irrespective of the location of the exposure in the banking book or the trading book. In addition:
- (1) Gross long positions may be deducted net of short positions in the same underlying exposure only if the short positions involve no counterparty risk.
 - (2) The banking corporation should look through holdings of index securities to deduct exposures to own shares. However, gross long positions in own shares resulting from holdings of index securities may be netted against short positions in the banking corporation’s shares resulting from short positions in the same base index. In such cases, the short positions may involve counterparty risk (which will be subject to the relevant counterparty credit risk

charge).

- I. Reciprocal cross holdings in the common shares of financial corporations;
- J. Investments in share capital of financial corporations that are outside the scope of regulatory consolidation of the banking corporation as detailed in Section 6.
- K. Amounts to cover non-accrual residential mortgage loans, as set out in Appendix H, after the related tax effect.

Investments in the Capital of Financial Corporations

6. Set forth below is the accounting treatment applied to investments in the capital of financial corporations:
 - A. Where the banking corporation does not own more than 10% of the issued common share capital of the financial corporation:
 - (1) Investments that are not common shares of banking corporations and their subsidiaries must be fully deducted from the relevant capital tier as stated in Sections 8C and 11C.
 - (2) Investments in common shares of banking corporations and their subsidiaries, and in shares and capital instruments of other financial corporations (hereinafter – the “**Total Investments**”) shall be accounted for as follows:
 - (a) Where the Total Investments do not exceed 10% of the banking corporation’s Common Equity Tier 1 capital (after the application of all regulatory adjustments set out in Sections 5a-5j, and before this deduction), each investment shall be weighted according to the risk of each corporation.
 - (b) Where the total investments exceed 10% of the banking corporation’s Common Equity Tier 1 capital or where the financial corporation is a related company of the banking corporation, then the amount above 10% shall be deducted from capital as follows:
 - The amount to be deducted from Common Equity Tier 1 capital shall be calculated as the total investments exceeding 10% of the banking corporation’s Common Equity Tier 1 capital multiplied by the total

investments in Common Equity Tier 1 capital of the financial corporations, divided by the total investments.

- The amount to be deducted from Additional Tier 1 capital shall be calculated as the Total Investments exceeding 10% of the banking corporation's Common Equity Tier 1 capital multiplied by the total investments in Additional Tier 1 capital of the financial corporations that are not banking corporations or their subsidiaries, divided by the Total Investments.
- The amount to be deducted from Tier 2 capital shall be calculated as the Total Investments exceeding 10% of the banking corporation's Common Equity Tier 1 capital multiplied by the total investments in Tier 2 capital of the financial corporations that are not banking corporations or their subsidiaries, divided by the Total Investments.

A “**related company**” for the purpose of this Section is defined as a company that controls, or is controlled by, or is under common control with, the banking corporation. Control of a company is defined as: (1) ownership, control or holding with voting rights of 20% or more in a class of voting securities of the company; or (2) consolidation of the company for financial reporting purposes.

B. Where the banking corporation has a stake of more than 10% of the issued common share capital of the financial corporation:

(1) Investments that are not common shares must be fully deducted from the relevant capital tier.

(2) Investments in common shares shall be accounted for as set out in Section 13 (“threshold deductions”).

Additional Tier 1 Capital

7. Additional Tier 1 Capital consists of the sum of the following elements:

A. Instruments issued by the banking corporation (and are not included in Common Equity Tier 1 capital) that meet the following requirements:

- (1) Meeting the criteria for inclusion in Additional Tier 1 capital as described in Appendix C;
 - (2) Meeting the loss absorbency requirements at the point of non-viability as described in Appendix E.
- B. Premium on instruments included in Additional Tier 1 capital;
- C. Additional Tier 1 Instruments issued by subsidiaries of the banking corporation and held by third parties, where the instruments, had they been issued by the banking corporation, would meet the criteria of inclusion in Additional Tier 1 capital as described in Appendices C and E, and are not included in Common Equity Tier 1 capital.
- The amount of the instruments that shall be recognized as Additional Tier 1 capital will be calculated as described in Appendix B.
- D. Deductions from Additional Tier 1 capital as described in Section 8.

Deductions from Additional Tier 1 Capital

8. Set forth below are the deductions from Additional Tier 1 Capital:
- A. Investments in own Additional Tier 1 capital instruments, whether held directly or indirectly (including any own instruments which the bank may be contractually obliged to purchase), as described in Section 5h above;
 - B. Reciprocal cross holdings in Additional Tier 1 capital instruments of financial corporations;
 - C. Investments in Additional Tier 1 capital instruments of banking corporations and their subsidiaries;
 - D. Investments in Additional Tier 1 capital instruments of financial corporations that are outside the scope of regulatory consolidation of the banking corporation as detailed in Section 6.
9. Where the banking corporation is required to make a deduction from Additional Tier 1 capital and does not have sufficient capital in this tier, the difference will be deducted from Common Equity Tier 1 capital.

Tier 2 Capital

10. Tier 2 capital consists of the sum of the following elements:

A. Instruments issued by the banking corporation (and are not included in Tier 1 capital) that meet the following requirements:

(1) Meeting the criteria for inclusion in Tier 2 capital as described in Appendix D;

(2) Meeting the loss absorbency requirements at the point of non-viability as described in Appendix E.

(3) Notifying the Banking Supervision Department, immediately after issuance of the capital instrument, using the format in the attached Appendix G.

B. Premium on instruments included in Additional Tier 2 capital;

C. Tier 2 Instruments issued by subsidiaries of the banking corporation and held by third parties, where the instruments, had they been issued by the banking corporation, would meet the criteria of inclusion in Additional Tier 2 capital as described in Appendices D and E, and are not included in Tier 1 capital;

The amount of the instruments that shall be recognized as Tier 2 capital will be calculated as described in Appendix B.

D. Collective loan loss provisions before the effect of related tax. The amount of the provisions eligible to be included in Tier 2 capital shall not exceed the following caps:

(1) 1.25% of the total credit risk-weighted risk assets calculated in accordance with the standardized approach;

(2) Where total eligible provisions exceed the expected loss amount calculated in accordance with the (IRB) approach, the surplus may be recognized up to a maximum of 0.6% of credit risk-weighted risk assets.

