

# 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: general annual meeting of all of the Company's shareholders. The general meeting shall be held on July 31<sup>st</sup>, 2011, at 10:00 hours, at the Bank's offices at 7 Jabotinsky Street, 13<sup>th</sup> floor, Ramat Gan, 52520, Israel. In the event that the meeting is adjourned, it shall be held on August 7<sup>th</sup>, 2011, 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 the current directors – matter no. 1.2 on the agenda, as provided in the Immediate Report released by the Bank on June 23<sup>rd</sup>, 2011 (hereinafter referred to as the "Immediate Report").**

**The proposed resolution:** to reappoint the current directors, as follows:

No. of matter on meeting's agenda, as set forth in Section 1.2 of the Immediate Report	Name of director	Membership of committee and/or committees of the board of directors	Year in which he/she began to serve as a director of the bank	Changes compared with details included in the last periodic report, in accordance with Regulation 26 of the Immediate and Periodic Report Regulations
1.2.4(a)	Jacob Perry	Risk Management, Credit and Remuneration	2003	--
1.2.4(b)	Moshe Wertheim	Remuneration and Claims against the Bank	1995	His service in the Risk Management Committee

				terminated in February 2011
1.2.4(c)	Zvi Ephrat	Credit, Remuneration and Claims against the Bank	1995	--
1.2.4(d)	Ron Gazit	Credit and Claims against the Bank	2003	--
1.2.4(e)	Liora Ofer	Credit	1998 <sup>(1)</sup>	--
1.2.4(f)	Avraham (Beigah) Shohat	Audit, Credit, Review of Financial Statements and Remuneration	2006	His service in the Risk Management Committee terminated in February 2011
1.2.4(g)	Dov Mishor	Audit, Credit, Review of Financial Statements, Risk Management and Claims against the Bank	2007	--
1.2.4(h)	Mordechai Meir	Risk Management	2008	--
1.2.4(i)	Joseph Shahak	Risk Management, Credit, Audit, Remuneration and Review of Financial Statements	2010	--
1.2.4(j)	Moshe Vidman	Audit, Risk Management and Remuneration	2010	Appointed as a member of the Risk Management Committee and the Remuneration Committee in November 2010
1.2.4(k)	Jonathan Kaplan <sup>(2)</sup>			See the Bank's immediate report

				released on May 12, 2011 (ref. no. 2011- 01-145971) regarding Jonathan Kaplan's appointment
--	--	--	--	------------------------------------------------------------------------------------------------------------------

- (1) In June 2005, Ms. Liora Ofer resigned from office and in January 2006 she was reappointed.
- (2) Mr. Jonathan Kaplan was appointed as a director by the Bank's board of directors on May 12, 2011.

3.2. **Authorization of Payment of Bonus to the Bank's Chairman of the Board of Directors for 2010, in a sum of ILS 1,000,000 – matter no. 1.4 on the agenda, as detailed in the Immediate Report**

Description of the nature of the matter and the main facts relevant to understand the matter:

3.2.1. **Summary of resolution** – to approve payment of bonus to Mr. Jacob Perry, the Bank's chairman of the board of directors, in a sum of ILS 1,000,000.

3.2.2. On March 22<sup>nd</sup>, 2011, the board of directors, having obtained the audit committee's approval, and following the recommendation of the remuneration committee, resolved to approve payment of bonus to Mr Jacob Perry, the Bank's chairman of the board of directors, in the sum of NIS 1,000,000 (the "**Resolution to Approve the Bonus**"), all as provided in the immediate report released by the Bank on March 23<sup>rd</sup>, 2011, (reference no. 2011-01-089259) (the "**Previous Immediate Report**").

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

Terms of Employment of the chairman of the board of directors and the cost of his employment, are provided in Sections 2 and 3 of the Previous Immediate Report.

