

MIZRAHI TEFAHOT BANK LTD

No. with the Registrar of Companies: 520000522
 Securities of the Corporation are Listed for Trading on the Tel Aviv Stock Exchange
 Abbreviated Name: Mizrahi Tefahot
 7 Jabotinsky Street, Ramat Gan, 52520
 Tel: 972-3-7559207, 972-3-7559720, Fax: 972-3-7559913
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Date of transmission: April 24th, 2013
 Ref: 2013-01-044368

To
Israel Securities Authority
www.isa.gov.il

To
Tel Aviv Stock Exchange Ltd
www.tase.co.il

Immediate Report on the Convening/Postponement/Cancellation of a Meeting

Section 36B(a) and (d) and Section 36C of the Securities (Periodic and Immediate Reports)
 Regulations, 5730-1970

Explanation: insofar as any of the matters on the meeting's agenda is the approval of a transaction with a controlling shareholder or the approval of an extraordinary offer, Form T133 or T138 should be filed, respectively, and thereafter a report should be filed on this form as well

The Corporation announces the convening of a meeting

1. On April 24th, 2013 it was resolved to convene a special general meeting.

To be held on Tuesday, June 4th, 2013, at 10:00 hours.

At the following address: 7 Jabotinsky Street, 13th floor, Ramat Gan

2. The number of the security on the Tel-Aviv Stock Exchange ("TASE") entitling the holder thereof to participate at the meeting: 695437.

The effective date for entitlement to attend and vote at the meeting: May 1st, 2013.

3. On the agenda:
 Issues/resolutions which will be raised at the meeting:

<p>1 The issue/resolution and the details thereof As provided in the attached file <input checked="" type="checkbox"/> Convened in accordance with Section 66(b) of the Companies Law</p>
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Attached please find the report on the convening of the meeting.

4. Attached hereto please find: The voting paper.

Explanation: if a voting paper and/or a position notice are attached, they should be prepared in accordance with the provisions of the Companies Regulations (Voting in Writing and Position Notices), 5766-2005.

5. The legal quorum for holding the meeting:

Upon the presence, in person or by proxy, of two shareholders holding at least 25% of the voting rights, within half an hour from the time set for the beginning of the meeting.

6. In the absence of a legal quorum, the adjourned meeting will be held on June 11th, 2013 at 10:00 hours, at the following address: 7 Jabotinsky Street, 13th floor, Ramat Gan.

7. The times and places where any proposed resolution which was not described in full in the above description of the agenda may be inspected:

The Bank's offices, at the address specified above during standard business hours and by appointment (Tel: 03-7559720)

The reference numbers of previous documents on the matter (does not constitute incorporation by reference):

Previous names of reporting entity: United Mizrahi Bank Ltd.

Form updated on: April 21st, 2013

Name of the person reporting electronically: Maya Feller; Position held: Company Secretary
7 Jabotinsky Street, Ramat Gan, 52520, Israel, Tel: 972-3-7559720, Fax: 972-3-7559923,
e-mail: mangment@mizrahi.co.il

Mizrahi Tefahot Bank Ltd. (the "Bank")

Date: April 24, 2013

**The Israel Securities Authority
through the Magana**

**The Tel Aviv Stock Exchange Ltd.
through the Magna**

Dear Sir/Madam,

Immediate Report on the Convening of a Special General Meeting

A notice is hereby given pursuant to the Securities Regulations (Immediate and Periodic Reports) 5730-1970 (the "**Reports Regulations**") and pursuant to the Companies Regulations (A Notice of a General Meeting and a Class Meeting in a Public Company), 5760-2000, of the convening of a special general meeting of the Bank's shareholders which will be held on Tuesday, June 4, 2013, at 10:00, at the Bank's offices at 7 Jabotinsky St., 13th floor, Ramat Gan, for the purpose of the approval of the service and employment terms of the Bank's Chairman of the Board of Directors, Mr. Moshe Vidman (the "**Chairman**"), as provided below.

1. **The Proposed Resolution**

To approve the Bank's engagement regarding the terms of service and employment of the Bank's Chairman of the Board of Directors, as provided herein below.

2. **The Main Employment Terms of the Chairman of the Board of Directors**

Below are the main terms of employment of the Chairman of the Board of Directors during the employment period:

- 2.1. Definition of position: Mr. Moshe Vidman serves as the Chairman of the Board of Directors in a full-time position commencing from December 1, 2012. As long as there are employer-employee relations between the Chairman and the Bank, the Chairman will not be entitled to work at any other bank (including subsidiaries of another bank).
- 2.2. Salary: in consideration for his work, the Chairman will be entitled to a gross monthly salary of ILS 180,000 (one hundred and eighty thousand New Israeli Shekels), which will be linked in full to the increase (and not the decrease) of the Consumer Price Index, versus the base index which was published on November 15, 2012 (the "**Salary**").
- 2.3. Related conditions: The Chairman will be entitled to the following related benefits:
 - 2.3.1. Car: The Bank will provide the Chairman with a company car which will be accessorized in accordance with the Bank's procedures, and will bear any and all expenses in connection with the use and maintenance thereof, and will gross up any tax

which will be imposed on the Chairman in respect of the provision of the car.

2.3.2. Telephone: The Bank will provide to the Chairman and for his use a cellular phone and will bear the entire maintenance expenses thereof, including the payment of tax in respect thereof, and will participate in the telephone expenses in the Chairman's home, up to the sum of ILS 6,500 per annum, and will bear the tax in respect of such participation.