E. Deductions from Tier 2 Capital as set out in Section 11.

Deductions from Tier 2 Capital

11. Set forth below are the deductions from Tier 2 Capital:

A. Investments in own Additional Tier 2 capital instruments, whether held directly or indirectly (including any own instruments which the bank may be contractually

- obliged to purchase), as described in Section 5h above;
- B. Reciprocal cross holdings in Additional Tier 2 capital instruments of financial corporations;
 - C. Investments in Additional Tier 2 capital instruments of banking corporations and their subsidiaries;
 - D. Investments in Additional Tier 2 capital instruments of financial corporations that are outside the scope of regulatory consolidation of the banking corporation as set out in Section 6.
12. Where the banking corporation is required to make a deduction from Tier 2 capital and does not have sufficient capital to make the required deduction, the difference will be deducted from Additional Tier 1 capital.

Threshold Deductions

13. Set forth below is the treatment applied to threshold deductions:
- A. The following two items shall be subject to deductions as set out in this section:
 - (1) Deferred tax assets that arise from timing differences (as stated in Section 5b);
 - (2) Investments exceeding 10% of the issued common share capital of financial corporations (as stated in Section 6).
 - B. The amount of each of these two items that exceeds 10% of the banking corporation's Common Equity Tier 1 capital after all deductions listed in Section 5, but before applying the threshold deductions in this Section, shall be deducted from the banking corporation's Common Equity Tier 1 capital.
 - C. Between January 1, 2014, and January 1, 2018:

The amount of the two items that were not deducted pursuant to sub-Section b above, which exceeds 15% of the banking corporation's Common Equity Tier 1 capital (before deducting these items but after all of the other deductions), shall be deducted from Common Equity Tier 1.
 - D. As of January 1, 2018:
 - (1) The amount of the two items that were not deducted pursuant to sub-Section b above, which exceeds 15% of the banking corporation's Common Equity Tier 1 capital (after all of the deductions), shall be deducted from Common Equity Tier 1 capital.

- (2) For the purpose of determining the amount of the two items recognized for Common Equity Tier 1 capital, the total Common Equity Tier 1 capital (after all of the deductions including the deduction of the two items in full) must be multiplied by 17.65% (the ratio between 15% and 85%).
- E. The amount of the two above items that were not deducted from Common Equity Tier 1 capital will be risk-weighted at 250%. An example for calculating the cap is attached in Appendix F.

Items weighted at 1250%

14. The following items will receive a 1250% risk weight:
- A. Certain securitization exposures, in accordance with Section 562 of Proper Conduct of Banking Business Directive 205 “Measurement and Capital Adequacy – Credit Risk – Securitization”;
 - B. Certain equity exposures under the PD/LGD approach;
 - C. Non-payment/delivery on non-DvP and non-PvP transactions;
 - D. Surplus investments of more than 5% of a banking corporation’s Common Equity Tier 1 capital in a single non-financial corporation that is not a financial corporation;
 - E. Surplus investments of more than 20% of any kind of means of control in non-financial corporations that are not financial corporations.

Appendix A

Criteria for classification of common shares

For common shares to be included in Common Equity Tier 1 capital they must meet all of the following criteria:

1. They represent the most subordinated claim in liquidation of the banking corporation.
2. They are entitled to a claim on the residual assets that is proportional with their share of issued capital, after all senior claims have been repaid in liquidation (i.e., they have an unlimited and variable claim, not a fixed or capped claim).
3. The principal amount is perpetual and never repaid outside of liquidation (setting aside discretionary repurchases or other means of effectively reducing capital in a discretionary manner that is allowable under relevant law).
4. The banking corporation does nothing to create an expectation at issuance that the instrument will be bought back, redeemed or canceled nor do the statutory or contractual terms provide any feature which might give rise to such an expectation.
5. Distributions are paid only out of distributable items (retained earnings included). The level of distributions is not in any way tied or linked to the amount paid in at issuance, and is not subject to a contractual cap (except to the extent that a banking corporation is unable to pay distributions that exceed the level of distributable items).
6. There are no circumstances under which the distributions are obligatory. Non-payment is therefore not an event of default.
7. Distributions are paid only after all legal and contractual obligations have been met and payments on more senior capital instruments have been made. This means that there are no preferential distributions, including in respect of other elements classified as the highest quality issued capital.
8. It is the issued capital that takes the first and proportionately greatest share of any losses as they occur. Within the highest quality capital, each instrument absorbs losses on a going concern basis proportionately and pari passu with all the others.
9. The paid in amount is recognized as equity capital (i.e., not recognized as a liability) for determining balance sheet insolvency.
10. The paid-in amount is classified as equity capital under the relevant accounting standards.

11. It is directly issued and paid-in in full, and the banking corporation cannot directly or indirectly have funded the purchase of the instrument.
12. The paid-in amount is neither secured nor covered by a guarantee of the issuer or related entity² or subject to any other arrangement that legally or economically enhances the seniority of the claim.
13. It is only issued with the approval of the owners of the issuing banking corporation, either given directly by the owners or, if permitted by applicable law, given by the Board of Directors or by other persons duly authorized by the owners.
14. It is clearly and separately disclosed on the banking corporation's balance sheet.

² A related entity can include a parent company, a sister company, a subsidiary or any other related company.

A holding company is a related entity irrespective of whether it forms part of the consolidated banking group.

Appendix B

Minority interest and other capital issued out of consolidated subsidiaries that is held by third parties

1. The amount of minority interests that meets the requirements detailed in the Directive that may be included in regulatory capital is:
 - A. The total amount of the capital attributable to third parties, less
 - B. any surplus capital amount above the minimum regulatory requirements set out in Proper Conduct of Banking Business Directive 201 (hereinafter – the “Surplus Capital”), calculated in accordance with Sections 2-4 below.

Common Equity Tier 1 Capital

2. The amount of minority interests that will be recognized in Common Equity Tier 1 capital will be calculated as follows:
 - A. Surplus Common Equity Tier 1 capital of the subsidiary is calculated as Common Equity Tier 1 capital of the subsidiary less the lower of:
 - (1) The minimum Common Equity Tier 1 capital requirements of the subsidiary.
 - (2) The portion of the Common Equity Tier 1 capital requirement on a consolidated basis attributable to the subsidiary.
 - B. The surplus Common Equity Tier 1 capital attributable to the minority shareholders is calculated by multiplying the surplus Common Equity Tier 1 capital by the portion of the minority shareholders in Common Equity Tier 1 capital.