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

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

3.2.4.2. On March 14, 2011, the remuneration committee discussed the payment of bonus to the chairman of the board of directors, and recommended the payment of ILS 1,000,000 to the board of directors' chairman for 2010. Later, on the same day, the audit committee discussed the payment of bonus to the chairman of the board of directors, and resolved, after adopting the remuneration committee's recommendation, to approve payment of bonus to the chairman of the board of directors in the sum of ILS 1,000,000, for 2010. On March 22<sup>nd</sup>, 2011, the board of directors discussed the payment of bonus to the chairman of the board of directors, and resolved, after obtaining the approval of the audit committee, as provided above, to approve the payment of bonus to the chairman of the board of directors, as approved by the audit committee.

3.2.4.3. The following information and data were presented to the remuneration committee, audit committee and board of directors, when discussing the bonus payment:

- (1) The chairman of the board of directors' employment agreement, including the amendments thereof;
- (2) The salary and benefits paid to the chairman of the board of directors by the bank for 2007-2010;
- (3) The bonuses paid to the chairman of the board of directors for 2007 and 2009. It shall be noted, that according to the chairman's request, the Bank has not paid bonus to the chairman of the board of directors for 2008;
- (4) Data regarding the Bank's results and profitability, including the return on equity from ordinary activities in previous years as well as in 2010 (based on the Bank's results and its profitability during the nine month period which ended on September 30, 2010 and in the forecasted results for the whole year), as well as comparison data, *inter alia*, regarding the return on equity from ordinary activities and the ratio of capital to risk components, of the Bank and other banks.
- (5) Data out of information which was released to the public, regarding remuneration of the chairman of the board of directors, banks, insurance companies and other public companies;
- (6) The rationale for approving the payment of bonus to the chairman of the board of directors (the rationale adopted by the remuneration committee was presented to the audit committee, and the rationale adopted by the audit committee was presented to the board of directors);

- (7) Bank of Israel memo on "Remuneration Policy in a Banking Corporation" from 2009.

**3.2.5. The rationale of the 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 chairman of the Bank's board of directors to the Bank's results in 2010, considering the improvement of the Bank's business results in 2010 compared with its business results in 2009. Moreover, considering the chairman's significant contribution to the implementation of the corporate governance principles and to the board of directors' proper and efficient work, it is appropriate to grant the chairman bonus for 2010, in accordance with the remuneration committee's recommendation and the audit committee's approval.
- 3.2.5.2. The bonus payable to the Chairman of the Board of directors for 2010, was determined, *inter alia*, also while taking into account the amount of the bonus paid to him in previous years. It shall be noted that the amount of bonus which was paid to the chairman for 2010 is 25% higher than the amount of bonus paid to him for 2009, and this increase is consistent with the increase in the total sum of bonuses that will be paid to the Bank's employees for 2010.
- 3.2.5.3. After reviewing the data which was provided to the members of the board of directors, in respect of the salary amounts, bonuses and warrants, which were given to the chairmen of boards of directors of other banks, insurance companies, and other companies which are traded on the TASE, the board of directors is of the opinion that the bonus in the sum of ILS 1,000,000 to the chairman of the board of directors for 2010 is appropriate and reasonable under the circumstances.

**3.3. Amendment of the Bank's articles of association – matter no. 1.5 on the agenda, as provided in the Immediate Report**

To amend the Bank's articles of association, in accordance with the amended version which is attached to the Immediate Report as Annex B, and to approve the proposed amendments and the articles of association's amended version. The proposed amendments to the articles of association are underlined in Annex B.

**3.4. Amendment of the Bank's letter of exemption and undertaking for indemnification of the directors and officers – matter no. 1.6 on the agenda, as specified in the Immediate Report**

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

3.4.1. **Summary of the resolution:** subject to the approval of the resolution to amend the articles of association (as provided in Section 1.5 of the Immediate Report), to approve the Bank's letter of exemption and undertaking to indemnify the directors and officers, including the Bank's controlling shareholders, and to indemnify the employees, in its amended version, which is attached to the Immediate Report as Annex C (the "**Amended Indemnification Letter**"); the proposed amendments to the indemnification letter are underlined in Annex C.

3.4.1.1. Within the amendment of the indemnification letter, as approved by the board of directors on June 23, 2011, after obtaining the audit committee's approval on June 15, 2011, the Bank undertakes to indemnify, subject to the provision of the law and according to the terms of the Amended Indemnification Letter, also Bank employees who are not officers or controlling shareholders in the Bank, who serve, from time to time, at the Bank's request, as officers in a company controlled by the Bank, as well as persons who are not Bank employees, Bank officers or controlling shareholders in the Bank, who serve, from time to time, as officers in a company fully owned by the Bank, which is not a banking corporation.

