

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: August 5, 2018
	www.isa.gov.il		www.tase.co.il		Ref: 2018-01-072859

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: Addition to the Agreement with Union's Controlling Shareholders

1. 05082018_isa.pdf
2. Date and time at which the corporation first learned of the event:
 August 5, 2018 at 12:30.
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, CFO

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

2017-01-110619 2018-01-060643 2018-01-053347

Securities of a Corporation Listed for Trading on the Tel Aviv Stock Exchange	Form structure revision date: July 31, 2018
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: Feller Maya	Position: Bank Secretary	Name of Employing Company:
Address: 7 Jabotinsky Street, Ramat Gan, 52520	Tel: 03-7559720	Fax: 03-7559923
		E-mail: mangment@umtb.co.il

To:
Israel Securities Authority
Via MAGNA

To:
Tel-Aviv Stock Exchange Ltd
Via MAGNA

Dear Sir or Madam,

Re: Engagement in an Addition to the Agreement with Shareholders at Union Bank of Israel Ltd

Further to the previous immediate reports published by Mizrahi Tefahot Bank Ltd (hereinafter: “**the Bank**”), including the immediate reports dated November 28, 2017 (reference no.: 2017-01-110619) (hereinafter: “**the Original Report**”) and January 16, 2018; February 7, 2018; May 30, 2018; and June 25, 2018 (reference nos: 2018-01-005313, 2018-01-011076, 2018-01-053347 and 2018-01-060643, respectively), the contents thereof are included in this report by way of reference, regarding the Bank’s engagement in an agreement with the shareholders of Union Bank of Israel Ltd (hereinafter: “**Union**”), who together hold approx. 47.63% of Union’s issued and outstanding capital (hereinafter: “**the Original Agreement**” and “**the Sellers**”, respectively); and regarding the decision of acting Antitrust Commissioner to object to the transaction to purchase of the entirety of the shares of Union’s issued and outstanding capital by the Bank and accomplish the planned merger (as defined in the Original Report) (hereinafter: “**the Commissioner’s Decision**”), the Bank hereby announces that on August 5, 2018, the agreement’s parties have engaged via an addition to the agreement (hereinafter: “**the Addition**”).

The Original Agreement along with the Addition shall hereinafter be referred to in this immediate report as “**the Agreement**”.

The terms appearing in this immediate report shall bear the same meaning they were given in the Original Report, unless explicitly stated otherwise.

The contents of this immediate report are brought forth under the assumption that its reader also has the Original Report.

The Addition’s main instructions are summarized below:

1. Appeal over the Commissioner’s Decision: According to the Addition, instructions that will apply to the parties in connection with submitting an appeal over the Commissioner’s Decision (hereinafter: “**the Appeal**”) have been established, including that each party to the agreement, as well as Union, will submit an appeal on their behalf, before the end of the legal submission period.

2. Amendment of instructions in connection with the suspensory conditions established in the Original Agreement

- 2.1 According to the Addition, the “Extended Effective Date”, per its definition in Section 1.10 of the Original Report¹ has been extended and shall occur after 12 months will have passed from the date of the Addition’s signing (hereinafter: “**the Extended Effective Date**”); the Addition further establishes that should a court ruling rejecting the Appeal be given prior to the Extended Effective Date, or should no court ruling be given on the Appeal prior to the Extended Effective Date, for any reason, then the Agreement shall be void (unless the parties will have agreed, in writing, to postpone any of the dates), so that none of the parties, their employees, officers, managers, shareholders or affiliated companies shall have any commitments deriving from the Agreement and/or claims against the other parties to the Agreement.
- 2.2 According to the Addition, it was established that should a court ruling accepting the Appeal be given to the parties prior to the Extended Effective Date (hereinafter: “**Appeal Acceptance Date**”), then despite the instructions of the Original Agreement, the Bank will publish the purchase offer within sixty (60) days from the Appeal Acceptance Date (hereinafter: “**Purchase Offer Publication Date**”) based on the determining reports, as defined below, provided that the conditions that needed to be fulfilled until the Purchase Offer Publication Date have been fulfilled, in accordance with and subject to the instructions of the Original Agreement (as detailed in Section 1.8 of the Original Report), including the Bank’s right to waive the fulfillment of some of the above conditions. According to the Addition, the meaning of the terms “**Determining Reports**” and “**Date of the Determining Reports**” (respectively) with respect to the Bank or Union, as the case may be, shall be the annual or quarterly financial report for the period ending on the last day of the quarter prior to the Appeal Acceptance Date (even if these reports were not yet published on the Appeal Acceptance Date, but will be published during the 60-day period for the publication of the purchase offer), subject to insofar as that the Determining Reports will be the annual reports; and insofar as these will not be published during a 60-day period as aforesaid, then the final publication date of the purchase offer shall be postponed to the 14th business day after the publication of the Determining Reports), with the aforesaid date considered the “Purchase Offer Publication Date” for the purpose of the

¹ The date determined for the fulfillment of the conditions for the publication of the purchase offer, which were specified in Section 1.8 of the Original Report.