2.4. Annual leave, vacation allowance and sickness:

2.4.1. The Chairman will be entitled to an annual leave of 22 work days and a possibility to accrue up to 44 days of leave and redeem them in case there remains a balance upon the termination of the employment.

2.4.2. The Chairman will be entitled to an annual one-time vacation allowance in respect of a full year of work (and proportionally in respect of part of the year), according to 14 days per annum, at the accepted rate for the Bank's employees of approx. ILS 1,000 per day as of the date hereof.

2.4.3. The Chairman will be entitled to 25 days of sick leave. Sick leave days which were not utilized will not be redeemable at the end of the employment for any reason whatsoever.

2.5. Provision for provident funds, pension, severance pay and advanced training fund: The Bank shall make available to the Chairman a budget of 15.83% of the Salary for provision to provident funds, pension and severance pay at the Bank's expense, which will be transferred to provident fund(s) as per the Chairman's choice. The Bank will also purchase for the Chairman insurance for loss of working capacity through payment of 2.5% or such rate which will grant the Chairman disability pension at a rate of 75% of the Salary, whichever is lower.

In addition, the Bank will make a provision for the benefit of the Chairman, to an advanced training fund, as per the Chairman's choice, at a rate of 7.5% of the Salary.

2.6. Annual bonus and deferred bonus – the Chairman will be entitled to an annual bonus and to an additional deferred bonus according to the conditions which are specified in Annex B below.

2.7. Termination of employment: The employment agreement is for a fixed period of three years, commencing from December 1, 2012 until November 30, 2015, and it will terminate on November 30, 2015.

Notwithstanding the aforesaid, each party shall be entitled to notify the termination of employment at any time even prior to the fixed period,

for any reason and without having to explain its/his position to the other party, by a 3-months advance notice to the other party.

During the advance notice period, the Chairman will be required to work regularly and full-time, however, the Bank will have the reserved right not to utilize the said period, fully or partially (regardless of the party by which it was given), and terminate the Chairman's employment prior to the end of its period; in such case, the Bank will pay to the Chairman such part of the advance notice in which it waived the Chairman's employment, in a sum which shall equal the monthly salary for the redemption period (the "**Principal**") plus a sum which shall be equal the Bank's provisions for social benefits, calculated on the basis of the Principal

2.8. Payments due to termination of employment: Upon the termination of the Chairman's work in the Bank, at any time and for any reason, and including due to the Chairman's inability to continue to serve in his position for any reason, the Chairman will be entitled to all of the following aggregate benefits:

2.8.1. The Bank will furnish a letter to release any and all provisions for provident funds, pension and severance pay, while waiving in advance any right for reimbursement of any monies out of the Bank's payments. Such payments will be *in lieu* of the full amount of severance pay to which the Chairman or his dependants may be entitled.

Notwithstanding the aforesaid, if the termination of employment (god forbid) will be under circumstances in which the right for severance pay will be fully or partially denied, according to a judgment pursuant to Sections 16 or 17 of the Severance Pay Law – the Bank will withdraw from the funds the severance pay which it deposited therein, including their profits, at the rate in which the pay was denied.

2.8.2. The Bank will release the advanced training fund to the Chairman.

2.8.3. The Bank will further pay to the Chairman a sum which shall be equal to 150% of the last Salary, according to the meaning of "Salary" in Section 2.2 above, multiplied by the number of his years of employment ("**Additional Severance Pay**").

2.8.4. In addition, the Bank will pay to the Chairman an Adjustment Grant which will be equal to the sum of 6 monthly Salaries, plus a sum which shall be equal to the Bank's provisions for social benefits, calculated based on the Principal amount ("**Adjustment Grant**").

- 2.8.5. In addition to the aforesaid, and if the Chairman's employment terminated prior to the fixed period (namely prior to November 30, 2015), the following shall apply:
- 2.8.5.1. If the Chairman's employment shall terminate prior to the fixed period following the Bank's notice or due to loss of working capacity or since he passed away, god forbid, and in these cases only, the Bank will pay to the Chairman (or to his dependents, as the case may be), **in addition** to the aforesaid, a sum which shall equal half of the monthly Salary multiplied by the number of the remaining months in the fixed period.
- 2.8.5.2. Notwithstanding the provisions of Section 2.8.5.1 above, if the Chairman's employment terminates prior to the fixed period following the Bank's notice which shall be given within no more than 30 days, commencing from the day of a change of "control" in the Bank, according to the meaning of the term in The Banking Law (Licensing) 5741-1981, and in such case only, the amount which will be paid to the Chairman shall be equal to the entire amount of the monthly Salary multiplied by the number of the remaining months in the fixed period.
- 2.8.6. Notwithstanding the provisions of Sections 2.7 and 2.8 above, if the Chairman's employment is terminated (god forbid) under circumstances in which an employee can be laid off without severance pay, full or partial, and even if the severance pay is not actually denied, *ex gratia*, the Chairman shall not be entitled to an advance notice or to the redemption thereof, nor to an Additional Severance Pay or to an Adjustment Grant, as provided above.
- 2.9. Confidentiality: Since due to the Chairman's position and duties, the Bank's trade secrets of any kind whatsoever are entrusted with him, the Chairman undertook to maintain the Bank's and its subsidiaries trade and other secrets in strict confidentiality. This undertaking shall be in force both during the period of the Chairman's employment and thereafter, indefinitely.
- 2.10. No competition: During six (6) months from the date of the termination of all of his positions and employment in the Bank (including in the subsidiaries), for any reason, the Chairman will not engage or act directly or indirectly in any other banking corporation or for it, including (but without limitation) shall not serve as an employee of another banking corporation (including an entity which engages in economic activity which competes with the Bank and/or a subsidiary of the Bank) and shall not provide services to it as self-employed and/or a consultant and/or a member or a partner in a corporation.