3.4.1.2. It shall be emphasized that the amendment of the indemnification letter, as provided above, does not result in the increase of the maximum indemnity amount which shall be paid by the Bank due to a liability. In accordance therewith, the maximum indemnity amount due to a liability shall remain unchanged and shall apply in respect of all of the Bank's undertakings vis-à-vis all of the indemnified persons according to the Amended Indemnification Letter.

It is further emphasized that the Bank's controlling shareholders are not included within the indemnified parties which were added according to the said amendment of the indemnification letter. Additionally, within the amendment as provided above, there was no change in the indemnification terms which shall apply to the Bank's controlling shareholders. However, the said maximum indemnity amount which the Bank shall pay due to a liability to all of the indemnified parties (which was neither changed nor increased, as aforesaid), shall also include the amounts paid to the indemnified parties, which were added within the said amendment of the indemnification letter (if paid).

3.4.1.3. It shall be noted that on February 19, 2009, the board of directors resolved to grant an undertaking to indemnify in advance the Bank's employees, who do

not serve as officers in the Bank, who shall serve, from time to time, as officers in subsidiaries controlled by the Bank, which shall have an identical wording to the undertaking which was granted to the Bank's officers and directors. This resolution was included within the current amendment of the letter of indemnification, as provided in paragraph c of the definition of "an officer in another company", in the Amended Indemnification Letter which is attached to the resolution.

- 3.4.1.4. In addition to the aforesaid, in the Amended Indemnification Letter, the Bank undertakes to grant the officers, as defined in the Amended Indemnification Letter, including the Bank's controlling shareholders, and to Bank's employees and employees of subsidiaries fully owned by the Bank, which are not banking corporations, indemnity due to monetary liability and due to litigation expenses in accordance with the provisions of the Streamlining of Enforcement in the Securities Authority (Legislation Amendments) Law, 5771-2011 (the "**Streamlining of Enforcement Law**"), as provided in Section 1.6.4.2A of the full immediate report.:

In addition, the Bank undertakes to indemnify the officers (as defined in the Amended Indemnification Letter) including the Bank's controlling shareholders, due to reasonable litigation expenses, including attorney's fees, incurred by the officer, in connection with a monetary sanction, due to an action taken in his capacity as an officer, in accordance with the provisions of Section 260(a)(a1) of the Companies Law, 5759-1999 (the "**Companies Law**"), as amended in accordance with Section 4(11) of the Streamlining of Enforcement Law.

**All of the details in respect of the amendment of the Bank's letter of exemption and indemnification, as provided above, are provided in the Immediate Report.**

4. The majority required for passing a resolution at the general meeting on each of the matters on the agenda:
- 4.1. The majority required at the general meeting and at an adjourned general meeting for adopting each of the resolutions on the agenda, as stipulated in Sections 1.2.4 and 1.4.2 of the Immediate Report (namely, pursuant to Sections 3.1 and 3.2 of this voting paper) is an ordinary majority of the votes of the shareholders present at the general meeting, entitled to vote and voting thereat, without taking into account the abstaining votes.
- 4.2. The majority which is required at a general meeting and at an adjourned general meeting for adopting the resolution to amend the Bank's articles of association and the resolution to approve the Amended Indemnification Letter, as provided in Sections 1.5 and 1.6 of the Immediate Report (namely according to Sections 3.3 and 3.4 above), is an ordinary majority of the votes

of the shareholders present in the general meeting, who are entitled to vote and voting thereat, without taking into account the abstaining votes, provided any of the following shall occur:

- 4.2.1. The calculation of the majority votes in the meeting shall include the majority of the votes of the shareholders who do not have personal interest in the adoption of the resolution who shall participate in the vote; the total votes of the said shareholders shall not include the abstaining votes.
  - 4.2.2. The total number of opposing shareholder votes provided in Section 4.2.1 above shall not exceed two percent (2%) of the total voting rights in the Bank
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 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 convening of the meeting.
  6. To the best of the Company's knowledge, details in respect of nominees to serve as directors: as stipulated in Section 3.1 above.  
  
