

MIZRAHI TEFAHOT BANK LTD

VOTING PAPER PURSUANT TO THE COMPANIES REGULATIONS (WRITTEN VOTE AND POSITION NOTICES), 5766-2005 (THE "REGULATIONS")

Part One

1. Name of Company: **Mizrahi Tefahot Bank Ltd.** (the "**Company**" or the "**Bank**")
2. The type of general meeting and the date, time and place thereof: special general meeting of all of the Company's shareholders. The general meeting will be held on July 5th, 2012, at 10:00, at the Bank's offices at 7 Jabotinsky Street, 13th floor, Ramat Gan, 52520, Israel. If that the meeting is adjourned, it will be held on July 12th, 2012, at the same place and time.
3. Details of the matters on the agenda, in respect of which it is possible to vote through a voting paper:
 - 3.1. Re-Appointment of an external director in the Bank, the issue provided in Section 1.1 of the immediate report in respect of the convening of the meeting
 - 3.1.1. **The text of the proposed resolution:** to appoint Mr. Gideon Siterman (the "**Nominee**"), as an external director in the Bank, for an additional period of three (3) years, commencing on July 7, 2012, subject to the approval of the appointment by the Supervisor of Banks.

Description of the issue and the main facts which are required for understanding the issue:

- 3.1.2. On June 25, 2009, the general meeting of the Bank's shareholders approved the appointment of Mr. Gideon Siterman as an external director in the Bank, according to the Companies Law, 5759-1999 (the "**Companies Law**"). Mr. Siterman began serving as an external director in the Bank on July 7, 2009, and was evaluated by the board of directors as having accounting and financial expertise, as defined in the Companies Regulations (Terms and Tests for a Director with Accounting and Financial Expertise and a Director with Professional Eligibility), 5766-2005 ("**Having Accounting and Financial Expertise**"). Mr. Siterman serves as a member of the audit committee, risk management committee, credit committee, the

committee for examination of financial statements and the salary and remuneration committee (as chairman).

On April 30, 2012, the Bank's board of directors re-evaluated (for the sake of good order) that Mr. Siterman had accounting and financial expertise.

3.1.3. Mr. Siterman's nomination for an additional period of three (3) years is proposed by shareholders, holding more than 1% of the total voting rights in the company.

3.1.4. The Bank hereby refers to the details which are required pursuant to Regulation 26 of the Securities Regulations (Period and Immediate Reports), 5730-1970 ("**Regulation 26**"), with regard to the Nominee, as included in the periodic report for 2011, which the Bank released on March 26, 2012 (ref. no. 2012-01-079074) (the "**Periodic Report**"), subject to the following update:

Commencing from April 30, 2012, Mr. Siterman serves as a director in the Ashdod Port Co. Ltd.

3.1.5. The Nominee was the Bank's customer, held a bank account, received banking services from the bank and was granted a loan by the Bank (the "**Bank Ties**"), prior to the convening of the special general meeting for the purpose of his initial appointment as an external director in the Bank and prior to the convening of the special general meeting for his appointment for an additional period as an external director in the Bank, as aforesaid. Accordingly, on April 23, 2009 and May 18, 2009, the Bank's audit committee approved, in accordance with the Companies Regulations (Matters which do not Constitute Affinity), 5766-2006 ("**Regulations on Matters which do not Constitute Affinity**"), and in view of the facts which were presented thereto, at such time, in respect of the Nominee being the Bank's customer and in respect of his bank account and the loan extended to him by the Bank, that the ties that the Nominee had with the Bank, at such time, were insignificant, both in terms of the Nominee and the Bank.

Further thereto, on April 23, 2012, the Bank's audit committee approved, in accordance with the Regulations on Matters which do not Constitute Affinity, that in view of the facts presented thereto, the Nominee's ties with the Bank were insignificant, both in terms of the Nominee and the Bank.

3.1.6. The Nominee furnished a declaration to the bank, in accordance with Sections 224B and 241 of the Companies Law, which is attached hereto.

- 3.1.7. The remuneration which will be paid to Mr. Gideon Siterman, as an external director, Having Accounting and Financial Expertise, will be in accordance with the resolution on the directors' remuneration, as provided in the immediate report released by the Bank on June 23, 2011 (ref. no. 2011-01-191934) (the "**Immediate Report on the Remuneration for Directors**"). This reference constitutes incorporation by reference of the information provided in this regard in the said immediate report.