- 2.11. Exemption, insurance and indemnification: The Chairman shall be entitled to the exemption, indemnification and insurance to which the other Directors of the Bank shall be entitled, as provided in Article 29 of the Bank's periodic report for 2012 (ref. o. 2013-01-008002). The information provided in the said report is presented herein by way of reference.
- 2.12. During the agreement period, the compensation terms are *in lieu* of Directors' compensation to which the Chairman would have been entitled.
- 2.13. After the approval of the service and employment terms by the general meeting, the Salary and the related benefits for the period commencing on the date of the beginning of his service (December 1, 2012) until the date of the actual payment, shall be paid to the Chairman, after the deduction of sums in respect of Directors' compensation which were paid to him by the Bank during such period.
- 2.14. For details regarding the sixth schedule to the Reports Regulation see Annex A hereto.

3. **Procedure of Approval of the Service and Employment Terms**

The Bank's Board of Directors appointed the Bank's Compensation Committee (the "**Compensation Committee**" or the "**Committee**"), whose composition is in accordance with Section 118A of the Companies Law, 5759-1999 (the "**Companies Law**"). However, as of the date hereof, no compensation policy was approved by the Bank.

The aforesaid service and employment terms of the Chairman were discussed and approved by the Bank's Compensation Committee in its meeting on April 22, 2013, after previous discussion on January 15, 2013, March 5, 2013, March 24, 2013, April 8, 2013, and April 17, 2013, and were discussed and approved by the Bank's Board of Directors in its meeting of April 24, 2013, and are subject to the approval of the Bank's general meeting. The Compensation Committee and the Board of Directors approved the Chairman's terms of service and employment unanimously (other than the fact that the Chairman did not participate nor voted in the Board of Directors' meeting).

3.1. The factors taken into account by the Compensation Committee and the Board of Directors

For the purpose of the approval of the Chairman's terms of service and employment, the Compensation Committee and the Board of Directors took into account the factors specified in Section 267B(a) of the Companies Law, as follows:

- 3.1.1. Promoting the Bank's objectives, its work plan and its policy in the long-term;

- 3.1.2. Creating appropriate incentives for the Chairman of the Board of Directors, considering, *inter alia*, the Bank's risk management policy;
- 3.1.3. The scope of the Bank's business and the nature of its activity;
- 3.1.4. In respect of the variable components in the service and employment terms (the bonus) – the Chairman's contribution to obtaining the Bank's goals, all in long-term view and in accordance with the Chairman's special duties.

3.2. **The issues addressed by the Compensation Committee and the Board of Directors:**

The Compensation Committee and the Board of Directors addressed, *inter alia*, the following issues:

- 3.2.1. The Chairman's education, qualifications, expertise, professional experience and achievements;
- 3.2.2. The Chairman's duties and responsibilities; in this regard, it shall be noted that the Committee and the Board of Directors referred to duties which are defined in the Companies Law, in Regulation 301 of the Proper Conduct of Banking Business Regulations – the Board of Directors, and the Bank's procedures regarding the Board of Directors;
- 3.2.3. In the absence of previous salary agreements which were signed with the Chairman, the Committee and the Board of Directors referred to the terms of employment of the former Chairman, Mr. Jacob Perry;
- 3.2.4. The relation between the Chairman's service and employment terms, and the salary of the other Bank employees, and in particular, the relation to the average and median salary of the employees and the effect of the differences between them on the working relations in the Bank;
- 3.2.5. Since the service and employment conditions include variable components (bonus), the Committee and the Board of Directors addressed the possibility of reducing the bonus according to the discretion of the Board of Directors, and stated that the circumstances under which the variable bonus will be reduced should be limited to circumstances in which severance pay to the Chairman may be denied;
- 3.2.6. Since the terms of service and employment include a retirement grant, the Committee and the Board of Directors referred to the fixed period of service, the terms of service and employment during this period and the circumstances of retirement, and

stated that these were the issues which should be taken into account when determining the terms of retirement.

3.3. The Rationale given by the Compensation Committee and the Board of Directors

The Compensation Committee and the Board of Directors found that the Chairman's terms of compensation are in the Bank's interest and are reasonable under the circumstances, due to the following reasons:

