

Mizrahi Tefahot Bank Ltd.'s Immediate Reports are published in Hebrew on the Israel Securities Authority and the Tel Aviv Stock Exchange websites.

The English version is prepared for convenience purposes only. The only binding version of the Immediate Reports is the Hebrew version.

In the event of any discrepancy or inconsistency between the Hebrew version and the translation to English, the Hebrew version shall prevail and supersede, for all purposes and in all respects.

MIZRAHI TEFAHOT BANK LTD

No. with the Registrar of Companies: 520000522

To	<u>Israel Securities Authority</u>	To	<u>Tel Aviv Stock Exchange Ltd</u>	T053 (Public)	Date of transmission: March 12, 2019
	www.isa.gov.il		www.tase.co.il		Ref: 2019-01-021565

Immediate Report of an Event or Matter which Deviates from the Corporation's Ordinary Course of Business

Regulation 36 of the Securities Regulations (Immediate and Periodic Reports), 5730-1970.

Issue results must be reported under T20 and not under this form.

Bond rating or corporation rating reports must be submitted through Form T125

Report on: A report whose submission was delayed

Nature of the Event: Agreement for the Conclusion of the DOJ Investigation

1. _____
Immediate_report_isa.pdf
2. Date and time at which the corporation first learned of the event:
Ⓞ March 12, 2019 at 20:00
Report delayed per Regulation 36(b):
3. If the report was delayed, the reason due to which its submission was delayed: _____
4. On _____ at _____ the report embargo was removed
5. The company is a shell company, as defined in the TASE Rules and Regulations.

The above report was signed by Ms. Racheli Friedman, Adv., Chief Legal Advisor and Mr. Moshe Lari Head of Financial Division

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

2018-01-073969 2018-01-107520 2018-01-082692

Securities of a Corporation Listed for Trading Form structure revision date: February 19, 2019
on the Tel Aviv Stock Exchange

Abbreviated Name: Mizrahi Tefahot

Address: 7 Jabotinsky Street, Ramat Gan, 52520 Tel:03-7559720 Fax:03-7559923

E-mail:
mangment@umtb.co.il

Company website:
<https://www.mizrahi-tefahot.co.il>

Previous name of the reporting entity: United Mizrahi Bank Ltd

Name of the person reporting electronically:
Maya Feller

Position:
Company
secretary

Name of Employing
Company:

Address: 7 Jabotinsky Street, Ramat Gan,
52520

Tel:
03-7559321

Fax:
03-7559148

E-mail:
management@umtb.co
.il

March 12, 2019

To
Israel Securities Authority

To
Tel Aviv Stock Exchange Ltd.

Re: DPA Agreement with the United States Department of Justice

Further to the statements in section 12 of Note 26 of the Mizrahi-Tefahot Bank Ltd.'s (the "**Bank**") annual financial statements as of 31.12.2017 (published on February 27, 2018; reference number 2018-01-019303), in the Bank's immediate report from August 7, 2018 (reference number 2018-01-073969), in section 4 of Note 10 of the Bank's financial statements as of 30.6.2018 (published on August 30, 2018; reference number 2018-01-082692) and in section 4 of Note 10 of the Bank's financial statements as of 30.9.2018 (published on November 13, 2018; reference number 2018-01-107520), with respect to the investigation of the United States Department of Justice relating to the Bank and its subsidiaries' business with their U.S. customers (hereafter: the "**Investigation**"), the Bank respectfully reports the following:

1. Today, March 12, 2019, the Bank entered with the United States Department of Justice (the "**DOJ**") into a Deferred Prosecution Agreement ("**DPA**" or the "**Agreement**") for the conclusion of the Investigation, which principal provisions are outlined below:
 - 1.1. The DPA relates to conducts regarding which the DOJ had conducted an investigation against the Bank and its subsidiaries, United Mizrahi Bank (Switzerland) Ltd. and Mizrahi Tefahot Trust Company Ltd (collectively: the "**Bank Group**").
 - 1.2. The Bank Group agreed to accept responsibility according to U.S. law (Respondent Superior doctrine), for the acts and omissions of certain former employees of the Bank Group – private bankers, relationship managers and other employees with similar levels of responsibility – who had acted in breach of its policy and procedures during the years 2002-2012; Acts and omissions (as described in an agreed Statement of Facts, which is attached as an exhibit to the DPA) the result of which U.S. customers were able to avoid their U.S tax obligations.
 - 1.3. The Bank Group shall pay to the U.S. Government a total amount of 195 million U.S. Dollars.
 - 1.4. The Agreement relates only to the entities which constitute the Bank Group and to the responsibility they accept for the acts of their employees, according only to the U.S. law, without determining or agreeing to liability of the Bank Group according to any laws other than the U.S. law; The agreement does not apply to individuals, including former or current employees of the Bank Group.
 - 1.5. The Bank agreed to take certain actions (the vast majority of which are already implemented) relating to the implementation of FATCA¹ mechanisms and to adequate compliance programs with respect thereto, including with regard to relevant affiliated companies.
 - 1.6. The Bank Group has committed to continue the full cooperation with the U.S. authorities with respect to its cross-border activity, to the extent required by such authorities, with regard to the subject matter of the Investigation. Additionally, the

¹ The U.S. Foreign Account Tax Compliance Act.

Bank Group's cooperation with the DOJ shall be done through periodical reports on certain banking activities taking place in the Bank's Los Angeles branch.

- 1.7. Pursuant to the DPA, a deferred indictment ("Information") against the Bank Group entities has been submitted to a U.S. court, with respect to the above conducts of the Bank Group employees. The indictment is deferred for a period of two years (the "**Deferral Period**"), such that if the Bank Group complies with the provisions of the Agreement, the indictment shall be dismissed at the end of such deferral period, without any conviction. In case of a material breach of the Agreement made knowingly by the Bank Group, the DOJ would be entitled, *inter alia*, to extend the Deferral Period, in order to remediate the breach, for a period of up to two years.
 - 1.8. The binding effect of the Agreement is subject to the approval of the U.S. court to which the deferred indictment is submitted.
2. Taking into consideration the reserve in the amount of USD 163 million included in the financial statements of September 30, 2018, a further reserve of USD 32 million shall be included in the Bank's financial statements as of December 31, 2018, such that the net profit for the quarter that ends on that date (and accordingly for the entire year) shall be consequentially reduced in an amount of about NIS 175 million, after also taking into account the Agreement's Israeli tax implications.
 3.
 - 3.1. It is the Bank's estimation that its capital ratios (Tier I capital ratio and total capital ratio) for December 31, 2018 are expected to be above the rates required by the Supervisor of Banks directives; The Tier I capital ratio is expected to be higher than 10%.
 - 3.2. In the board meeting of today, 12.3.2019, in which the engagement in the DPA was approved, and taking into account the effects of the agreement costs on the Bank's financial results, as stated above, the board has estimated that the Bank has the capacity to meet the outline for the five-year strategic plan for the years 2017-2021.
 - 3.3. The board has also estimated, that during the year 2019 the Bank would be able to resume the implementation of its dividend distribution policy, subject to the rules and requirements set forth in the strategic plan, including meeting the applicable requirements under law and under the Supervisor of Banks restrictions (for details regarding the strategic plan and the dividend policy see the Bank's immediate report dated 26.11.2016, reference number 2016-01-080628 and the immediate report dated 27.2.2018, reference number 2018-01-015753).

The information in this section 3 constitutes forward-looking information, as defined in the Securities Law, 1968, which is based on assumptions, facts and data underlying the strategic plan and elaborated therein, which may not materialize due to factors not entirely under the Bank's control, and may cause the strategic plan, including with regard to the dividend distribution policy, not to materialize.

Respectfully,
Mizrahi Tefahot Bank Ltd.

By:
Moshe Lari, Head of Financial Division
Racheli Friedman, Chief Legal Advisor