Tier 1 Capital

3. The amount of the instruments that will be recognized in Additional Tier 1 capital will be calculated as follows:
 - A. Surplus Tier 1 capital of a subsidiary is calculated as Tier 1 capital of the subsidiary less the lower of:
 - (1) The minimum Tier 1 capital requirements of the subsidiary;
 - (2) The portion of the Tier 1 capital requirement on a consolidated basis attributable to the subsidiary.
 - B. The surplus Tier 1 capital attributable to third party investors is calculated by multiplying the surplus Tier 1 capital by the portion of Tier 1 capital held by third

party investors out of the banking corporation's Tier 1 capital.

Tier 2 Capital

4. The amount of the instruments that will be recognized in Tier 2 capital will be calculated as follows:
 - A. Surplus total capital of the subsidiary is calculated as total capital of the subsidiary company less the lower of:
 - (1) The minimum capital requirement for the total capital of the subsidiary;
 - (2) The portion of the minimum capital requirement for total capital on a consolidated basis attributable to the subsidiary.
 - B. The surplus total capital attributable to third party investors is calculated by multiplying the surplus total capital by the portion of total capital held by third party investors out of the banking corporation's total capital.

Appendix C

Criteria for inclusion in Additional Tier 1 capital

In order for capital instruments to be included in Additional Tier 1 capital, they must meet the following criteria:

1. Issued and fully paid-in.
2. Subordinated to depositors, general creditors and Tier 2 capital instruments of the banking corporation.
3. Is neither secured nor covered by a guarantee of the issuer or related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis the banking corporation's creditors.
4. Is perpetual, i.e., there is no maturity date and there are no step-ups or other incentives to redeem.
5. May be called for early redemption at the initiative of the issuer only after a minimum of 5 years:
 - A. To exercise an option for early redemption, a banking corporation must receive prior approval of the Banking Supervision Department;
 - B. A banking corporation must not do anything which creates an expectation that the early redemption call will be exercised;
 - C. Banking corporations must not exercise an early redemption option unless one of the following takes place:
 - (1) They replace the called instrument with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the banking corporation³⁴:

³ Alternative issues may be made in parallel, but not after the instrument has been redeemed.

⁴ A result of "full discretion at all times to cancel distributions/payments" is that no "dividend pushers" are permitted. An instrument with this feature requires the issuing banking corporation to make a distribution/dividend payment in respect of the instrument if payment in respect of a (generally inferior) capital instrument or other share has been made. Such an obligation is not consistent with the requirement of "full discretion at all times". Furthermore, the term "to cancel distributions/payments" means the absolute extinguishment of these payments. Features requiring the banking corporation to make payment/distribution in shares will not be approved.

- (2) The banking corporation demonstrates that its capital position is well above the minimum capital requirements as stated in Proper Conduct of Banking Business Directive 201 – “Introduction, Scope, Application and Calculation of Requirements” after the call for early redemption option is exercised.
6. Any repayment of principal (e.g., through repurchase or redemption) must be with prior approval of the Banking Supervision Department, and banking corporations should not assume or create market expectations that such approval will be given.
 7. Dividend/coupon discretion:
 - A. The banking corporation must have full discretion at all times to cancel distributions/payments⁴.
 - B. Cancellation of discretionary payments must not be an event of default.
 - C. Banking corporations must have full access to canceled payments to meet obligations as they fall due.
 - D. Cancellation of distributions/payments must not impose restrictions on the banking corporation except in relation to distributions to common stockholders.
 8. Dividends/coupons must be paid out of distributable items.
 9. The instrument cannot have a credit sensitive dividend feature, that is a dividend/coupon that is reset periodically based in whole or in part on the banking corporation’s credit standing.
 10. The instrument cannot contribute to liabilities exceeding assets if such a balance sheet test forms part of national insolvency law.
 11. Instruments classified as liabilities for accounting purposes must have a principal loss absorption mechanism, where the banking corporation’s Common Equity Tier 1 capital ratio falls below 7%, through either:
 - A. conversion to common shares, or
 - B. a write-down.

The write-down will have the following effects:

 - (1) Reduce the claim of the instrument in liquidation;
 - (2) Reduce the amount re-paid when a call for early redemption is exercised; and
 - (3) Partially or fully reduce coupon/dividend payments on the instrument.

12. Neither the banking corporation nor a related party over which the banking corporation exercises control or significant influence may purchase the instrument, other than in cases of buyback as per Criteria 6 above. Furthermore, the banking corporation may not directly or indirectly fund the purchase of the instrument.
13. The instrument cannot have any features that hinder recapitalization, such as provisions that require the issuer to compensate investors if a new instrument is issued at a lower price during a specified time frame.
14. The instrument is not issued out of a special purpose vehicle (SPV).
15. The instrument has been approved by the Banking Supervision Department.

Appendix D

Criteria for inclusion in Tier 2 Capital

In order for capital instruments to be included in Tier 2 capital, they must meet the following criteria:

1. Issued and fully paid-in.
2. Subordinated to depositors and general creditors of the banking corporation.
3. Is neither secured nor covered by a guarantee of the issuer or related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis depositors and general creditors of the banking corporation.
4. Maturity:
 - A. Minimum original maturity of at least 5 years.
 - B. Recognition in regulatory capital in the remaining five years before maturity will be amortized on a straight-line basis.
 - C. There are no step-ups or other incentives to redeem.
5. May be called for early redemption at the initiative of the issuer only after a minimum of 5 years:
 - A. To exercise an early redemption option, a banking corporation must receive prior approval from the Banking Supervision Department;
 - B. A banking corporation must not do anything which creates an expectation that the early redemption call will be exercised;⁵
 - C. A banking corporation must not exercise an early redemption option, unless one of the following is fulfilled:
 - (1) It replaces the called instrument with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for

⁵ An early redemption option on an instrument after 5 years but before the beginning of the amortization period shall not be considered as an incentive to redeem as long as the banking corporation does not act to create an expectation that the early redemption option will be exercised at that point.

the income capacity of the banking corporation⁶:

- (2) The banking corporation demonstrates that its capital position is well above the minimum capital requirements as stated in Proper Conduct of Banking Business Directive 201 – “Introduction, Scope, Application and Calculation of Requirements” after the call for early redemption option is exercised.
6. The investor must have no rights to accelerate the repayment of future scheduled payments (coupon or principal), except in liquidation.
 7. The instrument cannot have a credit sensitive dividend feature, that is a dividend/coupon that is reset periodically based in whole or in part on the banking corporation’s credit standing.
 8. Neither the banking corporation nor a related party over which the banking corporation exercises control or significant influence may purchase the instrument. Furthermore, the banking corporation may not directly or indirectly fund the purchase of the instrument.
 9. The instrument must have a principal loss absorption mechanism, where the banking corporation’s Common Equity Tier 1 capital ratio falls below 5%.
 10. The instrument is not issued out of a special purpose vehicle (SPV).
 11. Repealed.