- 3.3.1. The Chairman has many years of experience in serving in boards of directors in Banks and big companies as well as managerial experience, in addition to many years' familiarity with the Bank (as a result of being a Director in the Bank in 1999 and since August 2, 2010). According to the Compensation Committee and the Board of Directors, all of the above will contribute significantly to the Bank and to its Board of Directors' work;
- 3.3.2. The Chairman's terms of service and employment may promote the Bank's objectives and its policy in the long term and create appropriate incentives for the Chairman, who is responsible for the proper and efficient functioning of the Board of Directors, and who is responsible for the fulfillment of the Board of Directors' duties in supervising the management, and the consistency of its actions with the policy of the Board of Directors, including the Bank's risk management policy. The offered compensation is in accordance with the Bank's long-term strategic plan and work plan, and the bonus component is in accordance with the Bank's performance in the long run;
- 3.3.3. The Chairman's annual bonus is subject to the meeting of an appropriate combination of quantitatively measurable targets, as well as qualitatively measurable targets (at a non-material rate) which takes into account the Chairman's special contribution to the proper functioning of the Bank's Board of Directors.
- 3.3.4. The Chairman's terms of service and employment are reasonable and appropriate considering his special duties regarding the Bank's proper corporate governance and compliance with the law and the regulation;
- 3.3.5. The Chairman's terms of service and employment, compared with the terms of service and employment of his predecessor are reasonable and appropriate considering his full-time position, in contrast to his predecessor's 60% position, and considering that his term of service is fixed for three years, commencing from December 1, 2012 until November 30, 2015, and he is required to cease all his other occupations and his

service in other board of directors, limitations which did not apply to his predecessor;

- 3.3.6. The Chairman's terms of service and employment, compared with the terms of service and employment of a chairman of a board of directors, which is not a controlling shareholder, in the five big banks in Israel, as well as in large public insurance companies are reasonable and appropriate under the circumstances, and within the range of the survey which was presented to the Compensation Committee and the Board of Directors;
- 3.3.7. The relation between the Chairman's terms of service and employment, and the average pay of the other Bank employees, and in particular the relation to the average pay and the median pay of such employees, reflect the compensation gaps which exist in the Bank, and considering that proper working relations which have existed in the Bank for years, this relation seems reasonable to the Compensation Committee and the Board of Directors, and they estimate that such gaps have no effect on the working relations in the Bank;
- 3.3.8. Since the Chairman's terms of service and employment include variable components (bonus), the Compensation Committee and the Board of Directors referred to the possibility of reducing the bonus according to the discretion of the Board of Directors, and found that it was appropriate to limit the circumstances of reducing the variable bonus to circumstances in which the Chairman may be denied severance pay;
- 3.3.9. Since the Chairman's terms of service and employment include retirement grants, the Compensation Committee and the Board of Directors addressed the fixed period of service, to the conditions of his service and employment during this period and to the circumstances of retirement, and stated that these were the matters which should be taken into account when determining the conditions of retirement; also, the Compensation Committee and the Board of Directors referred to the "special retirement grant" to which the Chairman is entitled in case of termination of service during the period of the agreement with him, and stated that due to the special circumstances of the fixed and relatively short period of service, and the requirement that the Chairman cease all of his other occupations during this period, the special retirement grant is reasonable under the circumstances;
- 3.3.10. The rate of the grant and the rate of the fixed components (the Salary and related benefits) out of the total compensation are approx. 38% and 62%, respectively, and taking into account the Chairman's special responsibility and duties, with an emphasis on corporate governance and risk management issues which

characterize them and which are unique to the Chairman, the said rates are reasonable and appropriate under the circumstances, especially considering the fixed period of the Chairman's service;

3.3.11. The cap for the retirement grant is reasonable and appropriate under the circumstances, especially taking into account the Chairman's fixed period of service, and the fact that no equity component is included in its compensation package.

4. **The Proposed Compensation Compared with the Compensation Given to the Previous Chairman of the Bank's Board of Directors**

4.1. Below are details in respect of the compensation to Mr. Jacob Perry, who presided as the Chairman of the Bank's Board of Directors until October 31, 2012, in respect of 2012 (in thousand ILS, in employer's cost terms):

Details of the receiver of the compensation				Compensation for services				Other compensation	Total	Loans in ordinary conditions
Name	Position	Scope of position	Rate of holding in the corporation's capital	Salary	Grant	Social benefits (1)	Share based payment	Value of additional benefits (2)		
Jacob Perry	Chairman of the Board of Directors	60%	-	1,933	-	227	-	131	2,291	199

(1) Including severance pay, provisions to provident funds, advanced training fund, advance notice, days of leave and national insurance

(2) Including the value of car, telephone, cellular phone and additional benefits which are given to all of the Bank's employees.

4.2. The salary which is included in the offered compensation is similar to the salary to which Jacob Perry was entitled, considering the fact that Mr. Perry served in 60% position, whereas the Chairman serves in full-time position.

4.3. In respect of the grant and the terms of retirement, below are the differences between the terms of employment of Mr. Perry and the conditions which are offered to the Chairman:

4.3.1. The bonus – Whereas Mr. Perry was entitled to a bonus in accordance with the discretion of the company's Board of Directors which was not limited by a cap (and which amounted in 2011 to a sum of ILS 1,100,000 (in employer's cost terms) in 2012 Mr. Perry received no bonus), the Chairman shall be entitled to a bonus, which, as provided in Annex B below, is

mostly (85%) in accordance with a pre-determined formula, and only a non-material part of it (15%) is in accordance with the discretion of the Board of Directors and is limited by a cap, as well as to a deferred bonus. This difference stems from the provisions of Amendment 20 to the Companies Law and the enhancement of the corporate governance as a result, while making the required adjustments in accordance with the Bank's long-term strategic plan and work plan, and with the Bank's performance in the long run.

- 4.3.2. Regarding the retirement grant – Mr. Perry was entitled, upon his retirement from service as the Bank's Chairman of the Board of Directors for any reason, including resignation, to the Bank releasing in his favor of all of the sums which he accrued in the managers' insurance policy by virtue of the Bank's payments and by virtue of Mr. Perry's payments. In contrast, Mr. Vidman is entitled to retirement payments as provided in Section 2.8 above. This difference is due to the fact that the Chairman's period of service is fixed for three years and he is required to cease all of his other occupations and service in other boards of directors, limitations which did not apply to his predecessor.

