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Public

Translation of Immediate Report

Bank Leumi le-Israel B.M.

Registration No. 520018078
Securities of the Corporation are listed on The Tel Aviv Stock Exchange
Abbreviated Name: Leumi
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27 December 2015
Reference: 2015-01-190077

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

Immediate Report

Nature of Event: Possible Issue

See the attached annex.

Date and time at which the corporation first became aware of the matter being the subject of the report: 27 December 2015 Time: 19:50.

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.magna.isa.gov.il/>

Name of Electronic Reporter: David Raoul Sackstein, Position: Advocate, General Secretary
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27 December 2015

To

Tel Aviv Stock Exchange
Ahuzat Bayit Street 2
Tel Aviv 6525216

To

Israel Securities Authority
Kanfei Nesharim Street 22
Jerusalem 95464

Dear Sir or Madam:

Re: Possible Issue of Subordinated Notes

Bank Leumi Le-Israel Ltd. ("the Bank") is pleased to report the following:

1. Pursuant to the immediate reports dated 6 December 2015 regarding a possible issue of deferred debt notes (Reference No.:2015-01-173499) and a deferred debt notes rating report (Reference No.:2015-01-173457), in which it was stated that the Bank was investigating the possibility of making a public offering by the Bank of deferred debt notes which included a mechanism for having the principal absorb losses through the forced conversion of the notes into ordinary shares of the Bank, in accordance with the provisions of the Proper Banking Conduct Directive 202 (hereafter: "the Deferred Debt Notes"), and their listing for trading on the Tel Aviv Stock Exchange Ltd. (hereafter: "the Stock Exchange") - attached hereto is a corrected draft of the trust deed for the Deferred Debt Notes series. It is noted that the attached text of the deed is only a draft, and that the binding text of the issue documents will be a text that includes the **shelf offering report, if one is published**.
2. The Bank's offering of the Deferred Debt Notes will be carried out, if it is carried out, pursuant to a shelf offering report to be published by the Bank pursuant to the Bank's Shelf Prospectus dated 28 May 2015 (hereafter: "the Prospectus").
3. It is further noted that neither the execution of the offering, its structure, scope, terms nor timing have been established and they are all subject to the Bank's discretion.
4. Nothing in this report will constitute any type of undertaking whatsoever on the part of the Bank to carry out the offering of Deferred Debt Notes.
5. The publication of the shelf offering report and the execution of the offering of the Deferred Debt Notes, if they do occur, including the structure of the offering, its timing and its scope, will all be subject to the receipt of all the approvals required by law, including a resolution passed by the Bank's board of directors, the approval of the Israel Securities Authority, the approval of the Supervisor of Banks, and approval from the Stock Exchange for the listing of the subordinated notes for trading, and to appropriate market conditions. It is clarified that none of the above-mentioned approvals have yet been obtained.

6. Nothing in this report constitutes a public offering and/or an invitation to purchase the Bank's securities.

Very sincerely,

Ron Fainaro, Head of the Finance Division

Hanan Friedman, Legal Adviser

Bank Leumi Le Israel B.M.
Trust Deed for the Deferred debt notes (Series 400)

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Bank Leumi Le Israel B.M.
Trust Deed for the Deferred debt notes (Series 400)

Which was prepared and executed in Tel-Aviv-Jaffa on the ___ day of January 2016

Between

Bank Leumi Le Israel B.M. Public company 52-001807-8
Of 34 Yehuda Ha'Levi Street, Tel-Aviv 6513616
(Hereinafter: "**the Bank**")

On the one hand;

And between

Mishmoret Trust Services Co., Ltd., Menachem Begin Road 48, Tel Aviv, 6618003
(Hereinafter: "**The Trustee**")

On the other hand;

- Whereas:** the Bank published a shelf prospectus on May 28, 2015, as amended, under the force of which the Bank can offer to the public and issue, *inter alia*, a series of deferred debt notes (Series 400), by means of a shelf offer report, in accordance with the provisions of the Securities Law, 5728 – 1968, in accordance with the Stock Exchange Regulations and Directives and subject to the provisions of the law, as they may be from time to time;
- And whereas:** the Trustee declares that it is a company limited by shares that was incorporated in Israel under the Companies Law, 5759 – 1999, and its main objective is to be engaged in trusteeship and in additional activity, which is generally executed by a trust company and that it complies with all of the qualification terms that are required for a trustee for debt notes in accordance with the Securities Law, 5728 – 1968;
- And whereas:** the Bank has approached the Trustee requesting that it serve as a trustee for the holders of the deferred debt notes (Series 400), which may be issued by the Bank under terms that are set forth in this Trust Deed, and the Trustee has agreed to sign on this Trust Deed and to act as Trustee for the holders of the deferred debt notes (Series 400);
- And whereas:** the Trustee declares that there is nothing under any law preventing it from entering into a commitment with the Bank in accordance with this Trust Deed;
- And whereas:** On 6 December 2015, Ma'alot S&P announced that it was awarding a rating of i1AA to the deferred debt notes, in the amount of up to one (1) billion New Israeli Shekels of nominal value issued by the Bank.
- And whereas:** the Bank declares that there is nothing under any law preventing it from entering into a commitment with the Trustee in accordance with this Trust Deed;
- And whereas:** the Trustee has no significant interest in the Bank and the Bank has not personal interest in the Trustee

The parties have therefore agreed, declared and provided as follows:

1. Interpretation and definition

- 1.1 The introduction to this Trust Deed as well as the appendices to it constitute an integral part thereof.
- 1.2 The division of this Trust Deed into sections as well as the giving of headings to the sections has been done for convenience and solely for navigation purposes, and neither the division nor the captions may be used for interpretation purposes.
- 1.3 Each term or expression in this Trust Deed and in the appendices thereto shall have the meaning that is assigned to it in this deed, unless it is explicitly defined otherwise in the relevant appendix.

- 1.4 In every place in this Trust Deed in which the phrase "subject to any law" (or any similar expression) is used, the intention is that the matter is subject to any law which parties may not make conditional, and in any place in this deed where the phrase "despite any law" (or any similar expression) is used, the intention is that the provision applies despite any law except for a law which parties may not make conditional.
- 1.5 All of what is stated in this Trust Deed in the plural also refers to the singular and vice-versa, and all that is stated in the male gender refers to the female gender as well and vice-versa, and all that is stated as a person also means a corporation, and all of the above refers to situations in which there is no contrary explicit or implicit provision in this deed or where the contents or the connection do not require otherwise.
- 1.6 This Trust Deed will enter into effect on the date of the actual allocation of the deferred debt notes by the Bank. It is agreed that in the event that the issue of the deferred debt notes is cancelled for any reason whatsoever, this Trust Deed will be fundamentally null and void, without any of the parties who have signed the Deed having any claim whatsoever against the other.
- 1.7 In this Trust Deed and in the deferred debt notes, the following expressions shall have the meanings that appear alongside them, unless the context or content indicates otherwise, or unless it is explicitly stated otherwise in this deed:

- The prospectus or the shelf prospectus** - The Bank's shelf prospectus, dated 28 May 2015, as amended or as it may be amended from time to time.
- The deferred debt notes or the debt notes** - Deferred debt notes (Series 400), which are registered nominally and which may be issued by the Bank under the terms that are detailed in this deed;
- A Deferred Debt Notes certificate** - A deferred debt notes certificate, the wording of which appears in the First Supplement to this deed, including the terms on the reverse side, which are attached to the certificate;
- A holder of Deferred Debt Notes** - Each of the following: (1) Anyone for whose benefit the deferred debt notes are registered with a stock exchange member, if such deferred debt notes are included among the deferred debt notes registered in the register of the nominee company (hereafter: "an **Unregistered Holder**"); (2) anyone in whose name the deferred debt notes are registered in the register of the deferred debt notes, other than the nominee company (hereafter: "a **Registered Holder**").
- The Trustee** - Mishmoret Trust Services Co., Ltd., or any trustee who may come in its place in accordance with the terms of the Trust Deed for the deferred debt notes and in accordance with the provisions of any relevant law;
- Register** - A register of the holders of the deferred debt notes, as described in Section 26 of this deed;
- This deed or The Trust Deed** - This Trust Deed, including the additions that are attached to it and which constitute an integral part of it;
- The Securities Law** - The Securities Law, 5728 – 1968, and the Regulations that have been promulgated pursuant to that Law, as such may be worded from time to time;
- The Stock Exchange** - The Tel-Aviv Stock Exchange Ltd.;
- The principal of the deferred debt notes** - The total nominal value of the deferred debt notes in circulation;
- Business day** - Any day on which the banks in Israel are open for the execution of transactions;

Trading day	- Any day on which trading is held on the Tel-Aviv Stock Exchange;
Nominee company	The Bank Leumi le-Israel Ltd.'s nominee company, or any other nominee company that replaces it in accordance with the Bank's exclusive discretion, and subject to any relevant law.
Special resolution	- A resolution that has been passed at a meeting of the holders of the Deferred Debt Notes, at which there were present, by themselves or by proxy, the holders of at least fifty percent (50%) of the balance of the nominal value of the deferred debt notes that are in circulation at the time set for the meeting, or at a deferred meeting of that meeting, at which there were present, by themselves or by proxy, the holders of at least twenty percent (20%) of the said balance, and which has been passed (whether at the original meeting and whether at the deferred meeting) by a majority of the holders of at least two-thirds of the nominal value of the deferred debt notes that are represented in the voting, excluding abstainers.
Resolution or Regular Resolution	A resolution that has been passed at a general meeting of the holders of the Deferred Debt Notes, at which there were present, by themselves or by proxy, the holders of at least twenty-five percent (25%) of the balance of the nominal value of the deferred debt notes that are in circulation at the time set for the meeting, or at a deferred meeting of that meeting, at which there were present, by themselves or by proxy, or at a deferred meeting of that meeting, at which there were present, by themselves or by proxy, the holders of at least 5% of the said balance, and which has been passed (whether at the original meeting and whether at the deferred meeting) by a majority of the holders of at least 50% of the nominal value of the deferred debt notes that are represented in the voting, excluding abstainers.
The Supervisor	- The Supervisor of Banks in the Bank of Israel;
Directive 202 or Directive 299	- Directive No. 202 or No. 299 (as relevant) of the Proper Conduct of Banking Business Directives, published by the Supervisor of Banks at the Bank of Israel.

1.7 The following appendices are attached to this deed, and form an integral part thereof:

- A. The First Supplement-** The wording of the subordinated note certificate, and the conditions that are on the reverse side thereof;
- B. The Second Supplement-** Provisions regarding meetings of the holders of the deferred debt notes;
- C. Appendix A –** The text of Proper Conduct of Banking Business Directive 202, effective as at the time of the signing of this deed.
- D. Appendix B –** The text of Proper Conduct of Banking Business Directive 299, effective as at the time of the signing of this deed.

2. The issuance of the deferred debt notes

- 2.1 The Bank shall be entitled to issue a series of up to NIS six (6) billion nominal value of deferred debt notes (Series 400) in accordance with this Trust Deed.
- 2.2 The terms of the deferred debt notes shall be as described in the subordinated note certificates and in the terms that are on the reverse side, which are attached to this deed.
- 2.3 The trust for the holders of the deferred debt notes and the roles of the Trustee in accordance with the terms of this deed shall enter into force at the time of the allocation of the deferred debt notes by the Bank.

- 2.4 Subject to all of the conditions for being listed for trading on the Stock Exchange, the deferred debt notes will be listed for trading on the Stock Exchange upon the completion of the issue.

3. The appointment of the Trustee, its rights and duties

- 3.1 The Bank hereby appoints Mishmoret Trust Services Co., Ltd. to serve as Trustee for the holders of the deferred debt notes, in accordance with Section 35B of the Securities Law (hereinafter: "**the first trustee**"). The first trustee shall serve in this position until the time of the convening of the meeting of the holders that will be convened by the first trustee no later than 14 days from the time of the presentation of the second annual report on the affairs of the trust, pursuant to Section 35H1(a) of the Securities Law (hereinafter: "**the first meeting regarding appointments**"). If the first meeting regarding appointments approves the continuation of the period of office of the first trustee by a regular majority, it will continue to hold office as Trustee until the end of the period of the additional appointment which has been determined in the resolution of the first meeting regarding appointments (which may last until the time of the final repayment of the deferred debt notes).
- 3.2 If the first meeting regarding appointments and/or any meeting that follows it has established an end-date for the additional period of appointment of the Trustee, the period of its appointment will end in accordance with the resolution of the holders regarding the continuation of its term of office and/or regarding the appointment of a different trustee in its place.
- 3.3 If the Trustee is replaced by another trustee, the other trustee shall be a trustee for the holders of the deferred debt notes pursuant to the provisions of Chapter E1 of the Securities Law, including for the holders entitled to payments pursuant to the debt notes, which have not been paid even after the time at which they are due for payment has passed.
- 3.4 The Trustee's duties, its authorities and the manner in which its function will be carried out shall all be in accordance with this deed and subject to the provisions of any law.

4. The Bank's commitments and declarations

- 4.1 The Bank undertakes vis-à-vis the Trustee, as Trustee for the holders of the debt notes, to pay all of the amounts of the principal and of interest that are to be paid in accordance with the terms of the debt notes, and to fulfill all of the conditions and the other commitments that are imposed on it pursuant to the deferred debt notes and this deed.
- 4.2 The commitment entered into in this Trust Deed has been approved by the Bank as required by law and in accordance with its incorporation documents, and in accordance with the Supervision of Banks Department's directives.
- 4.3 The Bank has not entered into any other agreement nor has it made any other commitment whatsoever which contradicts the Bank's commitments pursuant to this Deed.
- 4.4 At the time of this deed, no motion for the appointment of a receiver and/or a liquidator has been filed against the Bank and/or by it, and no order has been issued in these matters, and to the best of the Bank's knowledge, no motion for such an appointment or order is about to be presented.
- 4.5 The Bank's issued and registered share capital, as of the time of the signing of this Deed, is as specified in the Bank's Immediate Report dated 8 November 2015 (Reference No. 2015-01-150285).