Alternative issues may be made in parallel, but not after the instrument has been redeemed.

Appendix E

Loss absorbency requirements at the point of non-viability

In addition to meeting the criteria set out in Appendices C and D, Additional Tier 1 capital and Tier 2 capital instruments included in regulatory capital must meet the following loss absorbency requirements at the point of non-viability:

1. The terms of Tier 1 and Tier 2 capital instruments that are not shares shall include a clause setting out that the instrument will be immediately converted into common shares of the banking corporation or be written off at an objective pre-specified trigger event (as defined in Section 4 below).
2. Any compensation paid to the instrument holders as a result of the write off must be paid immediately in the form of common shares.
3. The banking corporation will at all times maintain the prior authorization necessary to immediately issue the relevant number of shares as detailed in the terms of the instrument at the point of non-viability.
4. The trigger event for non-viability at a banking corporation is the earlier of the following:
 - A. Notice by the Supervisor to the banking corporation that the conversion or write-off of the capital instrument is necessary, since without it, in the Banking Supervision Department's opinion, the banking corporation will reach the point of non-viability;
 - B. A decision to inject capital from the public sector, or support of equal value, without which the banking corporation will reach the point of non-viability as set forth by the Banking Supervision Department.
5. Issuance of any new shares as a result of a trigger event must occur prior to the injection of capital from the public sector such that the capital received from the public sector will not be diluted.
6. The trigger event for non-viability in capital instruments issued by a subsidiary abroad that are included in the parent company's capital on a consolidated basis is the earlier of the following:

- A. Notice by the Supervisor in the parent company's country that the conversion or write-off of the capital instrument is necessary, since without it, in the opinion of the Supervisor in the parent company's country, the subsidiary will reach the point of non-viability.
 - B. A decision to inject capital from the public sector, or support of equal value, in the parent company's country, without which the subsidiary will reach the point of non-viability as set forth by the Supervisor in the parent company's country.
7. Common shares paid out as compensation to instruments holders must be common shares of the issuing banking corporation or of the parent company of the consolidated group.

Appendix F

The 15% of common equity limit on the two items listed in Section 13

1. This Appendix is meant to clarify the calculation of the 15% limit on the two items listed in Section 13.
2. Recognition of these items will be limited to 15% of Common Equity Tier 1 capital, after application of all deductions. In order to determine the maximum amount of these items that may be recognized^{‡‡}, banking corporations must multiply the amount of Common Equity Tier 1 capital^{§§} (after all deductions, including after the deduction of the two items in full) by 17.65%. This number is derived from the proportion of 15% to 85% ($15\%/85\%=17.65\%$).
3. For instance, let us assume that a banking corporation has common equity of EUR 85 (calculated after all deductions, including after the deduction of the two items in full).
4. The maximum amount of the two items that can be recognized by the banking corporation in calculating Common Equity Tier 1 capital is $\text{EUR } 85 \times 17.65\% = \text{EUR } 15$. Any excess above EUR 15 will be deducted from Common Equity Tier 1 capital. If the banking corporation has these items (other than amounts deducted after the application of individual 10% limitations) that in aggregate sum up to the 15% limit, the Common Equity Tier 1 capital after including these items will be $\text{EUR } 85 + \text{EUR } 15 = \text{EUR } 100$. The percentage of the two items to total Common Equity Tier 1 capital is 15%.

^{‡‡} The actual amount that will be recognized may be lower than this maximum, either because the sum of the two specified items are below the 15% limit set out in this annex, or due to the application of the 10% limit applied to each item.

^{§§} At this stage, this is a “hypothetical” amount of Common Equity Tier 1 capital, which serves only for purposes of determining the deduction of the two items.

Appendix G

Notification format of the issuance of a capital instrument recognized as Tier 2 capital

Date _____

Banking Supervision Department Bank of Israel Jerusalem

We hereby notify you that on [date] _____,
(Bank Name) issued a capital instrument at a total of NIS _____,
bearing interest at a rate of _____ percent, and maturing on _____.

This issue meets the requirements of Proper Conduct of Banking Business Directive no. 202
(Capital Adequacy and Measurement — Regulatory Capital), and complies with all the criteria
set in Appendices D and E of said Directive.

Attached please find a signed copy of the capital note, as well as a detailed listing of the
instrument's characteristics and a self assessment of compliance with the eligibility criteria.

We hereby confirm the above:

CEO/Chief Accountant

Legal Counsel

Main characteristics of the Tier 2 capital instrument issued

For each of the following items, the banking corporation is to list the relevant information based on the sections included in the capital instrument issuance agreement or other relevant document.

	Characteristics	Relevant information
General		
1.	Issuer name	
2.	Issue type (private/public)	
3.	Linked/unlinked	
4.	Issue currency	
5.	Minimum amount per unit	
Coupon		
6.	Fixed/variable interest	
7.	Interest rate reset after a period	
8.	Mechanism for resetting interest rate	
Conversion/Write-off mechanism		
9.	Is there a conversion or write-off mechanism	
10.	If a case of conversion mechanism: what is the conversion ratio	
11.	In a case of write-off: Is there an option of a write-up	
12.	If there is an option of a write-up—please describe the mechanism	

Self assessment regarding compliance with eligibility criteria of a Tier 2 capital instrument that was issued

A banking corporation is required to review and assess every agreement to issue a capital instrument vis-à-vis the requirements for including instruments in regulatory capital listed

Criteria for inclusion in Tier 2 Capital - Appendix D		
Criteria #	Reference to relevant section in the issuance agreement	Notes
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
Criteria for loss absorption at the point of non-viability — Appendix E		
Criteria #	Reference to relevant section in the issuance agreement	Notes
1.		
2.		
3.		
4.		
5.		
6.		
7.		

in Appendices D and E of this Directive The banking corporation is to fill in all the relevant information in the attached table.

Appendix H - Deduction from Common Equity Tier 1 Capital of Non-Accrual Residential Mortgage Loan

1. A banking corporation shall deduct from Common Equity Tier 1 Capital amounts to cover residential mortgage loans that do not accrue interest income over time.

