

Q3

## Additional Regulatory Disclosures

2021

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

Updated as of: January 10, 2022

## Table 2a – A description of the principal features of issued regulatory capital instruments

No.	Item	(1) Ordinary share capital	(2) Ordinary shares issued by a subsidiary of the banking corporation to third party investors	(3) Subordinated debt notes - Series "F" (tier 2 capital) - Manpikim	(4) Subordinated debt notes - Series "G" (tier 2 capital) - Manpikim	(5) Subordinate debt notes Series "J"
1	<b>The legal entity of the issuer</b>	The Bank	ICC	Discount Manpikim Ltd.	Discount Manpikim Ltd.	The Bank
2	<b>Unique feature - Security No.</b>	691212	-	748197	7480247	6910127
3	<b>The legal framework/frameworks applying to the instrument</b>	The laws of the State of Israel	The laws of the State of Israel	The laws of the State of Israel		The laws of the State of Israel
4	<b>The Tier to which the instrument belongs during the transitional period of Basel III and which is being gradually cancelled</b>	Not relevant	Not relevant	Not relevant	Not relevant	Tier 2 capital
5	<b>The Tier to which the instrument belongs in accordance with the Basel III instructions, regardless of the transitional instructions</b>	Common equity tier 1	Common equity tier 1	Tier 2 capital	Tier 2 capital	Unqualified
6	<b>Is the instrument qualified as a regulatory capital component on a standalone basis, the banking group or on a standalone basis and the banking group</b>	The component is qualified as a regulatory capital component on a banking group basis	The banking group	The banking group	The banking group	The banking group
7	<b>Type of instrument</b>	Ordinary share capital	Ordinary shares issued by a subsidiary of the banking corporation to third party investors	Debt notes issued by a subsidiary company of the banking corporation to investors being a third party	Debt notes issued by a subsidiary company of the banking corporation to investors being a third party	Debt notes
8	<b>The amount recognized as regulatory capital (in NIS millions<sup>11</sup> as of the most recent reporting date)</b>	4,850	310	1,331	1,588	-
9	<b>The par value of the instrument (in</b>	116	Less than NIS 1 million (NIS	Approx. 1,331	Approx. 1,514	106

No.	Item	(1) Ordinary share capital NIS millions)	(2) Ordinary shares issued by a subsidiary of the banking corporation to third party investors 31)	(3) Subordinated debt notes - Series "F" (tier 2 capital) - Manpikim	(4) Subordinated debt notes - Series "G" (tier 2 capital) - Manpikim	(5) Subordinate debt notes Series "J"
10	<b>Accounting classification</b>	Shareholders' equity	Non-controlling interests in a consolidated subsidiary	Liability – computed on the basis of amortized cost	Liability – computed on the basis of amortized cost	Liability – computed on the basis of amortized cost
11	<b>Original date of issue</b>	The Bank was established in 1935. Its shares have been issued at different dates since then.	Different dates	October 29, 2019 January 7, 2020	June 22, 2020 April 22, 2021	June 18, 2010
12	<b>Perpetual or dated</b>	Perpetual	Perpetual	Dated	Dated	Dated
13	<b>Original redemption date</b>	No redemption date	No redemption date	One payment on October 29, 2030	One payment on July 1, 2031	Once in each of the years June 10, 2019 to June 10, 2022.
14	<b>Available for early redemption at the option of the issuer, with a prior approval of the Supervisor of Banks</b>	No	No	Yes	Yes	No
15	<b>The earliest possible date of early redemption at the option of the issuer, date of exercise of an early redemption option conditional upon the occurrence of a certain event, and the amount of redemption</b>			Redemption in full may not be made before October 29, 2025 and not later than November 29, 2025.	Redemption in full may not be made before July 1, 2026 and not later than August 1, 2026.	-
16	<b>Existence and frequency of later early redemption dates</b>			No	No	-
	<b>Interest/dividend coupons</b>	-	-			
17	<b>Fixed or variable Interest/dividend coupons</b>	-	-	Fixed	Fixed	Permanent
18	<b>The rate of the interest coupon and any linkage terms to a certain index</b>	-	-	Fixed annual interest of 1.46% for the first period. Following the end of six years, the interest rate shall be increased or decreased by the difference in respect of the base interest at date of	Fixed annual interest of 2.42% for the first period. Following the end of six years, the interest rate shall be increased or decreased by the difference in respect of the base interest at date of	3.85% linked to the CPI