5. The absence of collateral for the deferred debt notes; the repayment rights of the deferred debt notes; the issuance of additional deferred debt notes; the issuance of additional series

- 5.1 The deferred debt notes are not secured by collateral and/or any security whatsoever.
- 5.2 The rights of the holders of the deferred debt notes for the payment of principal and interest, as well as all of the rights and the other claims that derive from the debentures, including the rights to receive compensation in respect of a breach of the debentures by the Bank, shall all be subordinate to claims of the other creditors of the Bank of any sort whatsoever, including deposits by the public, which may be deposited in the Bank from time to time, whether they exist at the time of the issuance of the debenture and come to exist in the future, whether collateralized or not collateralized, other than those rights of the Bank's other creditors, in respect of which it may be determined explicitly (in accordance with the law or in some other manner), that there is a repayment level that is equal to that of the deferred debt notes or inferior to it. It is clarified on this matter that (A) the deferred debt notes (Series 400) are of an equal repayment ranking (*paripassu*) to the repayment ranking of the Bank's subordinated capital notes that were issued in the past and which have been recognized by the Supervisor of Banks as Upper Secondary

Capital;¹ and (B) the deferred debt notes (Series 400) are equally ranked or preferred to any debt, notes or capital notes that the Bank issues in the future and are recognized by the Commissioner as Tier 2 Capital as that term is defined in Directive 202, if any such are issued; and (c) the deferred debt notes (Series 400) are subordinated to the Bank's other debt certificates and debentures of the Bank, which have been issued in the past, and this is despite any contradictory provision that has been set in their terms, if such provisions exist.

- 5.3 The deferred debt notes shall be of an equal repayment ranking amongst themselves (*paripassu*) and between them and all of the Bank's other deferred debt notes or other debts of the Bank, for which an equal repayment ranking is determined that is equal to that of the deferred debt notes, without a right of seniority or preference of one over the other.
- 5.4 The Bank shall be entitled to charge or transfer its property and to execute transactions as it may see fit without any restriction as to the amount or otherwise.
- 5.5 The Bank retains for itself the right to make additional commitments of any sort whatsoever, at any time, as the Bank may see fit, including commitments whose repayment ranking is preferential and/or equal and/or inferior to that of the deferred debt notes, and all this without the need to receive approval from the Trustee and/or from the holders of the debentures.
- 5.6 To remove doubt, it is clarified that the Trustee is not obligated to examine, and in actuality, the Trustee has not examined, the need to provide collateral to secure the payments to the subordinated note holders, and it has not carried out any financial, accountant or legal due diligence regarding the Bank's business condition. In entering into this Trust Deed, and by agreeing to serve as a trustee for the subordinated note holders, the Trustee does not offer an opinion, either expressly or implicitly, regarding the Bank's ability to carry out its commitments to the holders of the deferred debt notes. Nothing in the above will detract from the Trustee's obligations by law and/or pursuant to the Trust Deed, and it does not detract from the Trustee's duty (to the extent such a duty is imposed on the Trustee by any relevant law) to examine the impact of any changes at the Bank from the date of the issuance of the deferred debt notes and onward, if such changes do have any negative impact on the Bank's ability to satisfy its commitments to the holders of the deferred debt notes. It is also clarified that the Trustee's signature of the Trust Deed does not constitute any expression of an opinion on its part regarding the nature of the debentures or the advisability of an investment in them.
- 5.7 Without detracting from the generality of the aforesaid, subject to the provisions of any law, the Bank retains for itself the right to issue additional series of deferred debt notes, hybrid capital instruments, bonds, deferred capital notes and/or other financial instruments (hereafter: "Additional Series"), at any time, under terms that the Bank may see fit (whether in a private offering, a public offering or in any other form), in respect of which a preferential and/or equal and/or inferior repayment ranking than that of the deferred debt notes (Series 400) may be set, and also to expand each of the Additional Series from time to time, and all of this without need to receive approval from the Trustee and/or from the holders of the deferred debt notes.
- 5.8 Furthermore, and in addition to the aforesaid, the Bank reserves for itself the right, subject to the provisions of any law, without need to receive approval from the Trustee and/or from the holders of the deferred debt notes, to expand the series of deferred debt notes (Series 400) at any time, and to offer additional deferred debt notes from Series 400 (hereinafter: "**the additional deferred debt notes**") in a private offering or in private offerings or in public offerings to pursuant to a prospectus or prospectuses, as the case may be, and in accordance with its own judgment. The Trustee also undertakes to serve as Trustee for the holders of the additional deferred debt notes, if they are issued as aforesaid, and all of the provisions that apply to the deferred debt notes shall also apply to the additional deferred debt notes, which may be issued as aforesaid. The Bank retains for itself the right to issue the additional deferred debt notes at their nominal value, at a premium or at a discount, in accordance with its own judgment. The deferred debt notes (Series 400) which may be in circulation and the additional deferred debt notes (Series 400), which may be issued (if any), as aforesaid, shall be one series for all intents and purposes. The provisions of the Trust Deed shall also apply to the additional deferred debt notes that may be issued as aforesaid. In order to remove any doubt, it is clarified that the holders of the additional

¹ This includes: (A) negotiable? deferred capital notes (Series 200 and 201) with a nominal value of approximately NIS 2.3 billion whose repayment date is in 2060; (B) non-negotiable deferred capital notes with a nominal value of NIS 0.4 billion whose repayment date is in 2101; (C) non-negotiable deferred capital notes with a nominal value of NIS 1.0 billion, whose repayment date is in 2058; and (D) negotiable deferred capital notes with a nominal value of approximately NIS 2 billion, whose repayment date is in 2059. For additional details, see Section 1.4 of the Bank's shelf prospectus dated May 28, 2015. It is clarified that the repayment ranking of the deferred debt notes will be of significance only in the event that the deferred debt notes have not been converted into Bank's shares in accordance with the terms that are set forth in this deed.

deferred debt notes will not be entitled to interest in respect of interest periods that have ended before the time that they are issued.

6. Approval from the Supervisor of Banks

The Bank has approached the Supervisor of Banks and requested that the deferred debt notes (Series 400), which may be issued by the Bank be recognized as being part of the Bank's Tier 2 capital, within the meaning of that term in Directive 202. For details regarding the criteria for the inclusion of equity instruments in the Tier 2 capital of a banking corporation in accordance with Directive 202, see Appendix A to this deed.

It should be clarified that the recognition of the Bank's commitments pursuant to the deferred debt notes by the Supervisor of Banks as being part of the Bank's Tier 2 capital, or their recognition by the Supervisor of Banks as capital of another sort, or their non-recognition or the cessation of their recognition as aforesaid, will not affect in any way whatsoever the terms of the deferred debt notes, or the rights that accompany them, and tat subject to the provisions of any law, the provisions of this deed, and in particular Section 5.2 above, shall apply for the purposes of their repayment ranking.

It will not be possible to make these deferred debt notes immediately repayable, and it will not be possible to make any compromise and/or change in the terms of the deferred debt notes, including regarding matters that relate to the conversion and the repayment of the deferred debt notes, without such action being subject to the receipt of approval in advance from the Supervisor.

7. The right to make the deferred debt notes immediately repayable

7.1 The right to make the deferred debt notes immediately repayable will arise solely and exclusively in a situation in which a permanent liquidator is appointed for the Bank or an order is issued for the liquidation of the Bank by an authorized court, and such an appointment or order is not cancelled within 30 days from the day on which it was issued. It should be clarified that the Trustee or the holders, through the passage of a regular resolution, may make the deferred debt notes immediately repayable if one of the grounds that are set forth above are met, but only after a period of 30 days has passed, and provided that the ground for the making of the notes immediately repayable has not been removed by that time. It is also clarified that the right to make the deferred debt notes immediately repayable as aforesaid shall only apply in the event that the deferred debt notes have not been converted into shares of the Bank, in accordance with the terms that are set forth in this deed.

7.2 Without detracting from the other terms that are set forth in the Trust Deed for the purpose of making the deferred debt notes immediately repayable, the Trustee and/or the holders will not be entitled to make the deferred debt notes immediately repayable without the receipt of the approval in advance and in writing of the Supervisor of Banks.

7.3 The deferred debt notes constitute an equity instrument that has been issued by a banking corporation, as stated in the Schedule 3- A1 to the Securities Law, and the provisions of Section 3511 of the Securities Law therefore do not apply them.

8. Claims and proceedings that may be brought by the Trustee

8.1 Without detracting from any other provision, the Trustee -after at least 7 days additional notice has been given in writing to the Bank- may institute such legal proceedings as it may see fit in order to realize the rights of the holders of the deferred debt notes or to protect those rights or in order to enforce the performance of any other commitment of the Bank, in accordance with its judgment; the Trustee will be required to do so if a resolution to such effect that is passed at a meeting of the holders of the deferred debt notes that are in circulation. Despite the aforesaid, the Trustee has the right to shorten the indicated timing if the Trustee is of the opinion that any delay in the making of the Bank's debt repayable endangers the rights of the holders of the deferred debt notes. The Trustee will be entitled to initiate legal proceedings and/or other proceedings even if the deferred debt notes have not been made immediately repayable - all in order to protect the rights of the holders of the deferred debt notes and subject to any law.

8.2 To avoid any doubt, it is clarified that nothing in any of the provisions that are set forth in this Section 8 will impair and/or detract from the Trustee's right that is hereby granted to the Trustee, to approach the appropriate Court with an application for the receipt of instructions and on any matter that is connected to and/or which derives from this deed and/or the performance of the trusteeship pursuant to this deed, at any time, and even if the deferred debt notes have not yet been made immediately repayable. The Trustee may make such application, in accordance with its exclusive judgment and without any need to give notification to the Bank.

8.3 The Trustee is entitled, but not bound, to call a general meeting of the holders of the deferred debt notes at any time, in order to discuss and/or to receive its instructions on any matter that relates to the Trust Deed, and the Trustee is entitled to re-convene such a meeting.

8.4 The Trustee is entitled, in accordance with its exclusive judgment, to delay the performance of any of its actions in accordance with the Trust Deed, for the purpose of referring to a meeting of the holders of the deferred debt notes and/or the Court, until the Trustee receives instructions from a meeting of the holders of the deferred debt notes and/or directions from the Court as to how to act, provided that such delay does not harm the holders of the deferred debt notes. Despite the aforesaid, the Trustee is not entitled to delay proceedings for the making of the notes immediately repayable, which a general meeting of the holders of the deferred debt notes has decided upon. It should be clarified that in circumstances in which urgent action is required on the part of the Trustee, the avoidance of the taking of which prior to the convening of meeting of the holders of the deferred debt notes by the Trustee would cause damage and/or a significant loss to the holders of the deferred debt notes, the Trustee will not be entitled to avoid taking such urgent action until the meeting of the holders of the deferred debt notes. To remove any doubt, nothing in the aforesaid will confer upon the Trustee or upon the holders the right to delay the conversion of the deferred debt notes into Bank's shares in accordance with the provisions that are set forth on this matter in the First Supplement.

9. Trusteeship regarding the receipts

9.1 All of the receipts that may be received by the Trustee as the result of proceedings that the Trustee initiates, if the Trustee does initiate any proceedings, against the Bank, will be held by the Trustee in trust, and the Trustee will use such receipts for the following objectives and in accordance with the following order of priorities: first – to pay for the expenses, the payments, the levies and the commitments that have been incurred by the Trustee or levied upon the Trustee or which were caused because of or as a result of activity involved in the execution of the trust or in some other manner in connection with the terms of the Trust Deed, including the Trustee's fees. And this is after the Trustee shall instruct the Bank in writing to transfer to the Trustee any payment that the Bank owes to the Trustee. It should be clarified that if the Bank has been required to bear any of the expenses, including the Trustee's fees, but has not done so, the Trustee must act to receive such amounts from the Bank. If the Trustee succeeds in receiving them, the Trustee must hold such amounts in trust and use them for the objectives and in accordance with the order of priorities set forth in this section, as follows. Nothing in the aforesaid releases the Bank from its duty to bear the payments of the expenses and fees as aforesaid, in those situations in which it is required to bear them in accordance with this deed or in accordance with the law, and the Trustee will continue to act to collect such amounts from the Bank.

The balance will be used, unless it is decided otherwise in a special resolution in a meeting of the holders of the deferred debt notes, for the following objectives and in the following order of preferences: first – for the payment to the holders that have borne payments in accordance with Section 23.4 below; second – in order to pay to the holders of the deferred debt notes the interest that is due to them in accordance with the terms of the deferred debt notes and which is in arrears, *paripassu*, and in proportion to the amount of such interest due to them and which is in arrears, without any preference or preferred right for any of them; third – in order to pay to the holders of the deferred debt notes the interest that is due to them in accordance with the terms of the deferred debt notes; fourth – in order to pay to the holders of the deferred debt notes the amounts of the principal that are due to them in accordance with the deferred debt notes that are held by them, *paripassu*, and proportionately to the amounts that are due to them without any preference in connection with the precedence in the issuance of the deferred debt notes by the Bank or in any other manner, and the surplus, in the event that there may be one, will be paid by the Trustee to the Bank or to its replacement. The payment of the amounts by the Trustee to the holders of the deferred debt notes is subject to the rights of the Bank's other creditors, in accordance with the provisions of the law.

