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# **Additional Regulatory Disclosures**

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




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

No.		(1) Ordinary share capital	(2) Ordinary shares issued by a subsidiary of the banking corporation to third party investors	(3) Subordinated capital notes - Series "A" (hybrid tier 1 capital)	(4) Subordinated capital notes - Series "B" (hybrid tier 1 capital)	(5) Subordinated debt notes - Series "L" (tier 2 capital)	(6) Subordinated capital notes - Series 1 (upper tier 2 capital)
1	<b>The legal entity of the issuer</b>	The Bank	ICC	The Bank	The Bank	The Bank	Discount Manpikim Ltd.
2	<b>Unique feature - Security No.</b>	691212		691095	6910111	Will be completed following the issuance	7480098
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	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	Additional tier 1 capital	Additional tier 1 capital	Tier 2 capital	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	Unqualified	Unqualified	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	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	Debt notes	Debt notes	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</b>	4,850	295	553	159	784	1,423

recent reporting date)							
9	<b>The par value of the instrument (in NIS millions)</b>	116	Less than NIS 1 million (NIS 31)	1,147	350	784	Approx. 1,252
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	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	December 31, 2006; May 13, 2007; September 25, 2008	March 29, 2009	January 10, 2017	April 13, 2009; May 7, 2009; May 27, 2009; July 13, 2009 and July 29, 2009
12	<b>Perpetual or dated</b>	Perpetual	Perpetual	Dated	Dated	Dated	Dated
13	<b>Original redemption date</b>	No redemption date	No redemption date	January 1, 2106	January 1, 2106	One payment on January 10, 2017	One payment on April 20, 2058
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	Yes	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>			May be redeemed in full on January 1, 2022.	May be redeemed in full on January 1, 2022.	Redemption in full may not be made before January 10, 2022 and not later than February 10, 2022.	May be redeemed in full on April 1, 2020.
16	<b>Existence and frequency of later early redemption dates</b>			Every five years	Every five years	No	Every five years
<b>Interest/dividend coupons</b>							
17	<b>Fixed or variable Interest/dividend coupons</b>	-	-	Is fixed at present and will turn variable in the future	Is fixed at present and will turn variable in the future	Fixed	Is fixed at present and will turn variable in the future
18	<b>The rate of the interest coupon and any linkage terms to a certain index</b>	-	-	CPI-linked interest of 5.1% for the first period (until January 2022)	CPI-linked interest of 8.7% for the first period (until January 2022)	Non-linked annual interest of 3.6% for the first period. Following the end of five years, the interest rate shall be increased or decreased by the difference in respect	6.4% of CPI-linked interest in the first period (until April 2020).



						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	Yes
20	<b>Subject to full discretion, partial discretion or free of discretion</b>	-	-	Partial discretion	Partial discretion	No	Partial discretion
21	<b>Existence of interest step-up terms or other redemption incentives</b>	-	-	Yes	Yes	No	Yes
22	<b>The instrument is accruing or non-accruing as regards interest/dividend</b>	-	-	Non-accruing	Non-accruing	Not relevant	Accruing
23	<b>The instrument is convertible or non-convertible</b>	-	-	Convertible	Convertible	Non-convertible	Non-convertible
24	<b>If convertible, what are the exercise point/points</b>	-	-	See below under "Additional details", item (3)	See below under "Additional details", item (4)	Not relevant	Not relevant
25	<b>If convertible, is it in full or in part</b>	-	-	See below under "Additional details", item (3)	See below under "Additional details", item (4)	Not relevant	Not relevant
26	<b>If convertible, what is the conversion ratio</b>	-	-	See below under "Additional details", item (3)	See below under "Additional details", item (4)	Not relevant	Not relevant
27	<b>If convertible, is conversion optional or mandatory</b>	-	-	Optional or mandatory, according to circumstances - See below under "Additional details", item (3)	Optional or mandatory, according to circumstances - See below under "Additional details", item (4)	Not relevant	Not relevant
28	<b>If convertible, what would be the Tier of the instrument received after conversion</b>	-	-	Common equity tier 1	Common equity tier 1	Not relevant	Not relevant
29	<b>If convertible, state the issuer of the instrument received after conversion</b>	-	-	The Bank	The Bank	Not relevant	Not relevant
30	<b>Does a feature exist requiring a write-down of the instrument</b>	-	-	No	No	Yes	No