No.	Item	(1) Ordinary share capital	(2) Ordinary shares issued by a subsidiary of the banking corporation to third party investors	(3) Subordinated debt notes - Series "F" (tier 2 capital) - Manpikim change in the interest rate.	(4) Subordinated debt notes - Series "G" (tier 2 capital) - Manpikim change in the interest rate.	(5) Subordinate debt notes Series "J"
19	Any dividend stopper condition applying to ordinary shareholders	-	-	No	No	No
20	Subject to full discretion, partial discretion or free of discretion	-	-	Is not subject to discretion	Is not subject to discretion	-
21	Existence of interest step-up terms or other redemption incentives	-	-	No	No	No
22	The instrument is accruing or non-accruing as regards interest/dividend	-	-	Not relevant	Not relevant	-
23	The instrument is convertible or non-convertible	-	-	Non-convertible	Non-convertible	Non-convertible
24	If convertible, what are the exercise point/points	-	-	Not relevant	Not relevant	-
25	If convertible, is it in full or in part	-	-	Not relevant	Not relevant	-
26	If convertible, what is the conversion ratio	-	-	Not relevant	Not relevant	-
27	If convertible, is conversion optional or mandatory	-	-	Not relevant	Not relevant	-
28	If convertible, what would be the Tier of the instrument received after conversion	-	-	Not relevant	Not relevant	-
29	If convertible, state the issuer of the instrument received after conversion	-	-	Not relevant	Not relevant	-
30	Does a feature exist requiring a write-down of the instrument	-	-	Yes	Yes	No
31	Where a write-down feature exists, what are the exercise point/points	-	-	The Supervisor's decision regarding a trigger event of non-viability and/or of the common equity tier 1 ratio having fallen below 5% (Appendix D of Directive No.202)	The Supervisor's decision regarding a trigger event of non-viability and/or of the common equity tier 1 ratio having fallen below 5% (Appendix D of Directive No.202)	-

No.	Item	(1) Ordinary share capital	(2) Ordinary shares issued by a subsidiary of the banking corporation to third party investors	(3) Subordinated debt notes - Series "F" (tier 2 capital) - Manpikim	(4) Subordinated debt notes - Series "G" (tier 2 capital) - Manpikim	(5) Subordinate debt notes Series "J"
32	Where a write-down feature exists, is it in part or in full	-	-	Full or partial	Full or partial	-
33	Where a write-down feature exists, is the write-down permanent or temporary	-	-	Temporary	Temporary	-
34	Where a temporary write-down feature exists, describe the mechanism of the write-up	-	-	At the discretion of the Bank and after the Bank's common equity tier 1 ratio has risen above the minimum capital ratio prescribed by the Supervisor	At the discretion of the Bank and after the Bank's common equity tier 1 ratio has risen above the minimum capital ratio prescribed by the Supervisor	-
35	Position in subordination hierarchy in liquidation – Noting the immediate preceding instrument to this instrument in the subordination hierarchy.	Subordinate capital notes Series "A" and "B" (columns 3 and 4).	Subordinate capital notes Series "A" and "B" (columns 3 and 4).	Not relevant, unless the instrument is not written-off in accordance with its terms at the time of liquidation – Subordinated debt notes (Series "J" and "K") and private debt notes of the Bank, as well as subordinated debt notes (Series "B" and "D") of Manpikim (columns 8 to 12)	Not relevant, unless the instrument is not written-off in accordance with its terms at the time of liquidation – Subordinated debt notes (Series "J" and "K") and private debt notes of the Bank, as well as subordinated debt notes (Series "B" and "D") of Manpikim (columns 8 to 12)	Bonds and bank deposits
36	Are there components matching the definition of regulatory capital due only to non-compliant transitioned features	No	No	No	No	Yes
37	If so, these components should be noted	-	-	Not relevant	Not relevant	The instrument does not include a mechanism for loss absorption at the point of non-viability