9.2 Notwithstanding the provisions of Section 9.1 above, if the monetary amount that is received as a result of the initiation of the said proceedings, which may be distributable at any time whatsoever, as stated in that Section, is less than NIS one million (hereafter: "the **Minimal Amount**"), the Trustee will not be required to distribute such amount and the Trustee may distribute the said amount or alternatively to invest the said amount, in whole or in part, in any of the investments that are permitted in accordance with the Trust Deed, and to replace those investments from time to time with other permitted investments, all of which the Trustee may do as it sees fit, but the Trustee will, in any event, distribute the rest of the monies that have been deposited with the Trustee in accordance with the provisions of Section 9.1 above, at the earlier of the following times: (1) when the balance of the amount that is deposited with the Trustee is NIS one million or more; (2) at the same time as the first payment of interest or principal to the holders of the deferred debt notes which is paid after the receipt of the monetary amount that is received as a result of the initiation of the said proceedings; (3) shortly after the end of the calendar year that follows the last time at which monies have been received by the Trustee for distribution; (4) when a resolution is adopted at a meeting of the holders of the deferred debt notes with a regular majority requiring that such a payment be made, and this will apply if the convening of such a meeting has been demanded by the holders in accordance with the provisions of the Second Supplement to the Trust Deed, and all of which will be subject to the provisions of the Stock

Exchangerules, the directives issued pursuant to it, and the by-laws of the stock exchange clearinghouse (as relevant), as they may be written from time to time.

Notwithstanding the above, the payment of the Trustee's fees and of the Trustee's reasonable expenses will be paid out of the said funds immediately upon their becoming due (and regarding the expenses that have already been paid by the Trustee, the amounts will be refunded 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 Minimal Amount.

10. Notification of a distribution

The Trustee will notify the holders of the deferred debt notes of the day and the location on which any payment whatsoever will be paid from among the payments that are mentioned in Section 9 above, and this notice will be given 14 days in advance, and delivered in the manner established in Section 24 below. After the date set in the notification, the holders of the deferred debt notes will be entitled to interest in respect of such notes in accordance with the rate that is set in the deferred debt notes, only with respect to the balance of the principal (if there is any such balance) after the deduction of the amount that has been paid or which the payment to them has been proposed as aforesaid.

11. The avoidance of payment in circumstances that are not dependent on the Bank

11.1 Any amount whatsoever that is due to the holders of the deferred debt notes and which has not actually been paid at the time set for payment, due to a reason that is not dependent on the Bank and in a situation in which the Bank is ready to make such payment, shall cease to bear interest from the time that has been set for its payment, and the holders of the deferred debt notes will only be entitled to those amounts that they were entitled to at the time set for the settlement of that payment on account of the principal or the interest, and without the addition of any linkage differentials whatsoever.

11.2 If the said amount has not been paid within 14 days from the time set for the payment, the Bank will deposit the amount in the hands of the Trustee, and such a deposit will be deemed to be the discharge of that payment, and in the case of the discharge of all that is due in respect of the deferred debt notes, such deposit will also be deemed to be the redemption of that security.

11.3 Any monies that the Bank transfers to the Trustee as described in paragraph 11.2 above will be invested by the Trustee, in its name or to its order, in securities that are issued by the State of Israel or in any other securities in which, pursuant to the laws of the State of Israel, it is permitted to invest trust monies; all such investments will be made as the Trustee sees fit, and subject to the provisions of any relevant law and subject to the provisions of Section 14 below. If the Trustee makes such investments as stated, it will not owe any of the entitled parties in respect of those amounts other than the consideration that is received from the realization of such investments, less the reasonable expenses connected to the said investment, including expenses incurred with respect to the maintenance of a trust account, if such an account is opened, and any reasonable commissions, and less any compulsory payments applicable to the trust account.

11.5 The Trustee will transfer to each holder of the deferred debt notes for whom amounts and/or monies that are due to the holders of the deferred debt notes have been deposited with the Trustee, out of the monies that have been deposited, as stated above, those amounts that are due to such holders, after deducting all reasonable expenses and compulsory payments applicable the trust account in which the Trustee has deposited the monies as stated, and this will be done against the presentation of such proof as may be demanded by the Trustee, to its complete satisfaction, regarding the right of each holder to receive the monies.

11.6 If the repayment time or the time that is denoted for any payment of principal and/or interest falls on a day which is not a business day, the set time for that payment will be deferred until the business day that comes immediately after it, without the addition of any interest whatsoever.

11.7 Any required payment will be deducted from any payment made in respect of the deferred debt notes, if such is required by law.

12. Receipts as proof

12.1 A receipt that has been signed by any individual registered holder of the deferred debt notes, from among the joint holders of the deferred debt notes, or a proof from a stock exchange member regarding the execution of the transfer through the stock exchange clearinghouse (if a holder is not registered), concerning the amounts of the principal and the interest that have been paid to it by the Bank and/or the Trustee with respect to the deferred debt notes, shall constitute proof of the full discharge of any payment that has been made by the Bank and/or the Trustee in respect of the deferred debt notes; such receipt or proof will fully release the Bank and/or the Trustee (as the case may be) regarding all matters that are connected to the payment of the amounts that are denoted in the receipt.

- 12.2 A receipt from the Trustee regarding the depositing of amounts of the principal and the interest with the Trustee to the credit of the holders of the deferred debt notes, as stated in Section 11 above, shall be deemed to be a receipt from the holder of the deferred debt notes for the purpose of in the provisions of Section 12.1 above.

13. The presentation of the deferred debt notes to the Trustee and recordation in connection with a partial payment

- 13.1 The Trustee may demand that a registered holder present to it, at the time of any payment whatsoever made according to the terms of the debt notes, the certificates of the debt notes in respect of which the payments are being paid, and such a registered holder must present to the Trustee the debt notes certificates, provided that such requirement will not serve to obligate the holder to make any payment and/or incur any expense, nor will it impose any other responsibility and/or obligation whatsoever on the holder.
- 13.2 The Trustee may record a notice on the debt notes certificate regarding the amounts that have been paid and the date on which they were paid. The Trustee may, in any special situation, at its discretion, waive the presentation of the debt notes certificate, after it has been given a letter of indemnification or guarantee which is to the satisfaction of the Trustee, regarding any damages that may be caused due to the non-recordation of such a notice, all as the Trustee sees fit.
- 13.3 Notwithstanding the above, the Trustee may, at its discretion, maintain records in some other manner, regarding any such partial payments.

14. The investment of monies

All of the monies that the Trustee is entitled to invest in accordance with this deed will be invested in one of the four large banks in Israel, other than Bank Leumi Le-Israel Ltd., in the Trustee's name or in shekel deposits or securities that have been issued by the State of Israel - all such investments to be made as the Trustee may see fit and subject to the provisions of any law. If the Trustee has so invested the monies in this manner, it will not have any indebtedness to the entitled parties in respect of those amounts of monies, other than the consideration that is received from the realization of the investments, less any reasonable expenses related to the said investment and to the management of the trust account, if such an account is opened, and less any reasonable fees, and any compulsory payments that apply to the trust account.

15. The Bank's commitments vis-à-vis the Trustee

The Bank undertakes as follows vis-à-vis the Trustee, as trustee for the holders of the debt notes, for so long as the deferred debt notes are in circulation and for so long as any payment is to be paid in accordance with them.

- 15.1 To continue to manage the Bank's business in an orderly and appropriate manner.
- 15.2 To provide the Trustee with a copy of documents and information that the Bank has provided to the holders of the deferred debt notes, if it provides any such documents and information. The Bank shall also provide 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 by the Trustee to the Bank upon their appointment) additional information regarding the Bank, within a reasonable time following the Trustee's demand, if such information could be crucial and/or required in order to protect the rights of the holders of the deferred debt notes, provided the Trustee has made its request in good faith. Any information that is not in the public domain, which may be passed to the Trustee or to its authorized representative, including an external authorized representative, as described above, shall be held by the Trustee or representative in confidentiality and shall not be passed to another person by them, and they may not make any use of it unless the disclosure of the information or the use thereof is required for the purpose of the fulfillment of their role in accordance with the Securities Law, in accordance with the Trust Deed or in accordance with a Court order, and the external authorized representative for the Trustee must sign on a letter of confidentiality for this purpose, as set forth in Section 22.3 below. It is hereby clarified that the delivery of information by the Trustee to the holders of the deferred debt notes will not be considered to be a breach of the Trustee's commitment to safeguard confidentiality, provided that the Trustee provides only the information that is required in order to protect the rights of the holders of the deferred debt notes. Despite the aforesaid and subject to the provisions of any law that the parties are not permitted to make conditional, the Bank shall not pass information to the Trustee that might impair the stability of the Bank.
- 15.3 To maintain orderly accounting records in accordance with generally accepted accounting principles and in respect of the accounting records that will be maintained as aforesaid, the Bank will maintain the books of account including the documents that serve as documentation for such books (including deeds of encumbrances and mortgages as well as accounts and receipts) and the other documents that are connected to its business, in its offices.

- 15.4 To inform the Trustee in writing, within two trading days of the occurrence of one of the events that are enumerated in Section 7.1 above, excluding the correction period that is mentioned in the said Section 7.1.
- 15.5 To inform the Trustee in writing, within two trading days, regarding any imposition of a lien on a substantial part of the Bank's assets, or regarding the appointment of a receiver for such assets, and to take the reasonable measures required to remove the said lien or asset receivership.
- 15.6 To produce the documents that are enumerated in Section 35J of the Securities Law to the Trustee. It is clarified that for the purpose of fulfilling this provision, the publication of a report on the MAGNA reporting system will be deemed to be the production of such report to the Trustee. The financial statements and the periodic report will be produced to the Trustee by the Bank shortly after their publication.
- 15.7 To deliver a true copy of the original of a certificate of the deferred debt notes to the Trustee, no later than the end of a period of 30 days from the time of the issuance of the deferred debt notes (Series 400), pursuant to the shelf offer report and/or from the time of the expansion of the series of deferred debt notes (Series 400).
- 15.8 To deliver to the Trustee, at its request and no later than within 30 days from the time of the issuance of the debt notes pursuant to this deed, a timetable for the payments (principal and interest) pursuant to the debt notes, in an Excel file.
- 15.9 Directive Number 332 of the Proper Conduct of Banking Business Directives of the Supervisor of Banks places restrictions on a banking corporation regarding the purchase of securities that have been issued by that corporation (the definition of "Securities" that appears in the above-mentioned Directive Number 332 is as follows: "shares in a banking corporation or securities that are convertible into shares of the banking corporation or which can be exercised into shares of the banking corporation "). It is clarified that no restriction, except for the provision described at the start of this Section, any restriction in relation to the Bank's right to distribute a dividend to its shareholders and/or to perform a self purchase of its shares and/or to perform any other distribution, in accordance with the provisions of the Companies Law, 5759 – 1999. It is also clarified that the above will not create any commitment whatsoever on the part of the Bank vis-à-vis the bondholders, and it is presented here only for the purpose of full disclosure.
- 15.10 The Bank does not make a commitment that it will not replace the rating company throughout the lifetime of the deferred debt notes and/or that the deferred debt notes will always be assigned a rating throughout their lifetimes. If the Bank replaces the rating company, including in the event that there is more than one rating company for the deferred debt notes, and/or there ceases to be any rating for the Deferred Debt Notes, the Bank will publish the reason and the reasoning for such in an immediate report.
- 15.11 If the Bank ceases to be a reporting corporation, it will still deliver to the Trustee and to the registered holders, in writing, the reports that are established in the regulatory codex and also in accordance with Chapter J of the standard Trust Deed Provisions –Regulatory Codex Appendix, as it may be from time to time, and at the times that are established there. Notwithstanding the above, if it is still possible to continue to publish the said reports through the MAGNA and/or MAYA reporting systems, the reports will be delivered through those systems, instead of by delivering the reports to the registered holders as described above.
- 15.12 The Bank will maintain a sufficient number of regular shares in its registered and unissued share capital as may be required for the purpose of the conversion of the deferred debt notes fully, in accordance with their terms.
- 15.13 The Bank will refrain from distributing bonus shares or carrying out a rights issue that could reasonably bring about a reduction of the conversion price (as defined in the First Supplement) to a level below the nominal value of the Bank's shares, and it will provide the Trustee with a written confirmation regarding such, prior to any distribution of bonus shares or rights issue.

16. Additional commitments

If any of the events that are enumerated in Section 7.1 above occurs, and the deferred debt notes are made immediately repayable, the Bank will, after approval has been received for such from the Supervisor of Banks as stated in Section 7.2 above, from time to time and insofar as it is requested to do so by the Trustee, take all reasonable steps in order to enable the exercise of all of the powers that are given to the Trustee. In particular, the Bank will perform the following actions:

- 16.1 It will make declarations and sign all of documents and perform or cause to be performed all the actions that are necessary or that are required in accordance with the law, in order to give validity to the exercise of the Trustee's authority, powers and authorizations.

- 16.2 It will provide all of the notifications, the orders and the instructions that the Trustee will deem to be beneficial and which the Trustee may demand.
- 16.3 It will perform or cause to be performed all of the actions and the things that are necessary or that are required, in accordance with the law, in order to give validity to the exercise of the Trustee's authority, powers and authorizations.

17. Applications to a Court

The Trustee may, at any time and subject to any law, make applications to the competent court in connection with the trust. The Trustee may also give its consent or its approval to any application that is made to the Court, which is presented in accordance with a demand of a holder of the deferred debt notes, and the Bank will indemnify the Trustee for all reasonable expenses that may be caused to it by such an application, or from actions carried out as a result of such application or in connection with it. In the event that the application to the Court is in accordance with a resolution adopted by the holders of the deferred debt notes, the holders of the deferred debt notes are to indemnify the Trustee for all reasonable expenses that may be caused to it by such an application, from actions carried out as a result of such application or in connection with it, and in accordance with the legal provisions, this indemnification will be taken out of the deposit that will be deposited in accordance with the statutory provisions.