31	<b>Where a write-down feature exists, what are the exercise point/points</b>	-	-	-	-	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>	-	-	-	-	Full or partial	-
33	<b>Where a write-down feature exists, is the write-down permanent or temporary</b>	-	-	-	-	Temporary	-
34	<b>Where a temporary write-down feature exists, describe the mechanism of the write-up</b>	-	-	-	-	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	<b>Position in subordination hierarchy in liquidation – Noting the immediate preceding instrument to this instrument in the subordination hierarchy.</b>	Subordinate capital notes Series "A" and "B" (columns 3 and 4).	Subordinate capital notes Series "A" and "B" (columns 3 and 4).	Subordinate debt notes (Series "L")	Subordinate debt notes (Series "L")	Not relevant, unless the instrument is not written-off in accordance with its terms at the time of liquidation – subordinate capital notes Series 1 (column 6)	Subordinate debt notes (columns 6 - 15).
36	<b>Are there components matching the definition of regulatory capital due only to non-compliant transitioned features</b>	No	No	Yes	Yes	No	Yes
37	<b>If so, these components should be noted</b>	-	-	Unqualified tier 1: Appendix "C" items 4,7,11 to the Directive *. Qualified tier 2; Appendix "D" items 4(c), 9 to the	Unqualified tier 1: Appendix "C" items 4,7,11 to the Directive. Qualified tier 2; Appendix "D" items 4(c), 9 to the	Not relevant	Item 4(c) to Appendix "D" – increased interest: the instrument does not include a mechanism for the absorption of losses in

\*The Directive, here and hereafter: Proper Conduct of Banking Business Directive No. 202.



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accordance with Appendix  
"E" to the Directive.

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

No.	(7) Subordinate debt notes Series "J"	(8) Subordinate debt notes Series "K"	(9) Private debt notes	(10) Subordinate debtnotes - Series "B" - Manpikim	(11) Subordinate debt notes Series "D" - Manpikim	
<b>1</b>	<b>The legal entity of the issuer</b>	The Bank	The Bank	The Bank	Discount Manpikim Ltd.	Discount Manpikim Ltd.
<b>2</b>	<b>Unique feature - Security No.</b>	6910127	6910137	-	7480023	7480049
<b>3</b>	<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	The laws of the State of Israel
<b>4</b>	<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	Tier 2 capital	Tier 2 capital
<b>5</b>	<b>The Tier to which the instrument belongs in accordance with the Basel III instructions, regardless of the transitional instructions</b>	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
<b>6</b>	<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 banking group	The banking group	The component is qualified as a regulatory capital component on the basis of the banking group
<b>7</b>	<b>Type of instrument</b>	Debt notes	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
<b>8</b>	<b>The amount recognized as regulatory capital (in NIS millions as of the most recent reporting date)</b>	138	98	343	-	104
<b>9</b>	<b>The par value of the instrument (in NIS millions)</b>	426	325	426	240	363
<b>10</b>	<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	Liability – computed on the basis of amortized cost
<b>11</b>	<b>Original date of issue</b>	June 18, 2010	June 18, 2010	Issued on different dates	November 11, 2004; September 21, 2006	October 28, 2007; October 19, 2009

<b>12</b>	<b>Perpetual or dated</b>	Dated	Dated	Dated	Dated	Dated
<b>13</b>	<b>Original redemption date</b>	Once in each of the years June 10, 2019 to June 10, 2022.	Once in each of the years June 10, 2019 to June 10, 2022.	Different redemption dates	Once in each of the years November 30, 2015 to November 30, 2019.	Once in each of the years October 29, 2013 to October 29, 2022.
<b>14</b>	<b>Available for early redemption at the option of the issuer, with a prior approval of the Supervisor of Banks</b>	No	No	No	No	No
<b>15</b>	<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
<b>16</b>	<b>Existence and frequency of later early redemption dates</b>	-	-	-	-	Not relevant
<b>Interest/dividend coupons</b>						
<b>17</b>	<b>Fixed or variable interest/dividend coupon</b>	Permanent	Permanent	Different instruments	Permanent	Permanent
<b>18</b>	<b>The rate of the interest coupon and any linkage terms to a certain index</b>	3.85% linked to the CPI	6.40% non-linked	Different instruments	5.25% linked to the CPI	4.75%, linked to the CPI
<b>19</b>	<b>Any dividend stopper condition applying to ordinary shareholders</b>	No	No	No	No	No
<b>20</b>	<b>Subject to full discretion, partial discretion or free of discretion</b>	-	-	-	Without discretion	Without discretion
<b>21</b>	<b>Existence of interest step-up terms or other redemption incentives</b>	No	No	No	No	No
<b>22</b>	<b>The instrument is accruing or non-accruing as regards interest/dividend</b>	-	-	-	-	Not relevant
<b>23</b>	<b>The instrument is convertible or non-convertible</b>	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible



24	<b>If convertible, what are the exercise point/points</b>	-	-	-	-	Not relevant
25	<b>If convertible, is it in full or in part</b>	-	-	-	-	Not relevant
26	<b>If convertible, what is the conversion ratio</b>	-	-	-	-	Not relevant
27	<b>If convertible, is conversion optional or mandatory</b>	-	-	-	-	Not relevant
28	<b>If convertible, what would be the Tier of the instrument received after conversion</b>	-	-	-	-	Not relevant
29	<b>If convertible, state the issuer of the instrument received after conversion</b>	-	-	-	-	Not relevant
30	<b>Does a feature exist requiring a write-down of the instrument</b>	No	No	No	No	No
31	<b>Where a write-down feature exists, what are the exercise point/points</b>	-	-	-	-	Not relevant
32	<b>Where a write-down feature exists, is it in part or in full</b>	-	-	-	-	Not relevant
33	<b>Where a write-down feature exists, is the write-down permanent or temporary</b>	-	-	-	-	Not relevant
34	<b>Where a temporary write-down feature exists, describe the mechanism of the write-up</b>	-	-	-	-	Not relevant
35	<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	Bonds and bank deposits	Bonds and bank deposits	Deposits at the Bank and bonds
36	<b>Are there components matching the definition of regulatory capital due only to non-compliant transitioned features</b>	Yes	Yes	Yes	Yes	Yes
37	<b>If so, these components should be noted</b>	The instrument does not include a mechanism for loss	The instrument does not include a mechanism for loss	The instrument does not include a mechanism for loss	The instrument does not include a mechanism for loss	Item 9 to Appendix "D" and Appendix "E" to the Directive.



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The instrument does not  
include a mechanism for loss  
absorption at the point of non-  
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## part A – table 2a – A description of the principal features of issued regulatory capital instruments (continued)

No.		(12) Subordinate debt notes Series "E" -Manpikim
1	<b>The legal entity of the issuer</b>	Discount Manpikim Ltd.
2	<b>Unique feature - Security No.</b>	7480031
3	<b>The legal framework/frameworks applying to the instrument</b>	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
5	<b>The Tier to which the instrument belongs in accordance with the Basel III instructions, regardless of the transitional instructions</b>	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 the basis of the banking group
7	<b>Type of instrument</b>	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>	-
9	<b>The par value of the instrument (in NIS millions)</b>	150
10	<b>Accounting classification</b>	Liability – computed on the basis of amortized cost
11	<b>Original date of issue</b>	March 6, 2007; October 28, 2007
12	<b>Perpetual or dated</b>	Dated
13	<b>Original redemption date</b>	Once in each of the years March 7, 2015 to March 7, 2019.
14	<b>Available for early redemption at the option of the issuer, with a prior approval of the Supervisor of Banks</b>	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>	Not relevant
16	<b>Existence and frequency of later early redemption</b>	Not relevant



<b>dates</b>		
<b>Interest/dividend coupons</b>		
17	<b>Fixed or variable interest/dividend coupon</b>	Permanent
18	<b>The rate of the interest coupon and any linkage terms to a certain index</b>	Non-linked interest at the rate of 6.1%.
19	<b>Any dividend stopper condition applying to ordinary shareholders</b>	No
20	<b>Subject to full discretion, partial discretion or free of discretion</b>	Without discretion
21	<b>Existence of interest step-up terms or other redemption incentives</b>	No
22	<b>The instrument is cumulative or non-cumulative as regards interest/dividend</b>	Not relevant
23	<b>The instrument is convertible or non-convertible</b>	Non-convertible
24	<b>If convertible, what are the exercise point/points</b>	Not relevant
25	<b>If convertible, is it in full or in part</b>	Not relevant
26	<b>If convertible, what is the conversion ratio</b>	Not relevant
27	<b>If convertible, is conversion optional or mandatory</b>	Not relevant
28	<b>If convertible, what would be the Tier of the instrument received after conversion</b>	Not relevant
29	<b>If convertible, state the issuer of the instrument received after conversion</b>	Not relevant
30	<b>Does a feature exist requiring a write-down of the instrument</b>	No
31	<b>Where a write-down feature exists, what are the exercise point/points</b>	Not relevant
32	<b>Where a write-down feature exists, is it in part or in full</b>	Not relevant
33	<b>Where a write-down feature exists, is the write-down permanent or temporary</b>	Not relevant
34	<b>Where a temporary write-down feature exists, describe the mechanism of the write-up</b>	Not relevant

35	<b>Position in subordination hierarchy in liquidation – Noting the immediate preceding instrument to this instrument in the subordination hierarchy.</b>	Deposits at the Bank and bonds
36	<b>Are there components matching the definition of regulatory capital due only to non-compliant transitioned features</b>	Yes
37	<b>If so, these components should be noted</b>	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.