A banking corporation shall determine the deduction amount required in respect of each such loan as stated above in accordance with the residential mortgage loan’s recorded outstanding balance, multiplied by the multiplication factors set out in Section 2 below. Provisions for credit losses in respect of the loan should be deducted from the amount set as stated above.

In that respect -

“Residential mortgage loan” - as defined in Section 231 (second bullet point) in the definition of “residential mortgage loans”, Proper Conduct of Banking Business Directive 204 “The Internal Ratings-Based (IRB) Approach to Credit Risk”

2. Multiplication factors for the purpose of determining the required deduction amount:

The time that elapsed from the date on which the loan was initially classified as a non-accrual loan	Multiplication factor
From the first day through the last day of the fourth year	0.25
From the first day through the last day of the fifth year	0.35
From the first day through the last day of the sixth year	0.55
From the first day through the last day of the seventh year	0.7
From the first day through the last day of the eighth year	0.8
From the first day through the last day of the ninth year	0.85
From the first day of the tenth year	1

Revisions

Circular No. 06	Version	Details	Date
2268	1	Original circular	June 20, 2010
2307	2	Revision	July 4, 2011
2386	3	Revision	May 30, 2013
2555	4	Revision	February 26, 2018
2650	5	Revision	February 2, 2021

Appendix B - Wording of Proper Conduct of Banking Business Directive 299 as of the date on which this note was signed

Regulatory Capital—Transitional Provisions

Introduction

1. To allow banking corporations to comply more easily with the new regulatory capital requirements upon the implementation of Basel III, a transitional period ahead of full implementation has been set forth. The transitional provisions pertain to regulatory adjustments and deductions from capital and to capital instruments that do not qualify for inclusion in regulatory capital under the new criteria set forth. This Directive specifies transitional periods for different items and explains how they are to be applied.

Regulatory adjustments and deductions from capital

2. Regulatory adjustments and deductions from capital, including sums exceeding the 15% limit on significant investments in financial corporations and deferred tax assets from timing differentials, shall be deducted from Common Equity Tier 1 as set forth in the following below:

For the year starting on	Deduction from Common Equity Tier 1 Capital
January 1, 2014	20%
January 1, 2015	40%
January 1, 2016	60%
January 1, 2017	80%
January 1, 2018, and thereafter	100%

3. During the transitional period, the balance not deducted from capital shall remain subject to existing treatment.
4. Insofar as equity in the financial statements includes accumulated other comprehensive income or loss balance due to adjustments of employee employees, the provisions in Section 2 above for the transitional period shall also apply to said accumulated other comprehensive income or loss balance. The provisions in Section 2 above for the transitional period shall also apply to the amount attributed directly to retained earnings as of January 1, 2013, in respect of first-time adoption of accounting principles generally accepted in the USA regarding employee benefits.

5. The provisions for the transitional period shall also apply to deductions from Tier 2 capital and the balance not deducted from capital shall remain subject to the existing treatment. Compulsory deductions from Additional Tier 1 Capital shall be deducted from Common Equity Tier 1.

For example:

- When the new provisions require the deduction of an item from capital in 2014, 20% of said deduction shall be made from Common Equity Tier 1 Capital and 80% from the relevant capital tier in accordance with the existing treatment up to December 31, 2013.
- When the new provisions require the deduction of an item from capital in 2014 and the item was risk-weighted under the provisions that were in effect until December 31, 2013, 20% of said deduction shall be made from Common Equity Tier 1 Capital and 80% shall be weighted in accordance with the risk weights that were in effect up to December 31, 2013.

5A. In addition to what is stated above, if, as a result of the first-time application of the accounting principles generally accepted in the USA regarding expected loan losses there will be a decrease in the Bank's Common Equity Tier 1 capital, net of tax, the banking corporation will be allowed to partially include in Common Equity Tier 1 capital (i.e., to add back to Common Equity Tier 1 capital) the decrease in Common Equity Tier 1 capital recorded on the initial application date (hereinafter - the “**Transitional Adjustment Amount**”), over a period of three years as described in the table below:

<u>On January 1 of:</u>	Addition to Common Equity Tier 1 Capital <small>(Rate of the transitional adjustment amount)</small>
<u>Year of first-time application</u>	75%
<u>The second year of application</u>	50%
<u>The third year of application</u>	25%
<u>The fourth year of application</u>	0%

Items weighted at 1,250%

6. The accounting treatment applied to excess investment in an individual non-financial corporation shall be applied gradually during the period beginning on January 1, 2014, and ending on January 1, 2018, in a manner similar to the accounting treatment applied to deductions, where each year the portion not weighted at 1,250% shall be weighted at the risk weight that was in effect until December 31, 2013.

Threshold Deductions

7. Calculation of threshold deductions for the period beginning on January 1, 2014, and ending on January 1, 2018, shall be made as set forth in Section 13 of Proper Conduct of Banking Business Directive 202.

Capital issued by subsidiaries and held by third parties (minority interest)

8. Capital that was issued by subsidiaries, held by third parties (minority interest), and meets the conditions specified in Appendix B of Proper Conduct of Banking Business Directive 202 may be included in regulatory capital from January 1, 2014, and thereafter.

Where such capital is not eligible for inclusion in regulatory capital, but is included under the existing accounting treatment, 20% of that amount shall be excluded from the relevant tier on January 1, 2014, 40% on January 1, 2015, 60% on January 1, 2016, 80% on January 1, 2017, and 100% on January 1, 2018, and thereafter.

Capital instruments that do not qualify as regulatory capital

9. Capital instruments that no longer qualify as regulatory capital but do meet the conditions specified in Section 10 below shall be subject to transitional arrangements from January 1, 2014, and thereafter. The outstanding balance of such instruments to be deducted shall be fixed at its nominal amount as of December 31, 2013. The recognition of such instruments shall be capped at 80% as from January 1, 2014, with the cap reduced by 10 percentage points in each subsequent year. This cap shall apply to Tier 1 and Tier 2 capital instruments separately; it refers to the total amount of issued instruments that no longer meet the new criteria. Insofar as an instrument is redeemed or its recognition in capital is amortized after January 1, 2014, the nominal amount serving as the base for calculation shall not be reduced. The rates of reduction are shown in the table below:

For the year starting on	Recognition cap
--------------------------	-----------------

January 1, 2014	80%
January 1, 2015	70%
January 1, 2016	60%
January 1, 2017	50%
January 1, 2018	40%
January 1, 2019	30%
January 1, 2020	20%
January 1, 2021	10%
January 1, 2022, and thereafter	0%

10. A. Additional Tier 1 and Tier 2 capital instruments issued by the banking corporation or by a subsidiary thereof may qualify for inclusion as regulatory capital during the transitional period provided the following conditions are met:

- Capital instruments issued before September 12, 2010, shall be subject to the transitional arrangements set out in this directive.
- Such capital instruments that were issued between September 12, 2010, and December 31, 2013:
 - Instruments that meet all criteria in Appendices C and D of Proper Conduct of Banking Business Directive 202, with the exception of criterion 11 in Appendix C, criterion 9 in Appendix D, and Appendix E (Loss Absorbency Requirements at the Point of Non-Viability) shall be subject to the transitional arrangements specified in this directive.
 - Instruments that do not meet the above criteria will not qualify for inclusion in the transitional provisions.