18. Proxies

- 18.1 The Bank hereby irrevocably appoints the Trustee as its proxy, to execute and to perform in its name and in its place, all of the actions that it is required to perform in accordance with the terms that are included in this deed, and generally to act in its name in the execution of all or some of the powers that are given to the Trustee, provided that the Bank has not performed the action that it is obligated to perform in accordance with the terms of this deed within a reasonable period of time from the time of the Trustee's demand.
- 18.2 Nothing in the appointment pursuant to Section 18.1 above that obligations the Trustee to do any action, and it will not detract from the Bank's commitments pursuant to the Trust Deed, and the Bank hereby releases the Trustee in advance in the event that it does not take any particular action or that it does not take such action in time or in the correct manner, and the Bank waives in advance any claim vis-à-vis the Trustee and its agents, in respect of any damage that has been caused or that might be caused to the Bank directly or indirectly, in reliance on any action that was carried out or has not been carried out at all, or which has not been carried out in time by the Trustee. This is all provided that the Bank has not executed the action that it is required to perform in accordance with this Trust Deed within a reasonable time from the time that the Trustee made the demand.

19. The Trustee's fees and expenses

- 19.1 The Bank will pay the Trustee fees for its services as a trustee in the first year of the trust, in the amount of NIS 12,500 with the addition of VAT as required by law, for the series of deferred debt notes (Series 400), for which the Trustee acts as trustee. Furthermore, the Bank will pay the Trustee, as of the second year of the trust, and so long as there are deferred debt notes which have not yet been repaid in circulation, and for each following year, the amount of NIS 8,500, with the addition of VAT as required by law. The annual compensation will be paid to the Trustee at the start of each year of the trusteeship, for the full coming trusteeship year (or a proportionate part thereof, for a part of a trusteeship year).
- 19.2 In respect of the expansion of the series of deferred debt notes (Series 400) which is in circulation, the Bank will pay the Trustee a non-recurring additional fee, in addition to the aforesaid, in the amount of NIS 1,500, with the addition of VAT as required by law, for each expansion of the series of deferred debt notes (Series 400).
- 19.3 In addition, the Trustee will be entitled to a special fee, in the amount in NIS 500, with the addition of VAT as required by law, in respect of special events/ tasks, as follows:
- 19.3.1 Reasonable actions that result from a breach of this deed by the Bank.
- 19.3.2 Reasonable actions in connection with the making of the deferred debt notes immediately repayable, or a concern regarding the impairment of the holders' rights (including the calling of a note-holders' meeting) and/or actions in connection with a resolution adopted at a holders' meeting to make the deferred debt notes immediately payable;
- 19.3.3 Special actions that are not included in the Trustee's ongoing work or in the course of regular business (such as, but not only, reasonable work that is required as a result of a structural change in the Bank) or work arising from the Bank's demand or as a result of a future change in laws and/or regulations and/or other binding provisions that may apply in connection with the Trustee's activity and its responsibility in accordance with this deed, provided that the Bank's approval of such received in advance, which will not be withheld unreasonably.

- 19.4 The payments established in this section 19 will be paid to the Trustee for the period until the end of the trust period, with regard to the deferred debt notes (Series 400) that will be issued in accordance with the terms of the Trust Deed, and the appointment of a receiver for the Bank, or the appointment of a managing receiver or liquidator for the Bank and/or the management of the trust under the court's supervision will not reduce the Trustee's rights to the payment of the Trustee's fee and expenses, as established in this deed.
- 19.5 The Trustee will also be entitled to reimbursement of reasonable expenses incurred in the context of its execution of its function and/or pursuant to the powers granted to it pursuant to this Deed, including expenses for announcements in the press and the appointment of experts, provided that the Trustee receives the Bank's approval for such in advance, with such consent not to be withheld unreasonably.
- 19.6 If changes are made to the legal provisions, pursuant to which the Trustee will be required to perform activity and/or checks and/or the preparation of additional reports, and/or if additional expenses are imposed on the Trustee, which it is obligated to pay for the purpose of carrying out its function as a reasonable trustee, the Bank will bear all of the reasonable expenses that may be caused to the Trustee as a result of such, including reasonable fees in respect of those activities, and provided that the Trustee receives the Bank's approval for such, with such consent not to be withheld unreasonably.
- 19.7 All of the amounts indicated in this Section will be linked positively to the Consumer Price Index that is known at the time of the issuance of the deferred debt notes.
- 19.8 If a trustee has been appointed in the place of a Trustee, which has ended its tenure in office in accordance with Sections 35B(a1) or 35N(d) of the Securities Law, the holders of the deferred debt notes will bear the difference by which the fees of the trustee who has been appointed, as aforesaid, exceeds the fees that were paid to the Trustee in whose place the new trustee has been appointed, if such a difference is unreasonable, and the relevant legal provisions shall apply at the time of such a replacement. The bearing of the difference by the holders, as stated, will be carried out through the set-off of the proportional share of the difference in each payment that the company makes to the bondholders in accordance with the terms of the Trust Deed and the transfer of the amount that has been set off directly to the trustee.
- 19.9 Insofar as a duty may apply by law requiring the Bank to deposit a deposit as collateral for the Bank's bearing the Trustee's special expenses, the Bank will operate in accordance with such a provision.
- 19.10 In the event that the deferred debt notes are converted into shares pursuant to the terms of this deed, the Trustee's tenure pursuant to the Trust Deed will be terminated, and the Trustee may at that time receive all the payments that have accumulated for its fees and/or expenses in accordance with the provisions of this deed, through the day preceding the date of the notice of conversion.
- 19.11 It is clarified that the Bank's commitment to pay the trustee's fee and its expenses as specified in this deed will be at the same level of obligation as the Bank's commitment to its regular creditors, including the public's deposits.

20. The Trustee's special powers and responsibilities

- 20.1 The Trustee may deposit all of the notes and the documents that evidence, represent or that establish its right in connection with any asset that may be found in its hands at that time, in a safe or in some other place that it may choose, with any banker or any banking entity or with any attorney, insofar as this is reasonable and in coordination with the Bank. If the Trustee has done this, it will not be responsible in respect of any loss that may be caused in connection with such deposit, provided that it has not acted negligently; it may pay all of the amounts that it may be required to pay on account of such a deposit or in connection with it at the Bank's expense, provided that the Trustee has notified the Bank in advance on the matter. The Bank will reimburse the Trustee for any such expense.
- 20.2 The Trustee may, within the context of the execution of the trust's affairs in accordance with this deed, to operate in accordance with an opinion of or advice of an attorney, certified public accountant, appraiser, surveyor, broker or other expert. Whether such opinion or advice has been prepared at the Trustee's request or by the Bank or in some other manner, the Trustee shall not be responsible for any expense or damage that may be caused as the result of any of its actions or omissions committed in reliance on such advice and/or opinion, provided that it has not acted negligently.
- 20.3 Any such advice or opinion can be given or be sent or be received orally, by letter, telegram, telephone, facsimile or any other electronic means for the transfer of information, and the Trustee shall not be responsible for any actions that it took in reliance on the advice or the opinion or the information that has been provided in one of the manners mentioned above, even if they contain an error or were not authentic, provided that the Trustee was unaware of such and did not act negligently.
- 20.4 The Trustee shall not be required to announce to any side whatsoever about the signing of this deed and may not interfere in any form whatsoever in the management of the Bank's business or its affairs,

subject to the provisions of any law that is not subject to being made conditional also long as 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 measure, an action or anything whatsoever, are desirable and are for the benefit of the Bank, as sufficient proof that the transaction, measure, action or thing are indeed desirable for the benefit of the Bank
- 20.6 The Trustee will faithfully use the powers, authorizations and authorities that have been granted to it in accordance with this deed, in accordance with its absolute discretion and, apart from any cases of fraud of negligence, and it shall not bear responsibility for damage that has been caused as a result of errors in judgment that have been made in good faith.
- 20.7 Any release from responsibility that is given to the Trustee in accordance with the provisions of this deed, insofar as such has been given, will be subject to the act (or the omission) of the Trustee, including the exercise of its judgment, in respect of which the release has been given, having not been executed with extreme negligence, in breach of trust or with malice, or in breach of the provisions of the Trust Deed and the deferred debt notes.

21. The Trustee's authority to engage agents

The Trustee shall be entitled, within the framework of the management of the Trust's business and if there is a reasonable need for such, to appoint an agent to act in its name, whether such agent is an attorney or other person, for the purpose of executing or participating in the execution of special actions which are to be done in connection with the trust, including the initiation of legal proceedings, to the extent such actions are reasonable under the circumstances - and all this must be done upon advance coordination with the Bank. The Trustee may also settle the reasonable fees of any such agent at the Bank's expense, insofar as it is entitled to do so pursuant to this deed or in accordance with its fee agreement with the Bank, and the Bank will reimburse any such reasonable expense to the Trustee immediately upon its first request, and all of this on condition that the Trustee has given the Bank notification in advance regarding the appointment of such an agent. Nothing in the appointment of an agent will detract from the Trustee's duties in accordance with this deed or in accordance with any law.

22. The Trustee's powers

- 22.1 The Trustee will not be required to notify any party whatsoever regarding 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 set out in this Trust Deed, for the purpose of making itself aware any information whatsoever, including regarding the Bank and/or in connection with the Bank's ability to meet its commitments to the holders of the deferred debt notes, and it is not part of the Trustee's function to obtain such information.
- 22.3 Subject to the provisions of any law and to what is stated in this Trust Deed, the Trustee undertakes, by signing this deed, to maintain the confidentiality of all of the information that is provided to it by the Bank, and that it will not reveal such information to anyone else and will not make use of it, unless the disclosure or use of such information is necessary in order to carry out its function in accordance with the Securities Law or for the purpose of securing of the Bank's commitments pursuant to the Trust Deed, or in accordance with a Court order.
- 22.4 The Trustee is entitled to rely, within the framework of its trusteeship, on any written document, including a letter of instruction, a notification, request, agreement or confirmation, which is expected to be signed or produced by a particular 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 will be paid by the Bank in accordance with the provisions of the Trust Deed. In addition, with respect to special matters that do not fall within the bounds of the Bank's commitment to pay fees and expenses to the Trustee as detailed in Section 19 above and in those cases in which the Trustee has borne the expenses that the Bank is required to pay pursuant to this deed, the Trustee will be entitled to indemnification from the holders of the deferred debt notes or from the Bank, as the case may be, including in respect of the reasonable expenses that have been expended in connection with activity that it has carried out pursuant to its obligations pursuant to the terms of this deed, or by law, or in accordance with a demand from an authorized authority or in accordance with a demand from the holders of the deferred debt notes; all this shall be provided that the commitment to make indemnification will be subject to the following conditions:
 - 23.1.1 The Trustee will not be entitled to demand indemnification in advance regarding a matter that will not bear delay.

- 23.1.2 The indemnification commitment will include indemnification in respect of tort liability for damages, which the Trustee owes in accordance with a final judgment or in accordance with a compromise that the indemnifying party agrees to vis-à-vis a third party who is not a holder of the deferred debt notes, provided that this commitment to indemnify shall apply under the following conditions:
- (A) The expenses for tort damages that are incurred and/or that may be incurred are reasonable.
 - (B) The Trustee has acted in good faith and its action was done within the framework of the fulfillment of its function, and provided that the Trustee has not acted maliciously or with gross negligence.
- 23.2 Without detracting from the rights to compensation given to the Trustee in accordance with the law and subject to what is stated in this deed and/or the Bank's commitments pursuant to this deed, the Trustee, the holder of its power of attorney, its manager, agent or any other person who has been appointed by the Trustee in accordance with this deed shall be entitled to receive indemnification out of the monies and the investments that the Trustee receives from action that it has taken or which may come into its hands in some other manner, for the commitments that they have taken upon themselves, and in relation to expenses that have been incurred as a result of the execution of the trust or in connection with such activities - expenses which in their opinion were required for the said execution and/or in connection with the use of the powers and the authorizations that are afforded pursuant to this deed, and also in connection with all types of legal proceedings, attorney's opinions and opinions from other experts, negotiations, discussions, claims and demands in connection with any matter and/or things that they have done and/or which has been done in any manner whatsoever in relation to the issue under discussion, and the Trustee can retain the monies that it holds and pay the amounts that are required out of such amounts in order to pay the said compensation. All of the said amounts will have preference over the rights of the holders of the deferred debt notes, subject to the provisions of any law, and provided that the Trustee has acted in good faith and in accordance with the duties that are placed upon it in accordance with any law, and in accordance with this deed, and that the Trustee has not acted maliciously or with gross negligence.
- 23.3 If the expenses have been incurred by the Trustee in carrying out its function, and the Bank is not required to pay the expenses pursuant to this deed, indemnification will be provided to the Trustee by the holders of the deferred debt notes. If the expenses have been incurred in connection with activities relating to a number of series of the Bank's debt notes for which the Trustee serves as a trustee (including for the purpose of protecting the rights of the deferred debt note holders), the Trustee will act to collect the indemnification amount from the holders of the various debentures in the relevant series on a *pro rata* basis, in proportion to the nominal value amounts in circulation from each and every series.
- 23.4 Notwithstanding the provisions of this Section 23, the Trustee will, at any time the Trustee may find it proper to do so for the purpose of protecting and/or exercising the rights of the deferred debt notes and/or when it is required in accordance with the terms of this deed and/or in accordance with a law and/or an instruction from an authorized authority and/or pursuant to any law and/or in accordance with a demand from the Bank and/or a demand from the holders of the deferred debt notes, take legal action and various actions under the force of its duty in accordance with the Trust Deed, and if the Bank does not pay the indemnification amounts to the Trustee within a reasonable time, the Trustee will immediately call a meeting of the holders of the deferred debt notes in order to confirm, in a Special Resolution, their responsibility for cover the expenses that are involved in the proceedings and the actions that the Trustee may take (including damages that may be caused to the Trustee or amounts for which the Trustee can become liable to any third party whatsoever), and the amount that will be deposited by each holder will bear annual interest at a rate that is equivalent to the interest that is set on the deferred debt notes (as stated in the First Supplement), and it will be paid with preference as stated in Section 9.1 above. If the holders of the deferred debt notes refuse to bear the expenses that are involved in the institution of proceedings and the initiation of various courses of action by the Trustee, if, in the Trustee's view, the deposit of the indemnification amounts needs to be carried out in advance and the indemnification amounts are not so deposited, the Trustee will not be obligated to institute proceedings or initiate the various courses of action - provided that this is not related to a matter that cannot be delayed. It is hereby clarified that the agreement of the holders of the deferred debt notes as described above, regarding indemnification, will not serve as a release of the Bank from its obligations, insofar as they may exist pursuant to this deed and/or in accordance with the law, to bear and to cover the expenses that are involved in the institution of proceedings and the initiation of action as stated above, unless there is something in what is stated that imposes responsibility on the Bank to bear the expense in circumstances in which the holders of the deferred debt notes have refused to bear the expenses involved in the taking of the action. Furthermore, all of the monies that may be received in the