Addition (hereinafter: “**Determining Reports**” and “**Date of the Determining Reports**”, respectively)

- 2.3 According to the Addition, “the final date” (which is the date determined for the fulfillment of the conditions to accomplish the purchase offer), as specified in Section 1.9 of the Original Report, will occur at the end of sixty (60) days from the Purchase Offer Publication Date (hereinafter: “**the Final Date**”).
- 2.4 According to the Addition, in lieu of the aforesaid in the Original Agreement, as described in the third paragraph of Section 1.10 of the Original Report, it has been determined that if a court ruling rejecting the Appeal is given prior to the Extended Effective Date (per its definition above), or if no court ruling is given on the Appeal prior to the Extended Effective Date, or should any of the suspensory conditions for the publication of the purchase offer (detailed in Section 1.8 of the Original Report) not be fulfilled prior to the Purchase Offer Publication Date, or should any of the suspensory conditions for the accomplishment of the purchase offer and/or the alternative transaction offer (detailed in Section 1.9 of the Original Report) not be fulfilled prior to the Final Date (per its definition above), then the Agreement shall be void (unless the parties will have agreed, in writing, to postpone any of the dates), so that none of the parties, their employees, officers, managers, shareholders or affiliated companies shall have any commitments deriving from the Agreement and/or claims against the other parties to the Agreement. This instruction shall remain valid even after the Agreement is rendered void.
3. The consideration: According to the Addition, the formula for the calculation of the amount of Bank shares that will constitute the consideration shares, according to which the amount of the consideration shares was amended to reflect the ratio between a sum equal to 60% of Union’s total capital, according to the Determining Reports (per the term’s definition above), after deducting the sum of the permitted distribution (as detailed in Section 4 below), if and insofar as it may be distributed (insofar as it was not deducted from Union’s Determining Reports) and net of any additional sums upon which the parties may agree, including payments to Union employees per Section 1.8.4 of the Original Report; and between the average adjusted closing price of the Bank’s shares on the Tel-Aviv Stock Exchange Ltd, per one ILS 0.1 N.V. share of the Bank during the period of sixty (60) trading days beginning sixty (60) trading days prior to the Date of the Determining Reports (per the term’s definition above) and ending on the Date of the Determining Reports, after performing the adjustments established in the Original Agreement (as specified in Section 1.4 of the Original Report) and in the Addition,

including some adjustments deriving from dividend distribution at the Bank, the effective performance date of which is after the Date of the Determining Reports of the Bank (hereinafter: “**Adjusted Price of the Bank’s Share**”).

4. Union’s distribution cap: According to the Addition, it was established that until the date of the purchase offer’s accomplishment, no further distribution will be made at Union, beyond the “permitted distribution” (as defined in the Original Report), which is a distribution with a sum total which shall not exceed ILS 100 million. Likewise, it was clarified that any distribution by Union beyond the Permitted Distribution will constitute a material breach of the Agreement on behalf of the Sellers.
5. Mutual right of cancellation:
 - 5.1 The Bank’s right of cancellation: According to the Addition, the Bank has the right to cancel the Agreement insofar as the Bank’s Board of Directors may decide, prior to the Extended Effective Date, that an event, change or development has occurred, which would have a material adverse effect on Union’s status, or that Union has undertaken a commitment which would have a material adverse effect on Union’s status after the accomplishment date, in which case the Bank shall be entitled to notify the Sellers of its intent to cancel the Agreement unless the event that has caused the aforesaid change or development or commitment is corrected within 90 days from the delivery of the notice. Should the event that caused the aforesaid change or development or commitment be corrected before the end of the aforesaid 90-day period, then insofar as the date of such correction occur less than 60 days prior to the Appeal Acceptance Date, the Purchase Offer Publication Date (per its definition above) shall be postponed to a date that will occur 60 days after the date on which such correction took place. Should the event not be corrected as aforesaid, the Bank shall be entitled to cancel the Agreement via written notice to the Sellers. Without derogating from the generality of the aforesaid, after the publication of the Bank’s Determining Reports, the Bank shall be entitled to cancel the Agreement via written notice to the Sellers, insofar as the ratio between (a) the Adjusted Price of the Bank’s Share multiplied by the amount of shares in the issued capital listed for trading on the date of the Determining Reports, and (b) the Bank’s determining equity (per this term’s definition below) is less than 106%. It should be noted that if the “Determining Reports” were the reports dated March 31, 2018, and the “Date of the Determining Reports” was accordingly March 31, 2018, the aforesaid ratio would be approx. 1.092% (taking into account the distribution that took place at the Bank after March 31, 2018).
“**The Bank’s Determining Equity**” means the total capital attributed to the

