

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
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Ref. no.: 2013-01-016320

To
Israel Securities Authority
www.isa.gov.il

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

Immediate Report

Explanation: This form should not be used if there is a specific form for the reported event
Issue results should be reported on T20 and not on this form
Reporting of bond rating or corporation rating should be filed on T125
The nature of the event: Control Permit and Holding of Means of Control

Mizrahi Tefahot Bank Ltd. hereby reports a letter received thereby on behalf of Ofer Investments Ltd., titled: "A Permit for Control and Holding Means of Control in Mizrahi Tefahot Bank Ltd."

Please see the attached document.

The date on which the corporation first learned of the event: January 17, 2013 at 11:00.

The reference numbers of previous documents regarding this issue (the reference does not constitute incorporation by reference):
2011-01-248451

Previous names of the reporting entity: United Mizrahi Bank Ltd

Form structure revision date: December 12th, 2012

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
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[On letterhead of Ofer Investments Ltd.]

January 16, 2013

Mizrahi Tefahot Bank Ltd.
The Bank Secretary

Re: A Permit for Control and Holding Means of Control in Mizrahi Tefahot Bank Ltd. (the "Bank")

Ofer Investments Ltd. ("**Ofer Investments**") hereby respectfully reports to the Bank as follows:

1. On January 16, 2013, Ofer Investments received a permit of the Governor of the Bank of Israel as of January 15, 2013, for controlling and holding means of control in the Bank by the "Ofer Group", (according to the meaning thereof in the control permit – namely, Messrs. Eyal Ofer, Doron Ofer, Liora Ofer and the estate of the deceased Yuli Ofer, OBM, which is managed by the temporary estate managers, Adv. Zvi Ephrat and Reuven Bahar) and the Wertheim Group (namely, Mr. Moshe Wertheim) pursuant to the Banking Law (Licensing), 5741-1981 (the "**New Permit**"), which replaces and cancels the control permit which was given on May 13, 1998, including the amendments thereto. The New Permit allows the Ofer Group to change its holding structure as provided below.
2. **Change of Ofer Investments' Holding Structure of in the Bank**
 - 2.1. Until the date of receiving the New Permit, the "Ofer Group" held the Bank's shares (controlling block shares and shares which do not constitute a controlling block) through Ofer Investments and companies owned thereby as well as through L.Y.N Holdings Ltd.¹ and a subsidiary thereof ("the "**LYN Group**").
 - 2.2. Upon receiving the New Permit, an outline of a change in the holding structure in the Bank took effect, which refers only to the holding of the Bank's shares by Ofer Investments, the separation of the holding of the Bank's controlling block shares from the rest of Ofer Investments' activity, including the holding of real estate assets (the "**New Change of Structure**"). The New Change of Structure includes the transfer of the Bank's controlling block shares (which were indirectly held by Ofer Investments) to be indirectly held by a sister company of Ofer

¹ L.Y.N Holdings Ltd. ("**LYN**") is a private company controlled by a foreign trust, the main beneficiary of which in respect of the Bank's shares is Mr. Eyal Ofer. The foreign trust granted Mr. Eyal Ofer a proxy in votes held in LYN's general meetings with respect to issues regarding the permit of control in the Bank, the Bank's shares which are held, directly and indirectly, by LYN, the appointment of directors in the Bank and in any matter in connection with the Bank. The proxy grants Eyal Ofer full authority to act in the said matters according to his discretion.

Investments, Ofer Brothers Holdings (1989) Ltd.². As a result of the New Change of Structure, Ofer Investments, directly and through a subsidiary, will continue to hold ordinary shares of the Bank (which do not constitute a controlling block shares)³. Upon the completion of the transfer of shares in practice, the Bank will be provided with further details, insofar as shall be required.

- 2.3. It shall be noted that from the date of receiving the New Permit, the limitations which applied to Ofer Investments in connection with the capital-to-resources ratio by virtue of the control permit given on May 13, 1998, were removed, and therefore, the New Permit renders the question of violation of the said control permit unnecessary and irrelevant.

3. **The New Cooperation Agreement**

- 3.1. Upon receiving the New Permit and the implementation of the New Change of Structure, came into force a new cooperation agreement between the individuals of the "Ofer Group" and the corporations controlled thereby, which hold the Bank's shares directly and indirectly (the "**New Cooperation Agreement**"). The New Cooperation Agreement replaces the previous agreements between the parties. The New Cooperation Agreement, assembles, clarifies and updates the arrangements which existed so far between the parties with regard to holdings of the "Ofer Group" in the Bank's shares and the control in the Bank, in view of the said changes in the Ofer Group's structure of holding in the Bank's shares. In addition, it was clarified in the New Cooperation Agreement that upon the New Change of Structure, all of the parties to the agreement undertake to act in accordance with the arrangements under the New Permit.
- 3.2. As part of the New Cooperation Agreement, it was agreed, *inter alia*, that the New Change of Structure does not lessen from the in-principle agreement between the individuals of the "Ofer Group" with regard to the relations among them in connection with the holdings in the Bank, the control in the Bank and their management rights in it, which are on a 50/50 basis between the receivers of the control permit of the Yuli Ofer family (including the estate managers, whether temporary or permanent, until the distribution of the shares of Yuli Ofer, OBM) on the one hand (the "**Yuli Group**"), and the LYN Group on the other hand, and therefore the number of directors which will be recommended by the "Ofer Group" will be equally divided between the LYN Group and the Yuli Group. In addition, it was agreed that no resolutions will be adopted with respect to Ofer Group's holdings of the Bank's shares and/or control in the Bank and/or voting in general

² The said transfer of shares is in accordance with the share transfer agreements as of December 20, 2010, whose validity was stipulated upon receiving the approval of the Bank of Israel for the New Change of Structure.

³ The company's current letter is further to the letter of Ofer Investments to the Bank as of August 22, 2011, and the immediate report published by the bank on the same day (ref. no. 2011-01-248451).

meetings of the bank's shareholders, other than with the joint consent of the LYN Group and the Yuli Group. Additionally, the New Cooperation Agreement determines provisions regarding rights of refusal and participation in case of sale or acquisition of the Bank's shares.

In addition, the New Cooperation Agreement determines arrangements and provisions in connection with the decision making process in the Yuli Group regarding matters concerning the New Cooperation Agreement, including the appointment of directors in the Bank.

- 3.3. It shall be noted that Ofer Investments and a subsidiary thereof (which will continue to hold the Bank's shares which do not constitute a controlling block shares) undertook in the New Cooperation Agreement to act in accordance with the provisions of the control permit as shall be from time to time, insofar as shall be applicable for them, including exercising the voting rights in respect of the Bank's shares which are held thereby, only pursuant to the provisions in connection with the exercise of the voting rights in respect of the controlling block shares. In addition, the said companies undertook that insofar as their shares will be offered to the public in the future, their said undertaking will be reflected in the prospectus which will be published to the public.
- 3.4. The New Cooperation Agreement will be in force as long as the "Ofer Group" holds the controlling block in the Bank and/or as long as the cooperation agreement which was signed on October 6, 1994, between the "Ofer Group" and the Wertheim Group shall remain in force, whichever is later.

Sincerely,

[signature]

Ofer Investments Ltd.