various realization proceedings and various actions will also serve to provide reimbursement for and overage of expenses which the deferred debt note holders have undertaken to bear, in accordance with the order of priorities set out in section 9.1 above. Nothing in the above detracts from the Trustee's duty to take action to collect the monies from the Bank, insofar as the Bank was required to pay those monies. It should be clarified that in circumstances in which urgent action is required of the Trustee, in which the avoidance of taking action prior to the calling of meetings of the holders of the deferred debt notes by the Trustee will cause significant damage and/or a significant loss to the holders of the deferred debt notes, the Trustee may not avoid taking urgent action as aforesaid until the convening of a meeting of the holders of the deferred debt notes. It is clarified that for the purpose of this section, any action taken by the Trustee which has been approved by the holders of the deferred debt notes in a Special Resolution will be considered to be an action that was reasonably necessary. If such a Special Resolution has been passed, the resolution will be binding on all the deferred debt note holders, even if they opposed the resolution or did not participate in the vote at all.

24. Notifications

24.1 Any notification to the holders of the deferred debt notes, made on behalf of the Bank or the Trustee, will be provided through reporting in the Israel Security Authority's MAGNA reporting system. (The Trustee may give instructions to the Bank and the Bank will then be required to submit immediately, through the MAGNA reporting system and in the Trustee's name, any report, with the text provided to the Bank in writing by the Trustee). Only in the situations described below, notification may also be provided through the publication of a notice in two broad-circulation daily newspapers published in Hebrew: (a) an arrangement or compromise in accordance with Section 350 of the Companies Law; and (B) a merger. Any notice that is published as aforesaid will be deemed to have been delivered into the hands of the holders of the deferred debt notes, on the day on which the immediate report is published in the MAGNA system, or on the date on which the notice appears in the press, whichever is relevant.

Notwithstanding the above, in those cases in which the Trustee is required by law to submit certain reports itself, the Trustee will make the report, and in such a case, a report made through the MAGNA system by the Trustee will be deemed to be, upon its publication, a notice that was received by the Bank.

24.2 Any notification or demand on behalf of the Trustee to the Bank or on behalf of the Bank to the Trustee, can be delivered by (1) a registered letter in accordance with the address that is set forth in the Trust Deed, or in accordance with some other address regarding which Bank has notified the Trustee or the Trustee has notified the Bank, in writing; (2) by e-mail or facsimile or by messenger, and any such announcement or demand shall be deemed to have been received - (i) if the notice or demand is sent by registered post - three business days from the day on which it was delivered to the post office; and (ii) in the case of e-mail or facsimile (with the addition of telephone verification regarding its receipt) - one business day after the date of the sending; (3) and in the case of sending notice sent by a messenger - upon the delivery by the messenger to the address or when presented to the address for receipt, whichever is relevant.

24.3 Copies of any notifications or summons that the Bank sends to the holders of the deferred debt notes will be sent by the Bank to the Trustee as well. It is clarified that for the purpose of compliance with the provisions of this section, the publication of a report in the MAGNA system will be deemed to be the equivalent of its having been sent to the Trustee - except in the case of financial statements, which will be provided to the Trustee by the Bank shortly after their publication.

25. Waiver, compromise and changes in the Trust Deed

25.1 Subject to the provisions of any relevant law, the Trustee may waive, from time to time and at any time, if such does not, in the Trustee's opinion, constitute an impairment of the rights of the holders of the deferred debt notes - any breach or non-fulfillment of any of the terms of the Trust Deed by the Bank, except concerning any matter relating to the timing of the repayment of the principal of the deferred debt notes; the amount of the principal of the deferred debt notes; the interest rate in respect of the deferred debt notes; the dates for the payment of interest; the making of the deferred debt notes immediately repayable; or a constitutive event.

25.2 Subject to the provisions of the Securities Law and the Companies Law and the Regulations that have been promulgated under those laws, including Section 350 of the Companies Law, and after having obtained advance approval through the adoption of a resolution at a general meeting of the holders of the deferred debt notes - at which were present by themselves or through their proxies, holders representing at least fifty percent (50%) of the balance of the nominal value of the deferred debt notes; or at a deferred meeting, at which were present by themselves or through their proxies, holders

representing at least twenty percent (20%) of the said balance - such resolution having been adopted by a majority of at least two thirds of the nominal value of the deferred debt notes that was represented in the voting, the Trustee may - either before or after the principal of the deferred debt notes have become repayable - settle with the Bank with respect to any right or claim on the part of the holders of the deferred debt notes; or agree with the Bank regarding any arrangement of its rights, including a waiver of any of its rights or of any of the rights of the holders of the deferred debt notes or of any of the rights of the holders of the deferred debt notes vis-à-vis the Bank; or agree to a change in the terms of the deferred debt notes. Any such waiver or consent will be permitted so long as the matter does not constitute a debt arrangement, within the meaning given that term in Section 350Q of the Companies Law.

- 25.3 Subject to the provisions of any relevant law, the Trustee and the Bank may, either before or after the principal of the deferred debt notes has become repayable, agree to a change in the Trust Deed, if one of the following conditions are met:
- 25.3.1 The Trustee has become convinced that the change will not harm the holders of the deferred debt notes, except in the case of a change of the identity of the Trustee or the Trustee's fees or for the purpose of the appointment of a trustee in the place of a trustee whose tenure has ended, and also except for all matters relating to the timing of the repayment of the principal of the deferred debt notes; the amount of the principal of the deferred debt notes; the interest rate in respect of the deferred debt notes; the dates for the payment of the interest; the making of the deferred debt notes immediately repayable; or a constitutive event.
- 25.3.2 The holders of the deferred debt notes have agreed to the change that is proposed, through a resolution adopted at a meeting of the holders at which the holders of at least fifty percent of the balance of the nominal value of the deferred debt notes were present, by a majority of the holders who hold at least two thirds of the nominal value of the deferred debt notes, which is represented in the voting, or by such a majority at a deferred meeting of the holders at which the holders of at least twenty percent of such balance were present.
- 25.3.3 The Bank will deliver an immediate report regarding any such change, immediately upon its execution.
- 25.4 If the Trustee has settled with the Bank after having received approval in advance from a general meeting of the holders of the deferred debt notes, as described above, the Trustee will be exempt from responsibility in respect of that action, as approved by the general meeting, provided that the Trustee has not breached a fiduciary duty and has not acted with a lack of good faith or maliciously in the implementation of the decision of the general meeting.
- 25.5 In any instance in which the Trustee has used its right in accordance with this Section, the Trustee will be entitled, but not required, to demand from the holders of the deferred debt notes that they deliver the deferred debt notes to the Trustee to allow the Trustee to record a comment regarding any settlement, waiver, change or amendment, as aforesaid, and in accordance with the Trustee's demand, the Bank will record such a comment.
- 25.6 Any waiver, compromise or change in the Trust Deed as stated in this Section will be subject to the advance written approval of the Supervisor of Banks.

26. A register of the holders of the deferred debt notes

- 26.1 The Bank will hold and maintain a register of the registered holders of the deferred debt notes in its office - in accordance with the provisions of the Securities Law - which will be open for review by all, and in which will be recorded the names of the holders of the deferred debt notes, the number of the deferred debt notes that are held by them and their nominal value. Transfers of ownership of the deferred debt notes in accordance with the provisions of this deed will also be recorded in the register. The Trustee and every holder of the deferred debt notes will be entitled to review the register, upon advance coordination with the Bank.
- 26.2 The Bank will not be required to record any notification regarding an explicit, implicit or estimated trust in the register of the holders of the deferred debt notes, nor any mortgage or a charge of any sort whatsoever of any right based on equity, a claim or offset, or any other right whatsoever in connection with the deferred debt notes.
- 26.3 The Bank will recognize, only the ownership of the person whose name is recorded on the deferred debt notes, provided that the registered holder's legal heirs or estate administrators or the executors of the registered holder's will or any person who may be entitled to the deferred debt notes as the result of the bankruptcy of a registered holder (and if it is an entity – as a result of its dissolution), shall be

entitled to be registered as the holder of such notes after sufficient proof has been provided, to the satisfaction of the Bank's managers, regarding their right to be registered as their holder.

- 26.4 The Bank may close the register of the holders of the deferred debt notes from time to time, at such times and for such periods as it sees fit, for periods that shall not together exceed 30 days in each year. The Bank will not register transfers at the said times and in the said periods.
- 26.5 The deferred debt notes can be transferred in respect of any amount of nominal value, provided that such amount must be in complete New Shekels, in accordance with a transfer deed that has been prepared in the format that is accepted in the Bank and signed properly by their registered holder, or by the holder's legal representative.
- 26.6 The transfer deed will be delivered for recordation at the Bank's registered office with the deferred debt notes attached, and any appropriate proof of identity and of the right such as may be demanded by the Bank in order to prove the right of the transferor to make the transfer, and also with the enclosure of the amount that is required for the purpose of any compulsory government payment, if there is such, which is imposed in respect of the transfer. If any tax or other compulsory payment is imposed on the transfer deed for the Notes, the Bank must be provided with proofs of the payment thereof, such proof to be to the satisfaction of the Bank.
- 26.7 The Bank may retain the transfer deed in its possession.
- 26.8 In the event of the transfer of only part of the amount of the principal that is denoted in the said deferred debt notes, the security certificate will first of all be split, in accordance with the following directives, into a number of certificates, as is required because of such transfer, in such manner that the total of all of the amounts of the principal that are denoted in certificates is equal to the amount of the principal that is denoted in the said security certificate.
- 26.9 All expenses involved in the transfer, including stamp duty and other levies if any, shall be imposed on the party requesting the transfer.
- 26.10 Any deferred debt note certificate can be split through the submission of an application for a split of the certificate into a number of subordinated note certificates; such application will be signed by the registered holder of the certificate, and the total of all of the amounts of the principal of the certificated shall be equal to the amount of the principal that is denoted in the certificate for which the split is requested, and the split shall be carried out shall be against the delivery of that certificate to the Bank at its registered office for the purpose of the execution of the split, to which shall be attached the application for a split signed by the registered owner of the deferred debt notes.
- 26.11 The split will be executed within three months from the time at which the certificate is delivered to the Bank's registered office, as aforesaid.
- 26.12 The new deferred debt note certificates that will be issued following the split are each to be in amounts of nominal value that is in complete New Shekels.
- 26.13 All of the expenses that are involved in the split, including levies if any such apply, shall be imposed on the party requesting the split.
- 26.14 The provisions that are included in this Section will also apply, *mutatis mutandis*, to a waiver of subordinated note certificates.

27. The replacement of the Trustee and the expiration of its tenure

- 27.1 Upon the termination or the expiry of the Trustee's term of office (as the case may be), and upon the appointment of a new trustee, the provisions of the Securities Law, 5728 – 1968, shall apply.
- 27.2 Subject to the provisions of any law, the holders' decision regarding the termination of the Trustee's tenure and its replacement with another trustee will be a Special Resolution, and it will be adopted at a meeting at which at least two holders, who hold 50% of the balance of the nominal value of the deferred debt notes, are present - or at a deferred meeting at which at least two holders, who hold at least 10% of the said balance are present, and the majority voting for the resolution must be the same majority that is required for the purpose of a special resolution.
- 27.3 Subject to the provisions of any law, the Trustee whose tenure has ended will continue to hold office in its role until the appointment of another trustee. The Trustee will transfer all of the documents and the amounts that have accumulated with it in connection with the trust that is the subject of the Trust Deed to the new trustee, and it will sign any document that may be required for that purpose. Any new trustee will have the same powers, duties and authorities, and it can act for all intents and purposes as if it had been appointed as trustee from the outset.

- 27.4 Any replacement trustee will have the same powers, duties, and authorities and it can act in all ways as if it had been originally appointed to serve as the Trustee.
- 27.5 The Bank will publish an immediate report in any case of the resignation of the Trustee and/or the appointment of another trustee.

28. Meetings of the holders of the deferred debt notes

Meetings of the holders of the deferred debt notes will be conducted in accordance with the provisions of the Second Supplement to this deed.