Bank's shareholders, per the Bank's determining financial reports, excluding the sum of the distribution that shall be announced by the Bank after the Date of the Determining Reports, insofar as it will be announced prior to the accomplishment date, and to which Union's shareholders shall not be entitled. The

“**Accomplishment Date**” means the date on which the purchase offer and/or the alternative transaction shall be accomplished.

- 5.2 The Sellers' right of cancellation: Insofar as an event, change or development which would have a material adverse effect on the Bank's status has occurred prior to the Extended Effective Date, the Sellers shall together be entitled to notify the Bank in writing, via their representative, of their intent to cancel the Agreement unless the event that has caused the aforesaid change or development is corrected within 90 days from the delivery of the notice. Should the event that caused the aforesaid change or development be corrected before the end of the aforesaid 90-day period, then insofar as the date of such correction occur less than 60 days prior to the Appeal Acceptance Date, the Purchase Offer Publication Date (per its definition above) shall be postponed to a date that will occur 60 days after the date on which such correction took place. Should the event not be corrected as aforesaid, the Sellers shall together be entitled to bring about the cancellation of the Agreement by delivering a joint written notice via their representative to the Bank. Without derogating from the generality of the aforesaid, after the publication of the Bank's Determining Reports, the Sellers shall be entitled to cancel the Agreement by delivering a joint written notice via their representative to the Bank, insofar as the ratio between (a) the Adjusted Price of the Bank's Share multiplied by the amount of shares in the issued capital listed for trading on the date of the Determining Reports, and (b) the Bank's Determining Equity (per this term's definition above) is more than 124%.

According to the Addition, it was established that insofar as the Bank will have delivered a notice, as aforesaid above in Section 5.1, or the Sellers will have delivered a notice, as aforesaid above in Section 5.2, the Agreement shall be rendered void (subject to the passage of the relevant correction period, as the case may be), so that none of the parties, their employees, officers, managers, shareholders or affiliated companies shall have any commitments deriving from the Agreement and/or claims against the other parties to the Agreement, their employees, their advisors, their officers, their managers, their shareholders or affiliated companies.

6. According to the Addition, limitations that were placed upon the Sellers under the

Original Agreement, which concern behavior during the interim period, have been removed, including a limitation described in Section 1.13 of the Original Report per which the Sellers undertook to enact their means of control at Union during the interim period, in order to cause that Union would not take unusual steps that could have a materially adverse impact on Union's financial results and/or the transaction's worthiness and/or its value.

It was clarified in the Addition that the removal of the aforesaid limitation does not in any way derogate from the Bank's right to claim that any action contrary to the aforesaid removed section caused the occurrence of an event, change, development or undertaking of a commitment which establishes the Bank's right to cancel the Agreement, per the instructions of Section 5.1 above.

It should be noted that the Bank has received a notice from the trustee who holds Union shares on behalf of "the Other Shareholder", as defined in the Original Report (hereinafter: "**the Joining Notice**" and "**the Trustee**", respectively)², according to which the validity of the Joining Notice shall expire on the earlier of the dates mentioned therein, which include the date on which the Original Agreement (including its current and any future amendments, including as part of the Addition) shall be rendered null or void or on December 31, 2019. Likewise, the Trustee notified that no further changes shall be made to the rest of the Joining Notice's instructions, except for changes deriving from the Addition. For further details regarding the Joining Notice, see Section 1.14 of the Original Report.

Respectfully,

Mizrahi Tefahot Bank Ltd

By:

Racheli Friedman, Chief Legal Advisor

Moshe Lari, CFO

² As detailed in Section 1.14 of the Original Report, the Other Shareholder is Shlomo Eliahu Holding Ltd and Eliahu 1959 Ltd. To the best of the Bank's knowledge, the Other Shareholder holds approx. 27.12% of Union's issued and outstanding capital (via the Trustee). It should be noted that as detailed in reports by Union (which is a reporting corporation, per the term's definition in the Securities Law 5728-1968), these shares do not currently grant the Other Shareholder voting rights at Union.