## Part A – table 2a – A description of the principal features of issued regulatory capital instruments (continued)

No.	Item	(6) Subordinate debt notes Series "K"	(7) Private debt notes	(8) Subordinate debt notes Series "D" -Manpikim	(9) Subordinate debt notes Series "H" (tier 2 Capital) - Manpikim
1	<b>The legal entity of the issuer</b>	The Bank	The Bank	Discount Manpikim Ltd.	Discount Manpikim Ltd.
2	<b>Unique feature - Security No.</b>	6910137	-	7480049	7480312
3	<b>The legal framework/frameworks applying to the instrument</b>	The laws of the State of Israel	The laws of the State of Israel	The laws of the State of Israel	The laws of the State of Israel
4	<b>The Tier to which the instrument belongs during the transitional period of Basel III and which is being gradually cancelled</b>	Tier 2 capital	Tier 2 capital	Tier 2 capital	Not relevant
5	<b>The Tier to which the instrument belongs in accordance with the Basel III instructions, regardless of the transitional instructions</b>	Unqualified	Unqualified	Unqualified	Tier 2 capital
6	<b>Is the instrument qualified as a regulatory capital component on a standalone basis, the banking group or on a standalone basis and the banking group</b>	The banking group	The banking group	The component is qualified as a regulatory capital component on the basis of the banking group	The banking group
7	<b>Type of instrument</b>	Debt notes	Debt notes	Subordinate debt notes issued by a subsidiary company of the banking corporation to investors being a third party	Subordinate debt notes issued by a subsidiary company of the banking corporation to investors being a third party
8	<b>The amount recognized as regulatory capital (in NIS millions as of the most recent reporting date)</b>	-	122	17	0
9	<b>The par value of the instrument (in NIS millions)</b>	81	397	145	573.1
10	<b>Accounting classification</b>	Liability – computed on the basis of amortized cost	Liability – computed on the basis of amortized cost	Liability – computed on the basis of amortized cost	Liability – computed on the basis of amortized cost

11	<b>Original date of issue</b>	June 18, 2010	Issued on different dates	October 28, 2007; October 19, November 29, 2021 2009	
12	<b>Perpetual or dated</b>	Dated	Dated	Dated	Dated
13	<b>Original redemption date</b>	Once in each of the years June 10, 2019 to June 10, 2022.	Different redemption dates	Once in each of the years October 29, 2013 to October 29, 2022.	One payment on November 29, 2032
14	<b>Available for early redemption at the option of the issuer, with a prior approval of the Supervisor of Banks</b>	No	No	No	Yes
15	<b>The earliest possible date of early redemption at the option of the issuer, date of exercise of an early redemption option conditional upon the occurrence of a certain event, and the amount of redemption</b>	-	-	Not relevant	Redemption in full may not be made before November 1, 2027 and not later than December 1, 2027
16	<b>Existence and frequency of later early redemption dates</b>	-	-	Not relevant	No
<b>Interest/dividend coupons</b>					
17	<b>Fixed or variable interest/dividend coupon</b>	Permanent	Different instruments	Permanent	Fixed
18	<b>The rate of the interest coupon and any linkage terms to a certain index</b>	6.40% non-linked	Different instruments	4.75%, linked to the CPI	Fixed annual interest of 0.2% for the first period. Following the end of about six years, the interest rate shall be increased or decreased by the difference in respect of the base interest at date of change in the interest rate.
19	<b>Any dividend stopper condition applying to ordinary shareholders</b>	No	No	No	No
20	<b>Subject to full discretion, partial discretion or free of discretion</b>	-	-	Without discretion	Is not subject to discretion
21	<b>Existence of interest step-up</b>	No	No	No	No

	<b>terms or other redemption incentives</b>				
22	<b>The instrument is accruing or non-accruing as regards interest/dividend</b>	-	-	Not relevant	Not relevant
23	<b>The instrument is convertible or non-convertible</b>	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	<b>If convertible, what are the exercise point/points</b>	-	-	Not relevant	Not relevant
25	<b>If convertible, is it in full or in part</b>	-	-	Not relevant	Not relevant
26	<b>If convertible, what is the conversion ratio</b>	-	-	Not relevant	Not relevant
27	<b>If convertible, is conversion optional or mandatory</b>	-	-	Not relevant	Not relevant
28	<b>If convertible, what would be the Tier of the instrument received after conversion</b>	-	-	Not relevant	Not relevant
29	<b>If convertible, state the issuer of the instrument received after conversion</b>	-	-	Not relevant	Not relevant
30	<b>Does a feature exist requiring a write-down of the instrument</b>	No	No	No	Yes
31	<b>Where a write-down feature exists, what are the exercise point/points</b>	-	-	Not relevant	The Supervisor's decision regarding a trigger event of non-viability and/or of the common equity tier 1 ratio having fallen below 5% (Appendix D of Directive No.202)
32	<b>Where a write-down feature exists, is it in part or in full</b>	-	-	Not relevant	Full or partial
33	<b>Where a write-down feature exists, is the write-down permanent or temporary</b>	-	-	Not relevant	Temporary
34	<b>Where a temporary write-down feature exists, describe the</b>	-	-	Not relevant	At the discretion of the Bank and after the Bank's common