29. Reporting to the Trustee

- 29.1 So long as there are deferred debt notes in circulation for which the Trustee serves as trustee and so long as any payment is to be paid in respect of them, the Bank will deliver to the Trustee:
- 29.1.1 The audited financial statements of the Bank for the financial year ended December 31 of the year that has passed, shortly after their publication and no later than three months from the end of the reporting year.
- 29.1.2 Every interim semi-annual and quarterly report, shortly after its publication, with a review report by the Bank's external auditor regarding such report attached to it.
- 29.1.3 No later than two weeks after the publication of the annual financial statements, confirmation from the Bank regarding the execution of payments of interest where the timing of their payment has arrived before the date of the confirmation and the date of the payment, as well as details of the balance of the deferred debt notes that are in circulation at the time set for the payment of the interest, as well as confirmation from the Bank that during the period that has passed from the date of the publication of the most recent annual financial statements through the date of the confirmation, there has been no substantial breach of this deed on the Bank's part, unless such is noted in the said confirmation.
- 29.1.4 Every immediate report that is submitted to the Israel Securities Authority at the same time as it is presented to that authority.
- 29.1.5 A copy of every document that the Bank provides to the holders of the deferred debt notes and details of any information that the Bank provides to them in some other way, and any additional information in accordance with a reasonable demand from the Trustee, and subject to the provisions of any relevant law and the undertaking to maintain confidentiality
- 29.1.6 Any other report required in accordance with the law, which the Bank is required to deliver to the Trustee.
- 29.1.7 A report will be provided regarding any change in the rating for the deferred debt notes or of the cessation of the rating by the rating company.
- 29.2 It is clarified that for the purpose of fulfilling the provisions of this section, the publication of a report in the MAGNA system will be deemed the equivalent of such report having been sent to the Trustee.

30. Addresses

The addresses of the parties for the purposes of this deed shall be as they appear in the introduction to this deed, or any other address of which appropriate notification has been given in writing.

31. Electronic signature

With its signature on this deed, the Trustee authorizes the authorized electronic signatories of the Bank to sign in its name and in its stead on an electronic copy of the Trust Deed, for the purpose of its transmission on the MAGNA system.

32. The exercise of the rights pursuant to the deed and the deferred debt notes

Subject to the provisions of any relevant law, the holders of the Deferred Debt Notes will be entitled to exercise their rights pursuant to the deferred debt notes and the Trust Deed through the Trustee or in accordance with the decision of a general meeting of the holders of the Deferred Debt Notes, in the ways set forth in the bond and in the Trust Deed. Despite the aforesaid, if the Trustee acts other than in accordance with the provisions of the

Trust Deed and the bond, the bondholders will be entitled to exercise their rights, pursuant to a resolution of the general meeting as well.

33. The application of the Securities Law

In any matter that is not mentioned in this deed as well as in the event of a contradiction between the provisions of the Securities Law that cannot be stipulated and this deed, the parties shall act in connection thereto in accordance with the provisions of the Securities Law.

34. The Trustee's responsibility

34.1 Notwithstanding the provisions of any relevant law and or of the Trust Deed, if the Trustee has acted in order to fulfill its role in good faith and within a reasonable time and it has also clarified the facts that a reasonable trustee would have clarified in the circumstances of the case, it will not be liable to any holders of the deferred debt notes for damage that may be caused to such holder as a result of the Trustee having exercised its judgment in accordance with the provisions of Section 35H(D1) or 35I1 of the Law, unless it is proven by the plaintiff that the Trustee acted with gross negligence. It is clarified that insofar as a contradiction may arise between a provision of this Section 34.1 and some other provision in the Trust Deed, the provision of this Section 34.1 shall prevail.

34.2 If the Trustee has acted in good faith and without negligence in accordance with the provisions of Section 35H(d2) or 35H(d3) of the Law, it will not be responsible as a result of the execution of such action.

35. General

35.1 Without detracting from any other provision in this Deed, any waiver, extension, easement, estoppels, restraint from taking action (hereafter: "a **waiver**") on the part of the Bank and/or on the part of the Trustee, regarding the non-fulfillment or partial or incorrect fulfillment of any of the parties' undertakings pursuant to this deed, will not be considered to be a waiver on the part of the Bank and/or the Trustee, whichever is relevant, with respect to any right whatsoever and will instead be viewed as a limited consent with respect to the unique circumstance in which such consent has been given.

35.2 Without detracting from any other provision in this Deed, any change in the Bank's or the Trustee's undertakings will require the counter-party's advance written consent. Any other consent, whether given orally or by way of a waiver or the refraining from taking action or in any other manner other than in writing, will not be considered to be any form of consent.

36. Other agreements

Subject to the provisions of any law and the restrictions that are placed on the Trustee in the Law, nothing in the fulfillment of the Trustee's role in accordance with this deed, or in its very status as a trustee, will prevent the Trustee from entering into a commitment with the Bank under various contracts or from executing transactions with it in the regular course of its business.

37. The applicability of the law and the place of jurisdiction

37.1 The deferred debt notes are subject to the provisions of Israeli law only. On any matter that is not mentioned in this deed as well as in any event of a contradiction between the provisions of the law and this deed, the parties shall operate in accordance with the provisions of the law.

37.2 The only Court that shall be authorized to hear matters that are connected to the Trust Deed shall be the competent court in Tel-Aviv-Jaffa.

And in witness thereof, the parties have signed below

Bank Leumi Le Israel B.M.

Mishmoret Trust Services Co., Ltd

I the undersigned [-], Adv., License Number [-], hereby confirm that this deed has been signed by [-], who are lawfully authorized by this signature of theirs to bind Bank Leumi Le Israel B.M.

FIRST SUPPLEMENT TO THE TRUST DEED – DEFERRED DEBT NOTES (SERIES 400)

Bank Leumi Le Israel B.M.

Trust Deed for the Deferred Debt Notes (Series 400) Registered Nominally

Number _____ Their Par Value _____

1. This certificate evidences that Bank Leumi Le' Israel B.M. (hereinafter: "**The Bank**") will pay to whoever is entitled (within the definition of that term in the conditions that appear on the reverse side of the page) the amounts to which they have committed, as set forth in the conditions that appear on the reverse side of the page and the trust deed dated January [-], 2016, which was prepared and signed by the Bank on the one hand, and by Mishmoret Trust Services Co., Ltd as Trustee on the other hand (hereinafter: "**The Trust Deed**"), including all of the appendices thereto.
2. The Deferred Debt Notes are not secured by collateral and/or any security whatsoever, as stated in Section 5 of the Trust Deed.
3. This Debt Note will have preference of payment as defined in section 5 of the Trust Deed.
4. This Deferred Debt Note is issued subject to the conditions that are recorded on the reverse side and in the Trust Deed. It is clarified that the provisions of the Deed of Trust will constitute an integral part of the provisions of the First Supplement, and will be binding on the Bank, the Trustee and the deferred debt note holders.
5. This Deferred Debt Note cannot be made immediately repayable and no changes whatsoever may be made to it or to the Trust Deed, except with the advance written consent of the Supervisor of Banks and in accordance with all of the conditions that are set forth in the Trust Deed.
6. Any transfer of a note certificate will be subject to the restrictions specified in section 26 of the Trust Deed.

Given with the Bank's seal, which was impressed on: _____

Bank Leumi Le Israel B.M.

THE TERMS THAT ARE RECORDED ON THE REVERSE SIDE

1. General

- 1.1 This Deferred Debt Note of Series 400 is issued in accordance with the Trust Deed that was prepared and executed on December [-], 2015, between the Bank on the one hand and Mishmoret Trust Services Co., Ltd. as Trustee on the other hand (hereinafter: "**The Trust Deed**").
- 1.2 The terms of the Debt Notes (Series 400) (the terms that are recorded on the reverse side) are an integral part of the provisions of the Trust Deed and the provisions of the Trust Deed will be considered as if they have been included explicitly in the terms of these Debt Notes. In the event of a contradiction between what is stated in this Debt Note and what is stated in the Trust Deed, the provisions of the Trust Deed shall prevail.

2. Definitions

- 2.1 The expressions in this Debt Note shall have the meaning that is given to them in the Trust Deed, unless some other intention is implicit in the content or the connection of matters, or if it is explicitly stated otherwise in this Debt Note.
- 2.2 All of what is stated in this Debt Note in the plural also refers to the singular and vice-versa, and all that is stated in the male gender also means the female gender and vice-versa, and all that is stated as a person also means a corporation, and all where there is no other explicit or implicit provision in this Debt Note or where the contents or the connection do not require otherwise.
- 2.3 The following expressions in the Debt Notes shall have the meanings that appear at their side

Entitled party	- The holder of a Debt Note, who is entitled to the payment of principal and/or interest, in accordance with the terms of the Debt Notes;
Government bonds	- A government bond that has been issued by the State of Israel and listed for trading on the Stock Exchange, which is denoted in Israeli currency, is not index-linked, bears interest at a fixed annual rate, and which is repayable in full at one time according to the repayment terms for the principal of the bond, and the issued nominal value of which is at least NIS one [1] billion;
The first offering report	- The first shelf offer report in accordance with which the Deferred Debt Notes will be offered and issued for the first time;
The tender	- The tender regarding the interest rate for the Deferred Debt Notes, which will be conducted in the manner and at the time set out in the first offering report.

3. The timing of the repayment of the principal of the Deferred Debt Notes

- 3.1 The principal of the Deferred Debt Notes is repayable in one payment on December 31, 2025, to entitled parties holding Deferred Debt Notes on the date of payment.
- 3.2 The repayment of the said principal will be made against the delivery of the Deferred Debt Note certificates to the Bank by the registered holders at the time of the payment, in its registered office or at any other place that the Bank may announce. The Bank's announcement, as aforesaid, is to be published no later than five (5) business days before the time of the payment.
- 3.3 The principal of the Debt Notes is not linked to any currency and/or index whatsoever.

4. Interest on the Deferred Debt Notes

The unpaid balance of the principal of the Debt Notes will bear interest at an annual rate, which will be set in a tender (hereinafter: "**the annual interest**"), as set forth below:

- 4.1 The interest will be paid to the holders of the Debt Notes every three months, on March 31, June 30, September 30 and December 31 of each of the years 2016 to 2025 (inclusive) (hereafter: "the payment day") for the period of three months ending on the day before the payment day, except for the first interest payment, which will be paid on June 30, 2016 in respect of the period commencing on the first trading day after the tender day and ending on June 29, 2016 (hereinafter: "**the first interest payment**").
- 4.2 The interest rate at each interest payment time, except for the first interest payment, will be equivalent to one quarter of the annual interest rate (hereinafter: "**the quarterly interest rate**"). The interest rate at the time of the first interest payment will be calculated in accordance with the number of days in the period commencing on the first trading day after the tender day and ending on June 29, 2016, on the basis of 365 days a year (hereinafter: "**the interest rate for the first interest payment**").
- 4.3 If the Bank does not exercise its right to redeem the Deferred Debt Notes by way of an early redemption in accordance with Section 7 below, then the annual interest rate on the Debt Notes will be updated in [-] [-], 2021 (hereinafter: "**the interest change date**"), such that the annual interest rate will increase or decrease, as the case may be, by the level of the difference between the anchored interest rate (as defined below) at the interest change date as compared with the anchored interest rate at the time of the issuance of the Deferred Debt Notes, in accordance with the first offer report (hereinafter: "**the interest differential**"). It is clarified that if the interest difference is negative, the annual interest rate that the principal of the Debt Notes will bear as from the time of the change in the interest will be reduced by the level of the interest differential.

For this purpose, the term "**the anchored interest**" means - the average annual yield on government bonds whose remaining period before redemption is 5 years, during the 30 trading days, the last of which occurred five trading days before the time of the calculation of the anchored interest (hereinafter: "**the calculation date**"). In the event that there is more than one series of such government bonds, the average yield on all series of government bonds whose period before redemption is 5 years at the calculation date. In the event that there are no series of government bonds in circulation whose period before redemption is exactly five years, a calculation will be made of the weighted average of the yield for the two series of government bonds whose period to redemption is the closest to 5 years, where the period to redemption of one of them is higher than 5 years and of the other is lower than 5 years. The said weighted average will be calculated in accordance with the period to redemption of both of the said series, and without taking the size of the series into account.²

- 4.4 Within 2 business days after the tender, the Bank will publish an immediate report regarding the result of the issue, in which the following will be described: (A) The annual interest rate on the Debt Notes that has been set in the tender; (B) the interest rate for the first interest payment; (C) the quarterly interest rate; and (D) the anchored interest rate at the time of the issue.
- 4.5 Within 2 business days after the interest rate change date, the Bank will publish an immediate report in which the following will be described: (A) The anchored interest rate at the interest change date; and (B) the updated annual interest rate of the Debt Notes.
- 4.6 The interest payments will be paid to those entitled parties who hold the Deferred Debt Notes on March 25, June 24, September 24 and December 25 of each of the relevant years (hereinafter: "**the determinative date**"), except for the last payment of the interest, which will be made together with the repayment of the principal of the Deferred Debt Notes and against the delivery of the Debt Notes to the Bank as stated in section 3.2 above, and which will be paid to the entitled parties who hold the subordinated notes on the payment date.
- 4.7 Taxes will be deducted from each payment of interest, and they will be deducted at source in accordance with the provision of any law, unless an exemption from the withholding of tax at source is presented to the Bank.

² The weighted average will be calculated in the following manner: from among the series of government bonds that are in circulation at the time of the calculation, two series will be selected whose period to redemption is the closest to 5 years, provided that in one series (hereinafter: "**Series A**") the period to redemption will be lower than 5 years, and in the second series (hereinafter: "**Series B**") the period to redemption will be higher than 5 years. In the calculation of the weighted average, each of these series will be given a different relative weight, such that the average period to redemption will be exactly 5 years. For example, on the assumption that the period to redemption of Series A is 4.75 years and that of Series B is 5.75 years, the relative weighting that will be given to Series A will be 0.75 and that which is given to Series B will be 0.25.