Accordingly, and as provided in the Immediate Report on Remuneration for Directors, Mr. Siterman will be entitled to annual remuneration and remuneration for participation in meetings, in the sum of the "Maximum Amount" for an expert director, as provided in the Companies Regulations (Rules regarding Remuneration and Expenses for an External Director), 5760-2000 (the "**Remuneration Regulations**"), namely, in the sum of the "Maximum Amount" which is specified in the fourth schedule of the Remuneration Regulations, as shall be from time to time, and in accordance with the Bank's ranking for each financial year, as provided in the Remuneration Regulations

- 3.1.8. Please note the provisions of Section 34A(1) of the Banking Law (Licensing), 5741-1981, whereby:

"No person may come to an agreement with another regarding their voting for the appointment of a director in a banking corporation or a banking holding corporation, including with regard to the manner of their voting with regard to the termination of his service, other than in accordance with a permit given by the Supervisor of Banks after consultation with the licensing committee; this provision will not apply to a group of holders, according to the meaning thereof in Section 11D(a)(3)(b) of the Banking Ordinance, 1941, regarding a voting on the appointment of a director who was proposed by them pursuant to the said section, and by a holder of a means of control who have come to an agreement with another, whereby the other person would vote in his name and on his behalf for no consideration, as instructed by the holder of the means of control, provided that if the other person holds a means of control in the banking corporation or the banking holding corporation, as the case may be, he will not vote in the name and on behalf of more than one other holder".

From the aforesaid provisions, it arises, *inter alia*, that in respect of the appointment of the external director, as provided in Section 3.1 above, a proxy to vote who is also a shareholder in the Bank, is entitled to vote in the name and on behalf of only one additional shareholder, as provided in the said provisions.

(In respect of the additional issue on the general meeting's agenda (as provided in Section 3.2 below), there is no impediment that a proxy to vote will represent more than one shareholder).

3.2. The approval of payment of bonus to the chairman of the board of directors, for 2011, in the sum of ILS 1,100,000 – issue no. 2 on the agenda, as provided in the immediate report regarding the convening of the meeting

3.2.1. **The proposed resolution:** to approve the payment of bonus to Mr. Jacob Perry, the chairman of the bank's board of directors, in the sum ILS 1,100,000.

Nature of the issue and the main facts which are required for understanding the matter:

3.2.2. On March 25, 2012, the board of directors resolved, after receiving the approval of the audit committee and the recommendation of the salary and remuneration committee, to approve the payment of a bonus to Mr. Jacob Perry, the chairman of the Bank's board of directors, in the sum of ILS 1,100,000 (the "**Resolution to Approve the Bonus**"), all as provided in the immediate report released by the Bank on March 25, 2012 (ref. no. 2012-01-078228) (the "**Previous Immediate Report**").

3.2.3. The terms of employment of the chairman of the board of directors and the details regarding his cost of employment

The terms of employment of the chairman of the board of directors and the details regarding his cost of employment are provided in Sections 2 and 3 of the Previous Immediate Report.

3.2.4. the manner of determining the bonus and information and data presented to the salary and remuneration committee, the audit committee and the Bank's board of directors

3.2.4.1. As provided in the Previous Immediate Report, the employment agreement of the chairman of the board of directors provides, *inter alia*, that each year, the board of directors will hold a discussion on the payment of bonus to the chairman of the board of directors.

3.2.4.2. On March 12, 2012, the salary and remuneration committee discussed the payment of bonus to the chairman of the board of directors and recommended to pay to the chairman a bonus in the sum of ILS 1,100,000, for 2011. On March 19, 2012, the audit committee discussed the payment of bonus to the chairman of the board of directors and resolved, after receiving the recommendation of the salary and remuneration committee to approve the payment of bonus to the chairman of the board of directors in sum of ILS 1,100,000 for 2011. On March 25, 2012, the board of directors discussed the payment of the bonus to the chairman of the board of directors and resolved, after receiving the approval of the audit committee, as aforesaid, to approve the payment of bonus to the chairman of the board of directors, as approved by the audit committee.

3.2.4.3. Below are details on information and data presented to the salary and remuneration committee, the audit committee and the board of directors, within the discussion of the payment of bonus to the chairman of the board of directors for 2011:

- (1) Employment agreement of the chairman of the board of directors, including the amendments thereto;
- (2) The amounts of remuneration and benefits paid to the chairman of the board of directors by the Bank for 2009 to 2011;
- (3) The bonus amounts paid to the chairman for 2009 and 2010;
- (4) Data on the Bank's results and profitability, including, the return on equity from ordinary operations, in previous years and in 2011 (based on the Bank's results and profitability in the period of nine months which ended on September 30, 2011 and the forecast results for the entire year), and comparison data, *inter alia*, in respect of the return on equity from ordinary operations and the ratio of equity to risk components, of the Bank and other banks;

- (5) Concentration of data out of information which was published to the public, regarding remuneration of chairmen of boards of directors, banks, insurance companies and financial companies;
- (6) The rationale for approval of the payment of bonus to the chairman of the board of directors (the rationale which was adopted by the salary and remuneration committee was presented to the audit committee, and the rationale which was adopted by the audit committee, was presented to the board of directors);
- (7) The BOI circular on the issue of "Remuneration Policy in a Banking Corporation" of 2009.