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

### (1) Ordinary share capital

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

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 capital notes - Series "A" (hybrid tier 1 capital)

Subordinate capital notes Series "A" in the par value amount of NIS 1,000 million, were issued through private placements in the years 2006-2007. These were listed for trade according to a Prospectus published on May 31, 2007. A par value amount of NIS 147 million was issued in 2008 by way of extension of an existing series. The said capital notes have been recognized as hybrid tier 1 capital under the Basel II instructions. These capital notes are not qualified under the Basel III instructions, though under the transitional instructions they will be recognized in the transition period as additional tier 1 capital, and will be gradually repealed in the years 2014-2021.

For additional details regarding the said capital notes, including a description of their terms and conditions, see Note 14 7 B to the Bank's financial statements as of December 31, 2014, the information included therein is presented here by way of reference.

The Bank may issue shares in consideration for erased interest under "special circumstances" and must convert the outstanding balance of principal and interest in cases requiring "loss absorption"- for details

The conversion is in full (with respect to the payment of the principal amount) and partially (in respect of the interest written off).

Conversion of interest payments: dividing the amount of interest the settlement of which was written off (with the addition of linkage increments and annual interest on arrears at a rate of 3.0%), by the product of the price of the share of the Bank on the Tel Aviv Stock Exchange at the end of the last trading day before the fixed date for settlement of that interest payment and 0.95.

With regards to the conversion of the principal – the lower of (a) Equity per share of the Bank, less a discount of 20%. (b) Average closing prices determined for ordinary A shares of the Bank in the Tel Aviv Stock Exchange in the 14 trading days. The conversion price shall not exceed a price of NIS 9.181 and shall not be less than a price of NIS 3.5 per share, linked to the CPI for November 2006.

#### (4) Subordinated capital notes - Series "B" (hybrid tier 1 capital)

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Subordinate capital notes Series "B" in a par value amount of NIS 350 million were issued by private placement in 2009, and are not listed for trade. The said capital notes Series "B" have been recognized as hybrid tier 1 capital under the Basel II instructions. These capital notes are not qualified under the Basel III instructions, though under the transitional instructions they will be recognized in the transition period as additional tier 1 capital, and will be gradually repealed in the years 2014-2021.

For additional details regarding the said capital notes, including a description of their terms and conditions, see Note 14 7 C to the Bank's financial statements as of December 31, 2014, the information included therein is presented here by way of reference.

The Bank may issue shares in consideration for erased interest under "special circumstances" (including instructions by the Supervisor of Banks) and must convert the outstanding balance of principal and interest in cases requiring "loss absorption" - for details

The conversion is in full (with respect to the payment of the principal amount) and partially (in respect of the interest written off)

Conversion of interest payments: dividing the amount of interest the settlement of which was written off (with the addition of linkage increments and annual interest on arrears at a rate of 3.0%), by the product of the price of the share of the Bank on the Tel Aviv Stock Exchange at the end of the last trading day before the fixed date for settlement of that interest payment and 0.95.

With regards to the conversion of the principal – the lower of (a) Equity per share of the Bank, less a discount of 20%. (b) Average closing prices determined for ordinary A shares of the Bank in the Tel Aviv Stock Exchange in the 14 trading days. The conversion price shall not exceed a price of NIS 7.7 and shall not be less than a price of NIS 1.8 per share, linked to the CPI for November 2006.

#### (6) Subordinated capital notes - Series 1 (upper tier 2 capital)

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Subordinate capital notes Series I in a par value amount of NIS 1,252 million were issued in 2009 by Manpikim, in accordance with a shelf prospectus published on February 27, 2008 and were listed for trade. The subordinate capital notes Series I were recognized as Upper tier 2 capital under the Basel II instructions. These capital notes are not qualified under the Basel III instructions, though under the transitional instructions they will be recognized in the transition period as additional tier 1 capital, and will be gradually repealed in the years 2014-2021. For additional details regarding the said capital notes, including a description of their terms and conditions, see Note 14 8 to Bank's the financial statements as of December 31, 2014, the information included therein

is presented here by way of reference.

### (7) 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.

### (8) 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.

### (9) 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.

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