4.8 The interest on the Debt Notes is not linked to any currency and/or index whatsoever.

5. **The conversion of the Deferred Debt Notes into shares in the Bank in certain cases**

5.1 Definitions

In this Section 5, the following expressions shall have, in the Debt Note, the meaning that appears beside them:

The Bank's Tier 1 shareholders' equity ratio - The Bank's Tier 1 shareholders' equity ratio, in accordance with Proper Conduct of Banking Business Directive 202 and the transition provisions that are established in Proper Conduct of Banking Business Directive 299 (Appendix A and Appendix B to the Trust Deed, respectively), as well as in accordance with Proper Conduct of Banking Business Directive 201;

A constitutive event for the absorption of losses of principal - If the Bank's Tier 1 shareholders' equity ratio has fallen below 5%³;

A constitutive event for non-sustainability - The earlier of these two:
(a) Written notification from the Supervisor of Banks to the Bank, indicating that the conversion of the Debt Notes is critical because without it, in the Supervisor of Banks' opinion, the Bank will reach the point of non-sustainability;⁴ or
(b) Written notification from the Supervisor of Banks to the Bank, regarding a decision to make an injection of equity from the public sector, or equivalent support without which the Bank will reach a point of non-sustainability, as determined by the Supervisor of Banks.

A constitutive event - A constitutive event for the absorption of losses of principal or a constitutive event for non-sustainability.

The Bank's shares - Fully paid up regular shares of par value NIS 1 in the Bank.

5.2 If circumstances exist which constitute a constitutive event, the Bank will publish an immediate report and will convert the Debt Notes into shares in the Bank (hereinafter: "**Conversion**"), in accordance with the following provisions:

5.2.1 The Bank will deliver notification to the Trustee regarding the occurrence of the constitutive event (hereinafter: "**the conversion notification**") which the following will be specified: (A) the time at which the conversion will be executed, which will be not less than twenty one (21) days and not more than forty five (45) days after the date of the conversion notification (hereinafter: "**the conversion date**"); (B) the conversion rate in accordance with which the conversion will be executed at the conversion date (hereinafter: "**the conversion rate**"); and (C) the quantity of the Bank's shares that will be issued in respect of the conversion. It is clarified that the issuance of a conversion notification which is published by the Bank will constitute decisive evidence, which will bind the Trustee and the holders in respect of the occurrence of the constitutive event.

³ It should be noted that in accordance with the reporting directives issued by the Supervisor of Banks, which apply to the Bank, the Bank is required to inform the Supervisor immediately of an event in which its minimal Tier 1 shareholders' equity ratio or its overall minimal equity ratio falls below the ratio that has been set by the Supervisor, and accordingly a **constitutive event** for the absorption of losses of principal may occur at any time and not specifically at a time in respect of which the Bank's financial statements are prepared.

⁴ It should be noted that there is no definition of "the non-sustainability point" in Proper Conduct of Banking Business Directive 202.

- 5.2.2 The conversion rate will be the higher of: (A) the average of the closing prices that have been set for the Bank's shares on the Stock Exchange in the last 14 consecutive trading days before the day on which the notification of conversion is delivered and (B) a floor price of NIS [-], subject to adjustments as detailed in Section 5.3 below (hereinafter: "**The floor price**"). The floor price will not be linked to any currency or index whatsoever.
- 5.2.3 At the time of the conversion, all of the Debt Notes will be repaid in full by way of conversion into Bank's shares, in accordance with the conversion rate. The number of shares in the Bank to which a holder of the Debt Notes will be entitled at the time of the conversion will be calculated by the division of the unpaid balance of the principal of the Debt Notes by the conversion rate. If fractions of a share arise as a result of such a division, they will be sold and the consideration for them will be paid to the holders, provided that an amount of less than NIS 30 will not be paid.
- 5.2.4 The holders of the Debt Notes will be entitled to any interest that has accumulated up to the day preceding the date of the conversion notification. The payment of the interest that has accumulated, as aforesaid, if any such interest has accumulated, will be made in cash at the time of the conversion, and paid to the entitled parties who hold the Deferred Debt Notes on the payment date.
- 5.2.5 As of the date of the conversion notification, the Deferred Debt Notes will cease to bear interest and the Bank will not be entitled to repay the principal of the Debt Notes of any part thereof by way of an early repayment.
- 5.2.6 It is clarified that as of the conversion date, the holders of the Debt Notes will no longer be considered to be the holders of the Bank's Debt Certificates, (within the definition of the term "Holder of Debt Certificates" in the Securities Law), and they will instead be considered to be shareholders in the Bank for all intents and purposes. Furthermore, the tenure of the Trustee for the Debt Notes in accordance with the Trust Deed will end on the conversion date.
- 5.2.7 Despite what is stated in the previous paragraphs, if up to the time of the conversion a temporary or permanent liquidator is appointed for the Bank by an authorized court, and that appointment is not cancelled by the time of the conversion, the Debt Notes will not be converted into 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 within inferior ranking in the repayment scale than that of the Debt Notes will be preserved. It is clarified that there is nothing in the aforesaid that detracts from the provisions of Section 5.2.5 above, and the Deferred Debt Notes will not, in any event, bear interest after the date of the conversion notification. It is further clarified that in the event of the cancellation of the appointment of a liquidator, as aforesaid, before the time of the conversion, the process of the conversion of the Debt Notes into Bank's shares in accordance with the provisions of this Section 5 will proceed.
- 5.2.8 The Bank's shares that are allocated as a result of the conversion will bear equal rights to the those of the regular shares that are a part of the Bank's issued equity at the time of the conversion, and they shall entitled their owners to the full amount of the dividends and any other distribution (insofar as there may be one), and they will also bear all the other rights that are afforded at that time to the Bank's shares, if the date that determines the right to receive them is after the conversion date.
- 5.2.9 The conversion of the Debt Notes into Bank's shares, and the payment of the interest that has accumulated in cash, as detailed in this Debt Note, will be considered to be the final and absolute repayment of all of the Bank's obligations vis-à-vis the holders of the Debt Notes. It is clarified and emphasized that the conversion of the Debt Notes into Bank's shares, as aforesaid, constitutes an integral part of the terms of the Debt Notes and accordingly, this will not constitute a breach of any term whatsoever of the terms of the Debt Notes or of the Trust Deed, and in any event, no ground will arise for a claim or a demand vis-à-vis the Bank on the part of the Trustee and/or on the part of the holders, and no pre-agreement or retrospective agreement will be required on the part of the Trustee and/or on the part of the holders for the execution of the conversion. Without detracting from the aforesaid, the holders of the Debt Notes will be deemed to have agreed to the conversion of the Debt Notes, as aforesaid, and as having irrevocably waived their rights in accordance with the Debt Notes to payments of principal and interest in respect of the Debt Notes, as well as any other rights deriving therefrom.
- 5.2.10 It is clarified that the Deferred Debt Notes are not convertible into Bank's shares at the initiative of the holders, but rather by the Bank alone, in accordance with the terms that are set forth in this Debt Note, and they are not redeemable in cash by the holders. Nothing in the

aforesaid will detract from the holders' rights to make the Deferred Debt Notes immediately repayable in the event of liquidation, in accordance with Section 8 of the Trust Deed.

- 5.2.11 The holders of the Debt Notes will bear any tax indebtedness that may arise, if any arises, as a result of the conversion of the Debt Notes into Bank's shares.
- 5.2.12 Accordingly, and subject to the provisions of the Banking Law (Licenses), 5741- 1981, in the event that at the time of the conversion, the conversion of the Deferred Debt Notes into Bank's shares will lead to an individual holder of the Deferred Debt Notes 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 from the Governor of the Bank of Israel (hereinafter: "**the Governor**") that is required for such, then some of the quantity 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 time that shall not exceed [-] 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 [-] days, to sell a quantity of shares on the Stock Exchange, such that the number of the Bank's shares that remain in the holder's hands will not exceed the rate 5%. The trustee will also act to transfer the consideration from the sale, less the deduction of tax in accordance with the law, into the hands of the said holder. With the approval of the Governor, the Bank will be entitled, but not bound, to extend the duration of all the periods that are mentioned above.

For the purposes of this section, 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.

- 5.2.13 The Bank has received approval from the Stock Exchange for listing the shares that will be derived from the conversion of the Deferred Debt Notes on the Stock Exchange for trading, subject to the fulfillment of the conditions set out in the Stock Exchange Regulations and Directives.
- 5.2.14 The Bank shares that will be derived from the conversion will be registered in the name of the Nominee Company of Bank Leumi Le Israel B.M., to the credit of whoever holds the Deferred Debt Notes that have been converted into shares.

5.3 Adjustments

- 5.3.1 If the Bank carries out a split in its equity, a unification of its equity or a reduction of its equity, an adjustment will be made to the floor price.
- 5.3.2 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 share on the Stock Exchange "ex dividend", and the closing price of a Bank share on the Stock Exchange on the last trading day before the "ex dividend" day.
- 5.3.3 If the Bank distributes bonus shares to the Bank's shareholders, an adjustment will be made such that the number of the shares derived from the conversions to which a holder of the Debt Notes will be entitled upon their conversion will increase by a number of shares of that type that the Holder would have been entitled to as bonus shares, if the Debt Note had been converted on the last trading day before the ex day.
- 5.3.4 If the Bank offers securities to the holders of the Bank's shares by way of a rights issue, then an adjustment will be made such that the number of the shares that will be derived from the conversion to which the holder of a Debt Note will be entitled upon the conversion will increase in line with the ratio between the closing price for the share on the Stock Exchange on the last trading day before the "ex day" and the base price of the share "ex rights".
- 5.3.5 Apart from the adjustments set out above, no adjustments whatsoever will be made to the floor price or to the number of Bank's shares that will be derived from the conversion of the Debt Notes, including in the event of any issues whatsoever (including issues to interested parties).
- 5.3.6 The Bank will publish an immediate report regarding any adjustment that may be made as set out above.

6. **Provisions regarding payments**

- 6.1 Every payment owed pursuant to the terms of the Deferred Debt Notes to the entitled parties who are not registered will be paid by the Bank to the nominee company, in order for it to be transferred to the entitled parties through the Stock Exchange clearing house and Stock Exchange members.
- 6.2 Every payment owed pursuant to the terms of the Deferred Debt Notes to the entitled parties who are registered pursuant to terms of the subordinated notes will be paid through a bank transfer to the credit of the entitled party's bank account, the particulars of which will be provided to the Bank by the entitled party in a written notice to be sent by registered mail; the sending of such notice will only bind the Bank regarding payments for which the set date is 30 days after the date on which the notice was received at the Bank's registered office.
- If the registered holder has not provided to the Bank, on time, the details in writing regarding their bank account to the credit of which the payments pursuant to the Debt Notes are to be transferred, any such payment will be made by check, which will be sent to the last address that has been recorded in the register of holders of the Debt Notes, by registered post. The sending of a check to an entitled party by registered post, as aforesaid, will be considered for all intents and purposes to be the payment of the amount that is denoted in the check, on the date that it was sent, as aforesaid, by registered post, provided that it was paid upon its proper presentation for collection. Any amount whatsoever that may be due to the holder of the Deferred Debt Notes and which has not actually been paid at the time set for payment, for a reason that is not dependent on the Bank, in a situation in which the Bank was prepared to pay such amount, shall cease to bear interest from the time that was set for its payment, and the holder of the Deferred Debt Notes will be entitled only to those payments to which the holder was entitled at the time set for the settlement of that payment, on account of the principal and the interest.
- 6.3 If any payment time whatsoever pursuant to the Debt Note falls on a day that is not a business day, the payment will be deferred until the next business day immediately following it, without an additional interest whatsoever, and the determinative date for determining entitlement to the payment will not change because of such.
- 6.4 Any tax or other compulsory payment that is required under any relevant law will be deducted from every payment made with respect to the Deferred Debt Notes.
- 6.5 If the Bank cannot, for any reason whatsoever which is not dependent on the Bank itself, carry out any payment whatsoever to the parties entitled to such, the Bank will deposit such amount with the Trustee, in accordance with the provisions of section 11 of the Deed of Trust.
- 6.6 To remove doubt, it is clarified that whoever does not hold the Deferred Debt Notes on the determinative date for entitlement to any payment whatsoever pursuant to the Deferred Debt Notes will not be entitled to that payment.

7. **Early repayment of Deferred Debt Notes at the Bank's initiative**

- 7.1 Subject to the provisions of the Stock Exchange Regulations and the Directives issued thereunder, and to the Directives issued by the Israel Securities Authority, the Bank will be entitled, in accordance with its own judgment,⁵ and without giving the holders of the Deferred Debt Notes and/or to the Trustee a right to choose regarding the early redemption, in whole or in part, of the Deferred Debt Notes (hereinafter: "**Early redemption**"), subject to the following conditions:
- 7.1.1 The Bank will only be entitled to execute an early redemption once.
- 7.1.2 The early redemption may not be carried out before [-] [-], 2020, and not later than [-] [-], 2020.⁶

⁵ It should be noted that in accordance with the provisions of Proper Conduct of Banking Business Directive 202, the Bank may not exercise an option for an early redemption, unless one of these conditions is met:

- A. The Debt Notes will be replaced with equity of identical or higher quality and the replacement will be carried out under terms that the Bank can meet on all matters that are connected to the capacity of its revenues (replacement issues can be executed in tandem but not after the instrument has been redeemed); or
- B. The Bank has proved that its equity ratio is much in excess of the minimal equity requirements as stated in Proper Conduct of Banking Business Directive 201 on the subject of "Introduction, application and the calculation of the requirements", after the exercise of the early redemption.

⁶ In the event that an early redemption is not executed by the Bank by the said time, the annual interest rate on the Debt Notes will be updated, as set forth in Section 4.3 above.