	<b>mechanism of the write-up</b>				equity tier 1 ratio has risen above the minimum capital ratio prescribed by the Supervisor
<b>35</b>	<b>Position in subordination hierarchy in liquidation – Noting the immediate preceding instrument to this instrument in the subordination hierarchy.</b>	Bonds and bank deposits	Bonds and bank deposits	Deposits at the Bank and bonds	Not relevant, unless the instrument is not written-off in accordance with its terms at the time of liquidation – Subordinated debt notes (Series "J" and "K") and private debt notes of the Bank, as well as subordinated debt notes (Series "B" and "D") of Manpikim (columns 8 to 12)
<b>36</b>	<b>Are there components matching the definition of regulatory capital due only to non-compliant transitioned features</b>	Yes	Yes	Yes	No
<b>37</b>	<b>If so, these components should be noted</b>	The instrument does not include a mechanism for loss absorption at the point of non-viability	The instrument does not include a mechanism for loss absorption at the point of non-viability	Item 9 to Appendix "D" and Appendix "E" to the Directive. The instrument does not include a mechanism for loss absorption at the point of non-viability.	Not relevant

## Additional details – table 2b – descriptions of terms, conditions and additional relevant information

### (1) Ordinary share capital

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The Bank's ordinary share capital had been issued on different dates in the past. The Bank's ordinary share capital complies with criteria detailed in Appendix "A" of Directive 202, and as such is qualified to serve as tier 1 capital in accordance with the instructions of Basel III.

### (2) Ordinary shares issued by a subsidiary of the banking corporation to third party investors

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The ordinary share capital of Israel Credit Cards Ltd. ("ICC"), a consolidated subsidiary of the Bank, had been issued on different dates in the past. Had the ordinary share capital of ICC held by the First International Bank (minority interests) been issued by the Bank, it would have complied with all criteria detailed in Appendix "A" of Directive 202, and as such is qualified to serve as tier 1 capital in accordance with the instructions of Basel III, subject to the terms prescribed in the Directive.

### (3) Subordinated debt notes – Series "F"

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The Subordinated debt notes – Series "F" were issued by Discount Manpikim Ltd. under a shelf prospectus dated March 30, 2017, which on March 24, 2019, the validity of which was extended until March 29, 2020, and were listed for trading. The Subordinated debt notes – Series "F" comply with the terms for recognition by the Supervisor of Banks as Tier 2 capital of the Bank,

On January 7, 2020, Discount Manpikim issued an additional amount of NIS 100 million, par value, of this Series, by means of a private placement to a classified investor.

### (4) Subordinate debt notes Series "J"

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The subordinate debt notes Series "J" were issued by the Bank under a shelf Prospectus published on August 31, 2009, and were listed for trade. The subordinate debt notes Series "J" had been recognized under the Basel II instructions as tier 2 capital. The said debt notes are not qualified under the Basel III instructions; however, under the transitional instructions they will be recognized during the transitional period as tier 2 capital, and shall be gradually abolished in the years 2014–2022.

## **(5) Subordinate debt notes Series "K"**

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The subordinate debt notes Series "K" were issued by the Bank under a shelf Prospectus published on August 31, 2009, and were listed for trade. The subordinate debt notes Series "K" had been recognized under the Basel II instructions as tier 2 capital. The said debt notes are not qualified under the Basel III instructions; however, under the transitional instructions they will be recognized during the transitional period as tier 2 capital, and shall be gradually abolished in the years 2014–2022.

## **(6) Debt notes issued privately**

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These are debt notes issued by the Bank to different institutional investors under small private placements. In view of the fact that these involve many tens of small private placements, it is not practicable to include a specific description in respect of each issue. The said debt notes had been recognized under the Basel II instructions as tier 2 capital. The said debt notes are not qualified under the Basel III instructions; however, under the transitional instructions they will be recognized during the transitional period as tier 2 capital, and shall be gradually abolished in the years 2014–2022.

## **(7) Subordinated capital notes – Series "A" (hybrid tier 1 capital) and Subordinated capital notes – Series "B" (hybrid tier 1 capital)**

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Have been redeemed in full on January 1, 2022 and therefore are no longer reflected in this document.

## **(8) Subordinated debt notes – Series "L"**

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Have been redeemed in full on January 10, 2022 and therefore are no longer reflected in this document.

For details regarding debt notes issued by Mercantile Discount Bank, see the Internet site of that bank.