5. **Details regarding the Convening of a Special General Meeting**

A notice is hereby given on the convening of a special general meeting of the Bank's shareholders which will be held on Tuesday, June 4, 2013, at 10:00, at the Bank's offices at 7 Jabotinsky St., 13th floor, Ramat Gan, and whose agenda shall include the adoption of the resolution in the above contemplated issue.

6. **The Majority which is Required for the Approval of the Resolution**

For the purpose of approving the issue on the agenda, in accordance with the transitional provisions determined in Amendment 20 to the Companies Law, 5759-1999, it is required that in addition to an ordinary majority, one of the following shall be met: (a) the majority votes in the general meeting shall include the majority of the shareholders who are not controlling shareholders in the bank or who have a personal interest in the approval of the compensation, who are participating at the vote (the abstaining votes shall not be taken into account in the count of votes of the said shareholders); (b) the total objecting votes out of the shareholders specified in para. (a) above shall not be higher than two percent of the total voting rights in the Bank.

7. **Legal Quorum, the Effective Date and the Manners of Voting**

- 7.1. The legal quorum for holding the special general meeting will be constituted upon the presence, in person or by a proxy, of two shareholders with at least twenty five percent (25%) of the voting rights, within half an hour from the time which was appointed for the beginning of the meeting. If, within half an hour from the time which

was appointed for the meeting, no legal quorum shall be present, the meeting will be postponed by one week, to the same day in the week at the same time and place. Legal quorum at the postponed meeting shall be constituted upon the presence at the beginning of the meeting, in person or by proxy, of two shareholders with at least fifteen percent (15%) of the voting rights, within half an hour from the date which was appointed for the beginning of the meeting. If, within half an hour from the time which was appointed for the meeting no legal quorum will be present, the postponed meeting shall be postponed by one week, to the same day in the week at the same time and place. Legal quorum in the second postponed meeting shall be constituted upon the presence at the beginning of the meeting, in person or by proxy, of two shareholders, whatever their share in the voting rights may be.

- 7.2. The effective date for determining the entitlement of a shareholder in the Bank to vote at the general meeting, as provided in Section 182(c) of the Companies Law, is at the end of Wednesday, May 1, 2013 (the "**Effective Date**").
- 7.3. According to the Companies Regulations (Proof of Ownership in a Share for the Purpose of Voting at the General Meeting), 5760-2000, a shareholder holding a share which is registered in his name with a TASE member and such share is included in the Bank's shares which are registered in the shareholder register in the name of a nominee company, and who wishes to vote at the general meeting, shall furnish the Bank with a certification from the TASE member with which his right for the share is registered, regarding his ownership in the share, on the Effective Date, pursuant to Form 1 in the schedule to the said Regulations.
- 7.4. Proxies for participation and voting at the meeting shall be deposited at least 48 hours prior to the convening thereof at the Bank's offices at the address specified above.
- 7.5. The address of the ISA's distribution website (the "**Distribution Website**") and the TASE website, in which the voting paper and position notices, as defined in Section 88 of the Companies Law, can be found are: www.magna.ias.gov.il and www.maya.tase.co.il, respectively. Voting pursuant to a voting paper shall be performed on part two of the voting paper, as published on the Distribution Site. A shareholder shall be entitled to approach the Bank directly and to receive from it the voting paper and position notices (if any). A TASE member will send, free of charge, by e-mail, a link to the voting paper and position notices on the Distribution Site, to any shareholder who is not registered in the shareholders register and whose shares are listed with such TASE member, unless the shareholder shall have notified that he is not interested in it, provided that the notice is given in respect of a specific securities account and prior to the Effective Date. A shareholder whose shares are registered with a TASE member will be entitled to receive the certificate of title from the TASE member through which he holds his shares, at the TASE member's branch or by

mail to his address for delivery charge only, if he shall so request. A request in this regard shall be given in advance in respect of a specific securities account. The voting paper should be furnished to the Bank's offices by no later than 72 hours prior to the date of the convening of the general meeting. The deadline for furnishing a position notice to the Bank is ten days after the Effective Date. The Bank does not allow voting through the internet.

- 7.6. One or more shareholders holding on the Effective Date shares which constitute five percent or more of all of the voting rights in the Bank, and anyone holding such percentage of all of the voting rights that are not held by the Bank's controlling shareholder, as defined in Section 268 of the Companies Law (namely: 6,278,007 shares), may inspect the voting papers as stipulated in Section 10 of the Companies Regulations (Voting in Writing and Position Notices), 5766-2005.

8. Inspection of documents

The full text of the proposed resolution may be inspected at the Bank's offices at the address mentioned above, during standard business hours, by appointment (Tel: 03-7559720).