- 7.1.3 The Bank has obtained advance written approval from the Supervisor of Banks for the execution of the early redemption.
- 7.2 The amount that is paid to the holders of the Debt Notes in the event of an early redemption will be the value of the obligation for the Debt Notes that are to be repaid early - in other words, the principal of the Deferred Debt Notes, with the addition of interest, insofar as there is any, until the date of the execution of the early repayment.
- 7.3 The Bank will inform the holders of the Debt Notes of the execution of the early redemption at least seventeen (17) days, and not more than forty five (45) days before the date of the execution of the early redemption.
- 7.4 Any amount that may be repaid by way of early redemption by the Bank will be repaid in relation to the all holders of the Debt Notes, pro-rata in accordance with the par value of the Debt Notes that are held at the date relevant to the early redemption, as stated above.
- 7.5 The early repayment may not occur in a period between the time set for the payment of interest in respect of the Debt Notes and the actual time of the payment of the interest.
- 7.6 No early redemption may be carried out for part of a series of Debt Notes if the amount of the early redemption is less than NIS 3.2 million.
- 7.7 It is emphasized and clarified that the right to decide upon an early redemption, as detailed above, is retained solely by the Bank, subject to the restrictions that are set out in Section 7.1 above, and that the holders of the Deferred Debt Notes shall have no right to demand an early repayment, under any circumstances whatsoever. There is nothing in the aforesaid that detracts from the rights of the holders to make the Deferred Debt Notes repayable immediately in the event of the occurrence of any of the events mentioned in Section 7.1 of the Trust Deed.
- 7.8 If the Stock Exchange decides to de-list the Debt Notes from trading, in accordance with the provisions of the Stock Exchange Regulations and the Directives that have been issued thereunder, no early redemption of the Debt Notes will be executed as a result of the said notification from the Stock Exchange. The Debt Notes will be de-listed from trading on the Stock Exchange and, *inter alia*, they will be subject to the tax consequences arising from such an event.

SECOND SUPPLEMENT TO THE TRUST DEED
MEETINGS OF THE HOLDERS OF THE DEFERRED DEBT NOTES

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

1. The Trustee will call a meeting of holders at the demand of one or more holders holding at least five percent of the nominal value of the Debt Notes. Furthermore, if they see a need for such, the Trustee or the Bank are entitled, but not required, to summon the holders of the Debt Notes to a meeting of the holders of the Debt Notes. If the Bank calls this meeting, it must immediately send notification in writing to the Trustee regarding the location, the date and the hour at which the meeting will be held as well as the matters that will be presented for discussion at the meeting, and the Trustee or a representative acting on its behalf may participate in such a meeting but will not have any right to vote. If those requesting that a meeting be called are holders of Debt Notes, the Trustee may demand indemnification from the parties making the request, for the reasonable expenses that are involved in this.

It is clarified that an indemnification demand by the Trustee will not adversely impact the convening of a meeting that has been called for the purpose of the taking of action which is intended to prevent harm from being done to the rights of the holders of the Debt Notes. Nothing in such a demand for indemnification will detract from the Bank's duty to bear the expenses that are involved in the calling of the meeting.

A Trustee who is asked to convene a meeting of the holders by the holders, as stated above, will call the meeting of the holders within 21 days from the day on which the demand to convene it was presented to the Trustee. The meeting will be set a time that will be determined in the invitation, and provided that the timing of the convening shall not be earlier than seven days and not later than 21 days from the time of the calling; however, the Trustee may bring forward the convening of the meeting to a date at least one day after the date on which it was called, if the Trustee is satisfied that this is required in order to protect the holders' rights.

2. Every meeting of the holders of the Debt Notes will be held in Israel, at the Bank's registered office or at some other place that the Bank and/or the Trustee have announced, and the Bank will bear the reasonable costs of the convening of the meeting, whether or not the meeting is held in the Bank's registered office.
3. A summons to a meeting issued by the Trustee solely for the purpose of consultation with the holders of the Debt Notes will be published at least one day before the date on which it will be held. No agenda will be published for a consultative meeting as described above, no resolutions will be adopted at the meeting and there will be no requirement of a legal quorum.
4. No resolution whatsoever that has lawfully been passed at a meeting that has been called as aforesaid will be disqualified, even if because of an error, notification was not sent to all of the holders of the Debt Notes, or where such notification has not been received by all of the holders of the Debt Notes. The provisions of this section will apply if the summons to the meeting (or to the deferred meeting, as the case may be) was also sent via the MAGNA system.
5. Any person holding the Deferred Debt Notes on the determinative date appearing on the summons to the meeting may participate and vote at the holders' meeting.
6. A holder who is a controlling shareholder in the Bank, or any relative of such a holder or any corporation that is controlled by such a holder by a relative of such a holder ("**a related holder**"), will not be considered for the purpose of determining the legal quorum at a meeting of holders, and their votes will not be taken into account in the counting of votes cast at such a meeting.
7. If, at a meeting of the holders, a legal quorum is not present after half an hour has passed from the time that has been set for the start of the meeting, the meeting will be deferred to another time, which shall not be earlier than two business days after the time that was set for the holding of the original meeting or not earlier than one business day, if the Trustee is of the opinion that this is required in order to protect the rights of the holders; if the meeting is deferred, the Trustee will provide its reasoning for this in a report on the subject of the calling of the meeting and it can do so in the notification of the calling of the original meeting.
8. The Trustee may declare that the original meeting and/or the continuation of a meeting be split into category meetings for the purposes of discussion. The determination of the categories shall be subject to the Trustee's exclusive discretion.
9. If a meeting of the holders is deferred without a change in its agenda, summons will be issued in respect of the new date for the continuation of the meeting, as early as possible, and no later than 12 hours prior to the continuation of the meeting.
10. The Trustee, the Bank and any other person or persons, may appoint any person or persons who will be authorized for this purpose by the Bank, and who will be entitled to be present at the meeting of the holders of the Debt Notes without holding any rights to vote. In the event that in the Trustee's judgment, it may be

necessary for part of the meeting to be held without the presence of representative of the Bank, then the Bank or anyone acting on its behalf will not participate in that part. Notwithstanding the provisions of this section, the Bank can in any event participate in the opening of the meeting in order for it to express its position in connection with any subject that is on the agenda of the meeting, and/or in order to present a particular subject (as the case may be).

11. Every resolution will be adopted through a counting of votes cast.
12. At every meeting of the holders, the Trustee or whomever the Trustee may appoint to serve as the chairman of that meeting will serve as the chairman of the meeting. The meeting chairman may determine whether the voting will be by way of voting papers, or through a vote held in the course of the meeting. In the event that the chairman has determined that the voting will be by way of a voting paper, the Trustee will ensure that the text of the voting paper is published on the MAGNA system, and the Trustee will determine the timing of the closing of the voting by which the holders will send the voting papers to the Trustee, having filled them in and signed them in accordance with the law. The Trustee may ask a holder to make a declaration within the framework of the voting paper regarding the existence or absence of a conflicting interest that such holder has. A holder who does not complete the voting paper in full and/or who has not proven entitlement to participate in and to vote at a meeting in accordance with the directives and the dates that are determined by the chairman of the meeting, will be deemed to be someone whom has not delivered the voting paper, and who has accordingly chosen not to vote on the subject(s) that appear in the voting paper.
13. Accordingly, the Trustee may, in accordance with its own judgment and subject to any law, hold meetings by means of voting papers and not by convening a physical meeting, and it may also choose to conduct a vote by means of voting papers in a deferred meeting at which the legal quorum that is required for the purpose of the resolution making is not present - provided that by the time that has been set for that purpose in the notification of the calling of the meeting or the holding of a vote, as the case may be, the Trustee has received voting papers from holders who constitute the legal quorum that is required for the purpose of the resolution at the original meeting or at the deferred meeting, as the case may be.
14. If a meeting of the bondholders has been convened (whether it was called by the Bank, the holders or the Trustee), the Trustee will examine the existence of a conflicting interest on the part of the holders of the Debt Notes - a conflict between an interest related to the holders of the Debt Notes and a different interest of theirs, as may be determined by the Trustee ("**a different interest**"). The Trustee is entitled to demand from a holder who participates in a meeting to inform the Trustee, prior to the voting, about their different interest, and also whether the holders have such a conflict of interests.
15. Without detracting from the generality of the aforesaid, each of the following shall be deemed to have a conflicting interest:
 - 15.1 A holder who has held office as corporate officer at the Bank close to the time of the event which is the basis of the resolution being voted on at a meeting.
 - 15.2 Any holder whom the Trustee has determined that they have a "conflicting interest" in accordance with what is stated below, subject to any law and/or instruction from an authorized authority and this includes: any holder who declares in a letter to the Trustee that they have some substantial personal interest whatsoever that deviates from the interests of all of the holders of the Debt Notes at the relevant meeting of the holders of the Debt Notes. A holder who does not deliver a declaration in writing after they have been requested to do so by the Trustee will be deemed to be a holder who has declared that they have a personal interest as aforesaid, and the relevant Trustee will declare in respect of them that the holder has a conflicting interest. Without detracting from the provisions of this Section 15, the Trustee will examine whether a holder is a holder with a "conflicting interest", after taking into account as well the holdings of that holder in other securities of the Bank and/or of securities of any other corporation that is relevant to the resolution that is being presented for approval at a meeting (as will be set forth in the voting paper), in accordance with the declaration by that holder.
16. It is clarified that the examination regarding a conflict of interests, as aforesaid, if such is required in the Trustee's opinion, will be conducted separately with regard to every resolution that is on the agenda of the meeting and also separately with regard to each meeting. It is further clarified that nothing in a declaration that a holder is a party that has a different interest regarding any particular resolution or meeting will, in and of itself, demonstrate that the holder has a different interest with regard to a different resolution that is on the agenda of the meeting or regarding different interests of the holder with respect to other meetings.
17. For the purpose of the examination of a conflict of interests, as aforesaid, the Trustee may rely on a legal opinion that the Trustee may commission, and the provisions of the Trust Deed on the matter of the bearing of expenses will apply to such opinion.
18. In the counting of the number of votes cast in a vote that has taken place in a meeting of holders, the Trustee will not consider the votes of holders who have not responded to its demand, as mentioned in Section 14 above, or the votes of holders in respect of whom it has been found that there is a conflict of interests as stated in that

section. Despite the aforesaid, if the holdings of those who participated in the vote who are also not holders having a conflict of interest amounts to less than five (5) percent of the balance of the nominal value of the Debt Notes of the relevant series, the Trustee will also consider the votes of the holders having a conflicting interest in counting the number of the votes cast.

19. Each holder who is present by himself or herself or by means of a proxy, will have one vote for each NIS 1 of nominal value of the overall unpaid principal of the Debt Notes pursuant to which he is entitled to vote.
20. In the case of joint holders of a bond, only the vote of whoever is recorded first in the register from among them will be accepted.
21. A bond holder may cast part of his votes in favor of a proposed resolution, part against it and with another part to abstain from the voting, all as the holder sees fit.
22. In resolutions adopted at a meeting, no distinction will be made between those who have a conflicting interest and those who do not with respect to the votes of those abstaining.
- . A letter of appointment of an agent will be in writing and signed by the maker of the appointment or by his or her proxy who has proper written authority to do so. If the maker of the appointment is a corporation, the appointment will be made in writing and stamped with the corporation's stamp, with the attachment of the signature of the corporation's authorized signatories, and the appointee may act in the name of the corporation that he represents. The letter of appointment of an agent may be prepared in any form that is acceptable to the Trustee. An agent is not required to be a holder of Debt Notes on his or her own account. The letter of appointment of a proxy and power of attorney, or the other certificate in accordance with which the letter of appointment has been signed, or a certified copy of such a power of attorney, will be delivered to the Trustee by the time of the opening of the meeting, unless the summons regarding the calling of the meeting provides otherwise.
23. A vote that has been cast in accordance with the conditions in a document appointing an agent will be valid even if the person making the appointment has died or been declared legally incompetent prior to the vote, or even if the letter of appointment has been cancelled or if the Debt Note for which the vote was cast has been transferred, unless notification in writing regarding the death of the person making the appointment, or regarding such person being declared legally incompetent or regarding the cancellation or transfer as aforesaid, as relevant, has been received in the Bank's registered office prior to the meeting.
24. The Trustee will prepare a protocol of the meeting of the holders of the Debt Notes, which will be recorded in the register of protocols and retained in the Trustee's registered office for a period of seven years from the time of the meeting. Every such protocol will be signed by the chairman of the meeting, and every such signed protocol will serve as *prima facie* evidence of what is stated in it; so long as the opposite has not been proven, any resolution that is passed in such a meeting will be deemed to have been properly adopted. The Trustee may prepare a protocol of the meeting or parts thereof by way of recording.
25. The register of the protocols of meetings of the holders will be retained in the Trustee's office and will be open for review by the Bank and the Debt Notes holders. Notwithstanding the above, the Trustee may, in special circumstances, delay the delivery of a certain part of the protocol to any party whatsoever, if according to the Trustee's exclusive best judgment, such delay is reasonably required in order to prevent harm being done to the rights of the holders of the Deferred Debt Notes. However: (a) the Trustee may not, in any event, delay the delivery of those parts of the protocol that reflect the resolutions adopted at the holders' meetings; and (b) the Trustee may not delay the delivery of any protocol whatsoever if that the Bank submits a written request for such, if such request indicates that the receipt of the full protocol is necessary in order to comply with requirements or directions issued by a competent authority and/or in order to comply with the provisions of any relevant law.
26. The declaration by the chairman of the meeting regarding the adoption or rejection of a resolution and the recording on this matter in the register of protocols will serve as *prima facie* evidence of this fact.