B. In addition, instruments that have an incentive to be redeemed and were issued by September 12, 2010, shall be accounted for as follows:

- An instrument that had an early redemption call and a step-up option before January 1, 2014 (or another incentive to be redeemed): if the instrument is not called for early repayment on its effective maturity date and on a forward-looking basis will meet the new criteria for inclusion in Tier 1 or Tier 2 capital, it shall continue to be recognized in the relevant tier of capital.
- An instrument that has an early redemption call and a step-up option on or after January 1, 2014 (or another incentive to be redeemed), if the instrument is not called on its effective maturity date and on a forward looking basis will meet the criteria for inclusion in Tier 1 or Tier 2 capital, it shall continue to be recognized in the

relevant tier of capital. Prior to the effective maturity date, the instrument shall be considered an “instrument that no longer qualifies as Additional Tier 1 or Tier 2 capital” and shall be subject to the transitional arrangements set forth in this directive as from January 1, 2014, and thereafter.

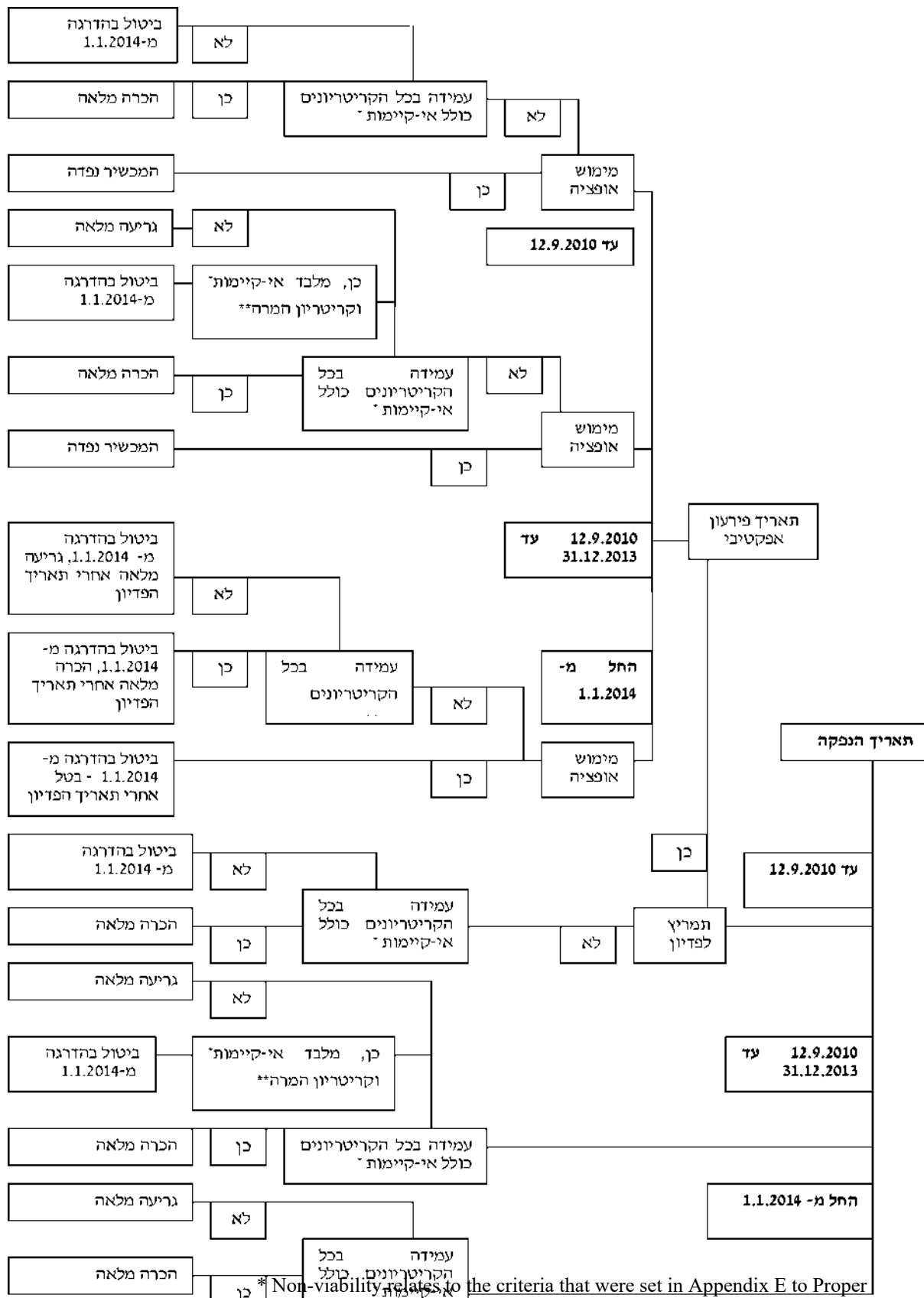
- For an instrument that has an early redemption call and a step-up option between September 12, 2010, and January 1, 2014 (or another incentive to be redeemed), if the instrument is not called on its effective maturity date and on a forward looking basis will not meet the new criteria for inclusion in Tier 1 or Tier 2 capital, it shall be fully derecognized from the relevant tier of regulatory capital from January 1, 2014, and thereafter.
- For an instrument that has a an early redemption call and a step-up option on or after January 1, 2014 (or another incentive to be redeemed), if the instrument is not called on its effective maturity date and on a forward looking basis will not meet the new criteria for inclusion in Tier 1 and Tier 2 capital, it shall be derecognized from the relevant tier of regulatory capital as from the effective maturity date. Prior to the effective maturity date, the instrument shall be considered an “instrument that no longer qualifies as Additional Tier 1 or Tier 2 capital” and shall be subject to the transitional arrangements set forth in this directive as from January 1, 2014, and thereafter.
- An instrument that had an early repayment call and a step-up option on or before September 12, 2010 (or another incentive to be redeemed), if the instrument was not called on its effective maturity date and on a forward looking basis will not meet the new criteria for inclusion in Tier 1 or Tier 2 capital, it shall be considered an “instrument that no longer qualifies as Additional Tier 1 or Tier 2 capital” and shall be subject to the transitional arrangements set forth in this directive from January 1, 2014, and thereafter.