Sincerely,

Mizrahi Tefahot Bank Ltd.
By: Maya Feller, Bank secretary

Annex A – Breakdown of the Annual Compensation to which Mr. Vidman shall be Entitled from the Bank in Thousand ILS in Employer's Cost Terms

Details of the receiver of the compensation				Compensation for services							other			
Name	Position	Scope of position	Rate of holding in the corp.'s capital	Salary	Annual bonus (1)	Additional deferred bonus (2)	Total bonus	Social benefits (3)	fee	Value of additional benefits (4)	Interest	rent	other	total
Jacob Perry	Chairman of the Board of Directors	100%	-	2,272	1,479	504	1,983	802	-	99	-	-	-	5,156

- (1) The above specified annual bonus was calculated based on the Bank's results for 2012 and according to the bonus formula which is specified in Annex B as follows: (a) 55% of the annual bonus was calculated based on actual ROE for 2012 which was 13.1%; (b) 15% of the annual bonus was calculated based on the actual efficiency ratio for 2012 which was 58.2%; (c) 15% of the annual bonus which is given according to the Board of Directors' discretion – under the assumption that it was given in full; (d) 15% of the annual bonus was calculated in accordance with excess return of the Bank's share (including dividend) relative to the TA Banks Index for 2012 which was 4.8%;

Based on the Bank's results for 2011, the annual bonus of the Chairman was ILS 1,620 thousand, according to the following breakdown: (a) 55% of the annual bonus was calculated based on the ROE for 2011 which was 14.6%; (b) 15% of the annual bonus was calculated based on the actual efficiency ratio for 2011 which was 57.9%; (c) 15% of the annual bonus which is given according to the discretion of the Board of Directors – under the assumption that it was given in full; (d) 15% of the annual bonus was calculated according to the excess return of the Bank's share (including dividend) relative to the TA Banks Index for 2011 which was 12.9%.

It is clarified that, as provided in Annex B below, the Chairman's entitlement to the bonus is in respect of 2013 and thereafter.

- (2) The additional deferred bonus was calculated according to its proportional share in respect of 2012 based on the parameters which are specified in Annex B under the following assumptions and data: (a) the prerequisites for the granting of the additional deferred bonus were met; (b) the average ROE for 2010-2012 was 13.2%, which, according to Annex B, grants the right to 8.4 Salaries in respect of 3 years (2.8 salaries per annum on average).

If the additional deferred bonus was calculated according to its proportional share in respect of 2011, it would amount to ILS 324 thousand in accordance with the ROE average for 2010-2012 which was 11.6%, and which according to Annex B grants entitlement to 5.4 Salaries in respect of 3 years (1.8 Salaries per annum on average).

- (3) In addition to the aforesaid, Mr. Vidman is entitled to an Adjustment Grant which shall equal the sum of 6 monthly Salaries, in respect of which a one-time accounting provision will be recorded in the first year of his service in the sum of ILS 1,080 thousand. Additionally, if the Chairman's employment shall terminate prior to the period which was determined, namely, prior to November 30, 2015, he will be entitled to the additional payments which are specified in Section 2.8.5 above.
- (4) Including the value of car, telephone, cellular telephone and the additional benefits which are given to all of the Bank's employees.

Annex B – Terms of the Bonus to Mr. Vidman

1. Commencing from 2013, for each calendar year in which the Chairman shall preside (including 2015), he will be entitled, subject to the prerequisites which are specified in Section 3 below, to an annual bonus in the sum of up to 9 Salaries, as defined in Section 2.2 above, which shall be calculated in accordance with the entitlement formula which is specified in Section 4 below ("**Annual Bonus**").
2. In addition, the Chairman shall be entitled, upon the termination of his service, to an additional deferred bonus which shall equal to the sum of up to 9 Salaries, which shall be calculated as provided in Section 6 below ("**Additional Deferred Bonus**"), according to the prerequisites provided in Section 6(b).
3. The prerequisites for entitlement to an Annual bonus are as follows:
 - (1) ROE, according to the Bank's annual financial statements for the year ("**ROE**") at a rate which shall not be lower than 9%;
 - (2) The Bank's total capital adequacy ratio and the core equity ratio, according to the Bank's annual financial statements for the year, shall not be lower than the capital adequacy ratio and core equity ratio, respectively, as shall be determined in the Bank of Israel regulations.
4. The Annual Bonus shall be calculated based on the following parameters:
 - (1) The ROE, at a weight of 55%, multiplied by the following number of Salaries:

ROE	Number of salaries (calculated linearly within the range)
Above 9% and up to 10%	0-2
10% to 12%	2-5
12% to 13.5%	5-9

For the avoidance of doubt, it is clarified that the cap of the component out of the total Annual Bonus, which is calculated according to the ROE is limited to 55% of 9 salaries, even if the ROE exceeded 13.5%

- (2) The annual return on the Bank's share (including dividend) (the "**Return on the Bank's Share**") after the deduction of the return of the TA Banks Index for the year (including dividend) at a weight of 15% multiplied by the following number of salaries:

- If the Return on the Bank's Share will be higher than the return of the TA Banks Index by 6% or higher – 9 Salaries
- If the Return on the Bank's Share will be equal to the return of the TA Banks Index – 4.5 Salaries
- If the Return on the Bank's Share will be lower than the return of the TA Banks Index by 6% or more – 0 salaries

All, as calculated linearly within the range of -6 and +6 of the Return on the Bank's Share after the deduction of the return of the TA Banks Index, such that each percent of return will equal 0.75 Salary.