3.2.5. Rationale of the salary and remuneration committee, the audit committee and the board of directors

- 3.2.5.1. The resolution to approve the payment of bonus to the chairman of the board of directors was adopted in view of the contribution of the Bank's chairman of the board of directors to the Bank's achievements in 2011, considering the improvement of the Bank's business results in 2011 compared with the Bank's business results in 2010. In addition, considering the chairman's extensive contribution to the implementation of the principles of the corporate governance in the bank and the proper and efficient operation of the Bank's board of directors, it is appropriate to grant the chairman bonus for 2011, in accordance with the recommendation of the salary and remuneration committee and the approval of the audit committee.
- 3.2.5.2. The amount of the bonus to the chairman of the board of directors for 2011 was determined, *inter alia*, also considering the amounts of bonus paid to the chairman of the board of directors in previous years. It shall be noted that the bonus to the chairman of the board of directors for 2011 is 10% higher than the bonus paid to the chairman for 2010.
- 3.2.5.3. After reviewing the data provided to the members of the board of directors, in respect of the amount

of remuneration, bonuses and options, which were granted to chairmen of the boards of directors in banks, insurance companies and other companies traded on the TASE, the board members are of the opinion that the bonus in the sum of ILS 1,100,000 to the chairman of the board of directors for 2011 is reasonable and appropriate under the circumstances.

4. The majority required for passing a resolution at the general meeting on each of the matters on the agenda:

4.1. The majority which is required in the general meeting and the adjourned meeting for the approval of the resolution which is provided in Section 1.1 of the immediate report (namely, according to Section 3.1 hereof, above) is an ordinary majority of all of the shareholders which are participating in the meeting, which are entitled to vote and which voted thereat, without taking into account the abstaining votes, provided that all of the following are met:

- (1) The count of votes of the shareholders in the meeting will not include the votes of the shareholders who are the controlling shareholders in the company or who have a personal interest in the approval of the appointment, other than a personal interest which is not as a result of ties with the controlling shareholder, as well as the abstaining votes;
- (2) The total affirmative votes among the shareholders who are not the controlling shareholders in the Bank or who have a personal interest in the approval of the appointment, other than a personal interest which does not result from ties with the controlling shareholder, is higher than two percent (2%) of the total voting rights in the company.

In this report – "**a personal interest**" – a personal interest of a person in an action or a transaction of a company, including the personal interest of his relative and another corporation, in which he or his relative are interested parties, and other than a personal interest which results from the mere holding of shares in the company, including a personal interest of a person voting pursuant to a proxy given to him by another person, even if the other person has no personal interest, and a vote of a person who received a proxy to vote on behalf of an interested person

will be deemed as a vote of the interested person, all, whether or not the person voting has the discretion in the vote.

- 4.2. The majority which is required in the general meeting and the adjourned meeting for the approval of the resolution which is specified in Section 1.2 of the immediate report (namely, according to Section 3.2 hereof, above), is an ordinary majority out of the total votes of the shareholders who are participating in the general meeting, who are entitled to vote and who voted thereat without taking into account the abstaining votes.
5. The place and times at which the full text of the proposed resolutions may be inspected: the Immediate Report released by the Company regarding the convening of the meeting and the full text of the proposed resolutions may be inspected at the Bank's offices, 7 Jabotinsky Street, Ramat Gan, 52520, Israel, Tel. 972-3-7559720, during standard business hours, until the time scheduled for the meeting.
6. Details, to the best of the company's knowledge in respect of nominees for directors positions: as provided in Section 3.1 above.
7. A shareholder shall be entitled to approach the Bank directly for receiving the voting paper and the position notices.
8. This voting paper shall only be valid if accompanied by certificate of title of an unregistered shareholder (namely, anyone in whose favor 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) or a photocopy of an identity certificate, passport or certificate of incorporation, if the shareholder is registered in the Bank's books. This voting paper together with the documents annexed thereto, as aforesaid, must be delivered to the Bank by no later than 72 hours prior to the time of the vote.
9. The Bank does not permit voting through the Internet.
10. The Bank's address for the delivery of voting papers and position notices: the Bank's offices on 7 Jabotinsky Street, Ramat Gan, 52520, Israel.
11.
 - 11.1. The deadline for delivery of position notices to the Bank: up to 10 days after the effective date (hereinafter referred to as the "**Deadline for Delivery of Position Notices by the Shareholders**").
 - 11.2. The deadline for delivery of the Board of Directors' response to the position notices: no later than five days after the Deadline for Delivery of Position Notices by the Shareholders.