Appendix 1 includes a flowchart that demonstrates the implementation of the transitional provisions for capital instruments that do not qualify as regulatory capital.

Revisions

Circular No. 06	Version	Details	Date
2386	1	Original circular	May 30, 2013
2451	2	Revision	January 7, 2015
2635	3	Revision	December 1, 2020

Appendix 1: Flowchart Demonstrating the Implementation of the Transitional Provisions for Capital Instruments that do not Qualify as Regulatory Capital



* Non-viability relates to the criteria that were set in Appendix E to Proper Conduct of Banking Business 202

** Criterion 11 to Appendix C and Criterion 9 to Appendix D.

Bank Leumi le-Israel B.M.

Date: November 15, 2022

Summary of Terms and Conditions of the Issuance

Following on Draft No. 1 of the Deed of Trust for Subordinated Bonds (Series 406) (hereinafter - the “**Subordinated Bonds**”) published by Bank Leumi le-Israel B.M. (hereinafter - the “**Bank**” or the “**Company**”) in an immediate report dated November 15, 2022 (hereinafter - the “**Deed of Trust**”), below is a summary of the terms and conditions of the offer.

General

- a. The offering of the Subordinated Bonds by the Bank will be carried out, if carried out, based on a Shelf Offering Report that the Bank will publish pursuant to the Bank’s Shelf Prospectus. It should be emphasized that changes may occur in the wording of the Deed of Trust and that the binding wording will be the final wording of the Deed of Trust, which will be attached as stated to the Shelf Offering Report.
- b. It should be emphasized that, as of the date of this document, there is no certainty regarding the issuance, its timing, its scope and its final terms and conditions, which are subject, among other things, to obtaining all approvals required by law, including the decision of the Bank's Board of Directors and Tel Aviv Stock Exchange Ltd. (hereinafter - the “**Stock Exchange**”) for listing the Subordinated Bonds for trading, as well as for appropriate market conditions. Nothing in this document shall be deemed an offering to the public and/or an invitation to purchase the Bank's securities.
- c. This document summarizes in general terms only some of the terms of the offering documents for the Subordinated Bonds. It is not complete and is not an alternative for a full reading of the binding documents.
- d. To the extent that there is a conflict between the wording of the provisions of the Deed of Trust and this document, the provisions of the Deed of Trust shall prevail.
- e. In this document, the “**Circular**” refers to the Institutional Investors Circular 2010-9-3 concerning provisions for investments by institutional investors in non-government bonds (in its most up to date versions, and including clarifications provided).

<p><u>Principal loss absorption mechanism by way of forced conversion into Bank shares:</u></p>
--

The terms of the Subordinated Bonds include a principal loss absorption mechanism, whereby under certain circumstances, which the Bank is not necessarily able to predict and/or are not necessarily under its control, the Subordinated Bonds will be converted into ordinary Bank shares, based on a pre-determined conversion formula that includes a floor price, without giving bond holders a right of choice (hereinafter - the “**Conversion Mechanism**”).

Upon conversion of the Subordinated Bonds into Bank shares (if any), the holders of the Subordinated Bonds will no longer be considered as holders of the Bank’s bonds (as the term “bondholder” is defined in the Securities Law), but rather as shareholders of the Bank for all intents and purposes.

Status of Certificate of the Subordinated Bonds

- The Subordinated Bonds are secured by collaterals.

Summary details of the collateral:

_____.

In the Company's case, the order of “seniority” between the series is as follows:

- The Subordinated Bonds include provisions conferring upon them seniority in relation to other series of Company’s bonds:

Seniority in respect of: _____.

Summary terms of seniority:

_____.

- The Subordinated Bonds include provisions making them subordinate to other series of Company’s bonds.

Summary of subordination provisions: The rights of the holders of the Subordinated Bonds to the payment of principal and interest, as well as the other rights and claims arising from the Subordinated Bonds, including rights to receive compensation in respect of a breach of the terms and conditions of the Subordinated Bonds by the Bank, will be subordinate to the claims of all other creditors of the Bank of any kind, including the public’s deposits which are deposited with the Bank from time to time, both those existing on the date of the Subordinated Bonds’ issuance and those that will exist in the future, whether collateralized or not collateralized, except for the rights of other creditors of the Bank in respect of which it will be expressly determined (in accordance with the law or by some other means) that these will have equal seniority as that of the

Subordinated Bonds or will be subordinate to them. For this purpose, it is clarified that (a) The Subordinated Bonds (Series 406) will have seniority equal or superior to that of any debt, bonds or capital notes that were issued and/or will be issued by the Bank in the future and recognized as Tier 2 capital, as this term is defined in PCB 202;¹ and (b) The Subordinated Bonds (Series 406) are subordinate to the Bank's other capital notes and bonds of the Bank, which have been issued in the past and/or that will be issued in the future, notwithstanding any provision to the contrary that has been set out in their terms and conditions, should such provisions exist.

It is clarified that the seniority of the Subordinated Bonds (Series 406) will be of significance only in the event that the Subordinated Bonds have not been converted into Bank's shares in accordance with the terms of the conversion mechanism outlined in the Deed of Trust.

- The Subordinated Bonds are unsecured, and their terms do not include provisions creating a rank of “seniority” between series.