- (3) The operating efficiency ratio (the ratio between the total expenses and total income, which in 2012 was 58.2%) in each one of the years of service, at a weight of 15% multiplied by the following number of Salaries:

In respect of 2013:

Actual efficiency ratio	Number of Salaries (calculated linearly within the range)
63%-65%	0-1
60%-63%	1-5
58%-60%	5-9

In 2014, the above table will be changed in such manner that each one of the ends of each level will be reduced by 1%, and in 2015 each one of the ends of each level will be reduced by an additional percent. For the avoidance of doubt it is clarified that the cap of the component of the Annual Bonus, which is calculated according to the actual operating efficiency ratio, is limited to 15% of 9 Salaries, even if the actual efficiency ratio will be lower than 58% in 2013, 57% in 2014 and 56% in 2015.

- (4) The assessment of the Board of Directors of the fulfillment of the special duties of the Chairman of the Board of Directors in issues regarding corporate governance, supervision of risk management in the Bank in accordance with the policy of the Board of Directors, the proper and efficient functioning of the Board of Directors, and compliance with the law and regulation, at a weight of 15% multiplied by up to 9 Salaries.
- (5) The cap of the Annual Bonus is limited to 9 Salaries.

5. Upon the termination of the service of the Chairman of the Board of Directors prior to the fixed period, for any reason (other than circumstances in which he may be denied severance pay), the Chairman will be entitled to a proportional share of the Annual Bonus in accordance with his period of employment in such calendar year, which shall be paid to him shortly after the approval of the financial statements in respect of the relevant calendar year.
6. (a) The Chairman of the Board of Directors will be entitled, subject to the fulfillment of the prerequisites which are specified in sub-section (b) below, to an Additional Deferred Bonus, shortly after the approval of the Bank's financial statements for 2015, in accordance with the entitlement formula which is specified in sub-section (c) below.
- (b) The prerequisites for entitlement to an Additional Deferred Bonus are that the ROE in respect of each one of the years in which the Chairman shall preside shall not be lower than 6%.
- (c) The sum of the Additional Deferred Bonus will be calculated as a three-year average of the ROE for 2013, 2014, 2015 as follows:

ROE	Number of Salaries (calculated linearly within the range)
Above 9% and up to 10%	0-3
10% to 12%	3-6
12%-13.5%	6-9

For the avoidance of doubt, it is clarified that the cap of the Additional Deferred Bonus is limited to 9 Salaries, even if the average annual ROE for the Chairman's terms of service will be higher than 13.5%.

7. Upon the termination of the Chairman's service in the Bank, prior to the end of the fixed period, and other than circumstances in which he can be denied severance pay, the Chairman will be entitled to a proportionate share of the amount of the Deferred Bonus, according to his actual period of employment (namely, according to the number of months in which he worked in practice out of his three years period of service), which will be paid to him (if he shall be entitled thereto) shortly after the approval of the Bank's financial statements for 2015.
8. The total cap of the Annual Bonuses and of the Additional Deferred Bonus is limited to 36 Salaries.
9. The Chairman will return any amount which shall be paid to him on account of the Annual Bonus or the Additional Deferred Bonus or both of them, together with linkage differentials to the CPI, within 60 days, if it was paid to

him based on data which transpired as incorrect and was re-presented in the Bank's financial statements.

10. If, the Bank's compensation policy which will be approved in accordance with the provisions of the Companies Law (a) The prerequisites for entitlement to bonuses which refer to ROE will be eased (such that the prerequisites will be lower than 9%), and if the Company's Compensation Committee and the Board of Directors will adopt a resolution that such easing prerequisite should be applied to the Chairman as well – then such change will apply to the Chairman subject to the approval of the Bank's general meeting, or (b) the prerequisite for entitlement to bonuses which refer to ROE from ordinary operations will be made stricter (such that the prerequisite will be higher than 9%), and if the Company's Compensation Committee and Board of Directors will adopt a resolution that this prerequisite should apply to the Chairman – then the stricter prerequisite shall apply to the Chairman as well, and respectively the first level in Sections 4(1)-6(c) above will be changed (and in such manner that each level will begin and end at a number which will be higher by the exact rate of the increase of the level, other than the last level of 13.5% which will not be changed) or (c) the prerequisites for entitlement to bonuses which refer to the Bank's total capital adequacy and core equity ratios, according to the Bank's annual financial statements for a certain year will be made stricter, and if the Company's Compensation Committee and the Board of Directors will adopt a resolution to the effect that such strict prerequisite should apply to the Chairman as well – then the stricter prerequisite will apply to the Chairman as well.

MIZRAHI TEFAHOT BANK LTD (THE: 'BANK')

**VOTING PAPER PURSUANT TO THE COMPANIES
REGULATIONS (VOTING IN WRITING AND POSITION NOTICES), 5766-
2005 (THE "REGULATIONS")**

Part One

1. Name of Company: Mizrahi Tefahot Bank Ltd.
2. The type of general meeting and the date, time and place thereof: special general meeting to be held on Tuesday, June 4th, 2013, at 10:00 hours, at the Bank's offices at 7 Jabotinsky Street, 13th floor, Ramat Gan. If no quorum shall be present, the meeting will be postponed by one week, to the same day, same time and same place.
3. The resolution on the agenda according to the Bank's immediate report, to which this voting paper is attached (the "**Immediate Report**"), which can be voted on through a voting paper:

Approval of the Bank's engagement regarding the terms of service and employment of the Bank's Chairman of the Board of Directors, as provided in the Immediate Report.