For the avoidance of doubt, it is expressed that the vote in respect of each nominee for a director's office shall take place separately.
  7. In respect of a vote on the issues which are specified in Sections 3.3 and 3.4 above, it shall be noted as follows: in Part Two of this voting paper there is room to indicate the existence or lack of personal interest, as required according to Sections 262(b) and 275 of the Companies Law, 5759-1999 (the "Companies Law") and to describe the nature of the personal interest. It shall be emphasized that a shareholder's vote shall not be taken into account should he fail to indicate the existence or lack of such personal interest or fail to describe the nature of the personal interest.
  8. A shareholder shall be entitled to approach the Bank directly for receiving the voting paper and the position notices.
  9. 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.
  10. The Bank does not permit voting through the Internet.
  11. 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.
  - 12.

- 12.1. 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**”).
- 12.2. 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.
13. 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:
- 13.1. Distribution site of the Israel Securities Authority: <http://www.magna.isa.gov.il>;
- 13.2. Internet site of the Tel Aviv Stock Exchange Ltd: <http://maya.tase.co.il/>.
14. 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.
15. 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; notice regarding voting papers shall also apply with regard to position notices.
16. 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 11,221,664 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 5,857,006 ordinary shares of ILS 0.1 par value each.
17. A shareholder shall specify his voting in respect of a matter on the agenda on Part Two of this voting paper.

**Part Two**

Company's name: **Mizrahi Tefahot Bank Ltd**

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

Company's no.: 520000522

Time of Meeting: July 31<sup>st</sup>, 2011.

Type of Meeting: Annual.

Effective date: June 30<sup>th</sup>, 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 <sup>1</sup>			In respect of approval of a transaction pursuant to Sections 255 and 275 of the Companies Law – do you have personal interest in the approval of the resolution <sup>2</sup> (regarding item 1.6 on the agenda as provided in the Immediate Report (namely, Section 3.4 hereto))		In respect of the amendment of the articles of association regarding exemption, indemnification or insurance (Section 262(b) of the Companies Law) – are you an interested party in the approval of the resolution <sup>2</sup> (in respect of item 1.5 on the agenda as provided in the Immediate Report (namely, Section 3.3 hereto))	
	For	Against	Abstain	Yes*	No	Yes*	No
1.2.4(a)							
1.2.4(b)							
1.2.4(c)							
1.2.4(d)							
1.2.4(e)							
1.2.4(f)							
1.2.4(g)							
1.2.4(h)							
1.2.4(i)							
1.2.4(j)							
1.2.4(k)							
1.4							

<sup>1</sup> Failure to mark will be considered abstention from voting on such matter.

<sup>2</sup> A shareholder failing to fill out this column or marking "yes" and failing to elaborate - his vote shall not be taken into account.

1.5					
1.6					

\* **Please specify:** regarding the issues specified in items 1.5 and 1.6 on the agenda (see Sections 3.3 and 3.4 hereto above): below are details in connection with my personal interest in the resolution to amend the Bank's articles of association and the resolution to approve the Amended Indemnification Letter (according to Sections 262(b) and 275 of the Companies Law):

\_\_\_\_\_

\_\_\_\_\_

In this regard, "**personal interest**" is defined in the Companies Law as follows "personal interest of any person in an act or a transaction of a company, including personal interest of his relative and of a corporation, in which such person or a relative of such person are interested parties, and excluding personal interest which is the result of holding shares in the company, including personal interest of a person voting by virtue of a power of attorney given to him by another person, even if the other person has no personal interest, and the vote of a person who received a power of attorney to vote on behalf of a person having personal interest shall be deemed as a vote of the person having personal interest, whether or not the voting person shall have the discretion in the vote".

"**Relative**" is defined in the Companies Law as follows: "a spouse, a sibling, a parent, a grandparent, a child, as well as a child, a sibling or a parent of the spouse or the spouse of any of the above".

Date: \_\_\_\_\_ Signature: \_\_\_\_\_

-----

To 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.

To 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.