Listing for trading

- There is an explicit stipulation in respect of listing the Subordinated Bonds for trading on Stock Exchange or on the TACT Institutional system operated by the Stock Exchange (hereinafter - the “**TACT Institutionals**”). [Section 2.3 to the Deed of Trust]

Limitations on “dilution”

- There are limitations on taking on additional financial debt:

_____.

- There is an undertaking not to create liens (negative lien):

_____.

¹ The Subordinated Bonds (Series 406) have the same seniority as that of the Subordinated Bonds (Series 401) of the Bank, at a par value of NIS 614 million, whose repayment date is in 2028, Subordinated Bonds (Series 402) of the Bank, at a par value of NIS 209 million, whose repayment date is in 2033, Subordinated Bonds (Series 403), at a par value of NIS 1,441 million, whose repayment date is in 2030 and Subordinated Bonds (Series 404) of the Bank, at a par value of NIS 1,240 million, whose repayment date is in 2029, Subordinated Bonds (Series 405) of the Bank - at a par value of NIS 1,404 million, whose repayment date is in 2033, and Subordinated Bonds (2031 TACT Institutional) of the Bank, at a par value of USD 750 million, whose repayment date is in 2031.

Financial covenants

- There are undertakings for compliance with financial covenants:

Limitations on a “distribution”

- There is an explicit stipulation if limitations exist on the Company to distribute a dividend or buy back shares. [Section 15.8 to the Deed of Trust]
- There are limitations on a “distribution”:
- Existence of limitations on the repayment of shareholder loans:

_____.

Limitations on “transactions with controlling shareholders”

- Existence of limitations on “transactions with controlling shareholders”:

_____.

Structural change

- Existence of limitations on change of control:
- _____.
- Restrictions are in place regarding M&A transactions:

_____.

Rating

- The Subordinated Bonds shall be rated by a rating agency. The initial rating report has not yet been published.
- There is an undertaking to maintain the rating process. Comments: The Bank undertakes that to the extent that this will be under its control, the Bank will take reasonable measures to ensure that the Subordinated Bonds shall be rated throughout their lives. [Section 15.9 to the Deed of Trust]
- Provisions are in place to adjust the terms of the Subordinated Bonds in the event of a rating downgrade: _____.
- There is an explicit stipulation if the Company is obliged not to change a rating company and if it did change, if it is obliged to publicize the reasons for the change. The Bank does not guarantee that it will not replace a Rating Agency throughout the life of the Subordinated Bonds. Where the Bank replaces the rating agency or terminates its work, including where there is more than one rating agency, the Bank shall publish an immediate report in which it will list the reasons for replacing such an agency or for the termination of its work, as the case may be. [Section 15.9 to the Deed of Trust]

Grounds for immediate repayment

The Subordinated Bonds constitute an equity instrument issued by a bank, as set out in the Third Addendum A1 to the Securities Law, and therefore, the grounds for calling an immediate repayment set in Section 3511 of the Securities Law do not apply thereto. The right to demand immediate repayment of the Subordinated Bonds is restricted only to cases where a permanent liquidator is appointed for the Bank, or an order is granted by a competent court for the liquidation of the Bank and the aforesaid appointment or order is not revoked within 30 (thirty) days from the day on which it was issued, subject to approval of the Banking Supervision Department. It is clarified that the right to call for immediate repayment of the Subordinated Bonds as stated above shall only apply in the event that the Subordinated Bonds have not been converted into the Bank's shares in accordance with the terms and conditions of the Subordinated Bonds.

Grounds	Yes (section no.) / No	Comments
Non-payment	<u>N/A</u>	
Fundamental breach or breach of material undertakings	<u>N/A</u>	
Incorrectness of representations	<u>N/A</u>	
Breach of specific undertakings - limitations on raising additional debt including limitations on extension of series	<u>N/A</u>	
Breach of a specific obligation - failure to provide liens (negative liens)	<u>N/A</u>	
Breach of specific undertaking - limitations on a distribution	<u>N/A</u>	
Breach of specific commitment - limitations on transactions with controlling shareholders	<u>N/A</u>	
Breach of specific undertaking - non-publication of financial	<u>N/A</u>	

statements at required date		
Breach of specific undertaking - financial covenants	<u>N/A</u>	
Liquidation, permanent, final liquidation order	<u>Yes</u> [Section 7.1 to the Deed of Trust]	A corrective period of 30 days is provided. The Trustee and/or the holders of the Subordinated Bonds may only demand immediate repayment of the Subordinated Bonds after obtaining advance written approval from the Banking Supervision Department. [Section 2.7 to the Deed of Trust]
Temporary liquidation order, appointment of a temporary liquidator or any other similar legal ruling	<u>N/A</u>	
Placement of an attachment or carrying out an execution office order	<u>N/A</u>	
Petition for a receiver or appointment of a temporary receiver, order for appointment of permanent receiver	<u>N/A</u>	
Application for stay of proceedings order, stay of proceedings order, application of the Company for a compromise or a settlement with its creditors under Section 350 of the Companies Law.	<u>N/A</u>	
If the Company ceases or announces its intention to cease to manage its affairs or announces its intention to cease its payments	<u>N/A</u>	
Substantially all assets of the Company have been sold	<u>N/A</u>	
The Company's affairs have been materially adversely affected and there is a real risk that Company will not be able	<u>N/A</u>	

to repay its debts to the Subordinated Bonds Holders		
A real risk that the Company will not meet its material obligations towards the Subordinated Bonds Holders	<u>N/A</u>	
Suspension or delisting from the Stock Exchange	<u>N/A</u>	
Cross Default/Cross Acceleration: Cross default (in cases of non-payment of other debts or cases of immediate repayment due to other debts)	<u>N/A</u>	
Discontinuation of rating	<u>N/A</u>	
Rating downgrade	<u>N/A</u>	
Change of Control	<u>N/A</u>	
Breach of undertakings in respect of structural changes, mergers and acquisitions	<u>N/A</u>	

Emergency Committee

- There are provisions for the appointment of an Emergency Committee.
Comments:

_____.

Applicable law and jurisdiction

- The applicable law is: the Israeli law. [Section 36.1 to the Deed of Trust]
 Jurisdiction has been determined: the competent court in Tel Aviv-Yafo.
[Section 36.2 to the Deed of Trust]

Linkage of the Subordinated Bonds

The principal and interest of the Subordinated Bonds shall be linked to the Basic Index (the CPI published on November [], 2022, in respect of October 2022, as follows: If it transpires on the date of any payment of principal or interest, as the case may be, that the Payment Index has increased or decreased compared to the Basic Index, the Bank will increase or decrease the payment of principal or interest, proportionately to the rate of increase or decrease of the Payment Index over the

Basic Index. It should be noted that pursuant to the Stock Exchanges' guidelines, the linkage method of the principal and interest shall not change throughout the life of the Subordinated Bonds.

Bank Leumi le-Israel B.M.