4. The place and times at which the full text of the proposed resolution may be inspected: the Immediate Report can be inspected on the ISA and TASE websites (as provided in Section 10 below), and the related documents to the resolution contemplated in the Immediate Report can be inspected at the Bank's offices, during standard business hours, by appointment, at: 03-7559720.
5. The majority required for passing a resolution at the general meeting on the matter on the agenda:

According to the transitional provisions determined in Amendment 20 to the Companies Law, 5759-1999, it is required, in addition to an ordinary majority, that one of the following shall be met: (a) the majority votes in the general meeting shall include the majority of the shareholders who are not controlling shareholders in the Bank or who have a personal interest in the approval of the compensation, who are participating at the vote (the abstaining votes shall not be taken into account in the count of votes of the said shareholders); (b) the total objecting votes out of the shareholders specified in para. (a) above shall not be higher than two percent of the total voting rights in the Bank. In Part Two hereof there is room for marking the existence or absence of affinity, as required pursuant to the Companies Law, and for describing the nature of the relevant affinity. It shall be clarified that any person who shall not have made the above marking

or shall not have described the nature of the affinity, his vote shall not be taken into account in the count of votes.

6. This voting paper will only be valid if accompanied by a certificate of title in respect of a shareholder whose shares are registered with a TASE member, and such shares are included amongst the shares recorded in the register of shareholders in the name of a nominee company (an "**Unregistered Shareholder**") or a photocopy of an identity certificate, passport or certificate of incorporation, if the shareholder is registered in the Bank's books, and it should be delivered to the Bank by no later than 72 hours prior to the time of the vote.
7. The Bank does not allow voting through the Internet.
8. The Bank's address for the delivery of voting papers and position notices: the Bank's offices at 7 Jabotinsky Street, 13th floor, Ramat Gan.
9. The deadline for delivery of voting papers and position notices: the deadline for the delivery of voting papers will be by no later than 72 hours prior to the time scheduled for the general meeting, as provided in Section 2 above. The deadline for the delivery of position notices to the Bank will be by no later than 10 days after the Effective Date as provided in the Immediate Report and in Part Two hereof (the "**Deadline for Delivery of Position Notices**"), and the deadline for the delivery of the Board of Directors' response to the position notices will be by no later than 5 days after the Deadline for Delivery of Position Notices.
10. The address of the Israel Securities Authority's distribution site and the Tel Aviv Stock Exchange website, on which the voting papers and position notices are posted: website of the Israel Securities Authority: <http://www.magna.isa.gov.il/>; and of the Tel Aviv Stock Exchange Ltd: <http://maya.tase.co.il>
11. A shareholder whose shares are registered with a TASE member will be entitled to receive the certificate of title at the TASE member's branch or by mail to his address, for delivery charge only, if he shall so request. A request in this regard shall be given in advance in respect of a particular securities account.
12. An unregistered shareholder will be entitled to receive by e-mail, free of charge, a link to the voting paper and position notices on the distribution site from the TASE member through which he holds his shares, unless he shall have notified the TASE member that he does not wish to receive such link or that he wishes to receive voting papers by mail in consideration for payment. His notice regarding voting papers shall also apply with regard to position notices.
13. A shareholder shall be entitled to approach the Bank directly for receiving the voting paper and the position notices.

14. One or more shareholders holding shares which constitute five percent or more of all of the voting rights, and anyone holding such percentage of all of the voting rights that are not held by the Bank's controlling shareholder, as defined in Section 268 of the Companies Law, may inspect the voting papers as stipulated in Section 10 of the Regulations. A shareholder shall indicate his manner of voting in respect of each issue on the agenda in Part Two hereof.

The quantity of shares constituting 5% of the total voting rights in the Bank: 11,395,278 ordinary shares.

The quantity of shares constituting 5% of the total voting rights which are not held by the controlling shareholder in the Bank: 6,278,007 ordinary shares.

Voting Paper - Part Two

Company's name: Mizrahi Tefahot Bank Ltd.

Company's address (for delivery of voting papers): 7 Jabotinsky Street, 13th floor,
Ramat Gan.

Company's no.: 520000522

Time of Meeting: Tuesday, June 4th, 2013 at 10:00.

Type of Meeting: Special.

Effective date: End of Wednesday, May 1st, 2013.

Details of the Shareholder

Shareholder's name - _____

Identity no. - _____

If the shareholder does not have an Israeli ID -

Passport no. - _____

Issuing country - _____

Valid until - _____

If the Shareholder is a Corporation -

Corporation no. - _____

Country of Incorporation - _____

Manner of voting

No. of item on the agenda as stipulated in the Immediate Report on the convening of the meeting	Manner of voting ¹			Are you an interested party in the approval of the resolution? ²	
	Abstain	Against	For	Yes*	No
1					
Approval of the Bank's engagement in respect of the terms of service and employment of the Chairman of the Board of Directors, as provided in the Immediate Report					

Date

Signature

For shareholders holding shares through a TASE member (in accordance with Section 177(1) of the Companies Law) - this voting paper is only valid when accompanied by a certificate of title

For shareholders entered in the Bank's register of shareholders - the voting paper is valid when accompanied by a photocopy of the certificate of identity/passport/certificate of incorporation.

* see details below

¹ Failure to mark will be considered as abstention from voting on the issue.

² A shareholder who shall fail to fill out this column or who will mark "yes" and not provide details, his vote shall not be counted.

Details

In respect of the approval of the Bank's engagement regarding the terms of service and employment of the Bank's Chairman of the Board of Directors, see below details in connection with my being "a shareholder or having a personal interest in the resolution" (pursuant to Section 267A of the Companies Law):