12. The address of the Israel Securities Authority's distribution site and the Internet site of the Tel Aviv Stock Exchange Ltd, on which the voting papers and position notices are posted:
 - 12.1. Distribution site of the Israel Securities Authority:
<http://www.magna.isa.gov.il/>;
 - 12.2. Internet site of the Tel Aviv Stock Exchange Ltd:
<http://maya.tase.co.il/>.
13. A shareholder may obtain certificate of title at the branch of the TASE member or by mail, if he has so requested. A request in such regard shall be given in advance to a particular securities account.
14. An unregistered shareholder shall 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 has notified the TASE member that he does not wish to receive such link or that he wishes to receive voting papers by mail for payment, provided that the notice is given in respect of a specific securities account and on a date which is prior the Effective Date; notice regarding voting papers shall also apply with regard to position notices.
15. One or more shareholders holding 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 (hereinafter referred to as "**Controlling Shareholder**") may inspect the voting papers as stipulated in Section 10 of the Regulations.

The quantity of shares constituting 5% of all voting rights in the Bank is 11,390,283 ordinary shares of ILS 0.1 par value each.

The quantity of shares constituting 5% of all the voting rights in the Bank, which are not held by the Controlling Shareholder, is 6,025,646 ordinary shares of ILS 0.1 par value each.
16. A shareholder shall specify his voting in respect of a matter on the agenda on Part Two of this voting paper, and if the shareholder is voting pursuant to a proxy (namely, through a proxy), the said details will be provided, both in connection with the grantor of the proxy and the proxy.

Part Two

Company's name: **Mizrahi Tefahot Bank Ltd.** (the "**Company**" or the "**Bank**")

Company's address (for the delivery of voting papers): Ms. Maya Feler, Company's secretary, Mizrahi Tefahot Bank Ltd., 7 Jabotinsky Street, 13th floor, Ramat Gan, 52520, Israel.

Company's no.: 520000522

Time of Meeting: July 5th, 2011.

Type of Meeting: Special.

Effective date: June 6th, 2011

(To this point to be completed by the Company)

Details of the Shareholder

Shareholder's name - _____

Identity no. - _____

If the shareholder does not have an Israeli ID -

Passport no. - _____

Country of issue - _____

Valid until - _____

If the Shareholder is a Corporation -

Corporation no. - _____

Country of Incorporation - _____

Manner of voting

No. of item on agenda as stipulated in the Immediate Report	Manner of voting ¹			In respect of the resolution in Section 1.1 of the Immediate Report (Section 3.1 hereof) – appointment of an external director							
				Section 245 (a1) of the Companies Law – are you a controlling shareholder or do you have a personal interest in the approval of the appointment (other than personal interest which is not as a result of your ties with the controlling shareholders) ² ?		Are you an interested party in the bank ³ ?		Are you an "institutional investor" ⁴ ?		Are you a "senior officer" in the bank ⁵ ?	
	For	Against	Abstain	Yes*	No	Yes	No	Yes	No	Yes	No
1.1											
1.2											

¹ Failure to mark will be considered abstention from voting on such matter.

² A shareholder who will not fill in this column or who will mark "yes" without providing details, his vote will not be counted in the count of votes.

³ An "interested party", as defined in Section 1 of the Securities Law, 5728-1968.

⁴ An "institutional investor", as defined in Regulation 1 of the Regulations of Supervision on Financial Services and Provident Fund (Participation of a Managing Company in a General Meeting), 5769-2009, and a Manager of a Joint Investment Trust, 5754-1994

⁵ A "senior officer", as defined in Section 37(d) of the Securities Law, 5728-1968.

*** Please specify: In respect of appointment of the external director – the item specified in Section 1 of the immediate report (see Section 3.1 hereof above):**

Below are details in connection with my being a "controlling shareholder" or having a "personal interest" in the approval of the resolution, other than a personal interest which is not as a result of my ties with the controlling shareholder (Section 245 (a1) of the Companies Law):

Date: _____

Signature: _____

For shareholders holding shares through a TASE member (in accordance with Section 177(1)) - this voting paper is only valid when accompanied by a certificate of title, except in cases in which the voting is through the Internet.

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