

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>	T121 (Public)	Date of transmission: April 11, 2019
	www.isa.gov.il		www.tase.co.il		Ref: 2019-01-035857

Immediate Report

Explanation: This form may not be used if an appropriate form exists for the reported event.

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

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

Nature of the Event: Managers' Options for 2019

The reference numbers of previous documents on the subject: **2017-01-088584**

See attached file

Attached file *t121_11042019_isa.pdf*

The company *is not* a shell company, as defined in the TASE Rules and Regulations.

Date on which the corporation first learned of the event: *April 11, 2019 at 11:00.*

The above report was signed by Racheli Friedman, Adv., Chief Legal Advisor.

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

2017-01-088584 2017-01-103179 2017-01-101808

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

Mizrahi Tefahot Bank Ltd
(the “Bank”)

T 121

Re: **Approval for the Issue of Option Warrants to Employees for 2019, in Accordance with the Option Plans Included in the Outline Published by the Bank on August 31st, 2017**

1. **Background**

On August 31st, 2017, the Bank approved plans to issue option warrants to employees of the Bank and employees of the Bank’s subsidiaries (the “**Option Plans**”), in accordance with the outline of an offer to employees published by the Bank on August 31st, 2017 (reference no. 2017-01-088584), according to Article 15b(1)(a) of the Securities Law 5728-1968 (the “**Outline**”). Per the Outline, pools of option warrants intended for the allotment of option warrants in accordance with each of the Option Plans were approved, for each of the years from 2017 to 2019 (inclusive), as detailed in Section 2.1.1 of the Outline (the “**Pools**”). The decision on August 31st, 2017, established that only the option warrants that were to be granted for 2017, per the Option Plans, would be issued first, according to the Outline (the “**First Lot**”); and that in addition to the issue of the option warrants included in the First Lot, the Bank would be entitled to issue two additional option warrant lots, according to the Outline, for 2018 and 2019, per the Option Plans in the Outline.

Further to the above, on October 25th, 2017, the Bank issued the First Lot of the option warrants, for the year 2017, to Bank officers and to additional managers at the Bank and the Bank’s subsidiaries, as detailed in the reports published by the Bank on October 25th, 2017 and on October 31st, 2017 (the reference numbers of which are, respectively: 2017-01-101808 and 2017-01-103179).

It should be noted that the Bank had not resolved to issue option warrants for 2018, per the Outline; therefore, no option warrants were granted for this year to Bank officers and other Bank employees, as well as employees of the Bank’s subsidiaries.

2. **Approval of the Issue of Option Warrants to Employees For 2019, Per the Option Plans Included in the Outline**

2.1 2.1.1 Further to the Outline and further to the issue of the First Lot of option warrants under the Outline, as aforesaid, the Bank hereby announces that on April 11th, 2019, having received the approval of the Remuneration Committee and the recommendation of the Chief Executive Officer, the Bank’s Board of Directors approved the issue of an additional lot for 2019, per the Outline (the “**Second Lot**”), to Bank officers and other Bank employees, as well as employees of the Bank’s subsidiaries, as detailed below.

It is hereby clarified that the instructions and provisions established in the Outline shall apply to the option warrants included in the Second Lot, including the provisions of the Option Plans specified in the Outline.

2.1.2 The terms specified in this report shall bear the meaning determined for them in Section 1.1.2 of the Outline, unless explicitly stated otherwise; the mention of Section 1.1.2 of the Outline constitutes an inclusion by way of reference to the contents of Section 1.1.2 of the Outline.

2.2 The Amount of Option Warrants to be Included in the Second Lot of the Option Warrants

2.2.1 Up to 357,140 A Option Warrants shall be granted under Options Plan A to up to 7 officers at the Bank who are not gatekeepers;

2.2.2 Up to 159,145 B Option Warrants shall be granted under Options Plan B to up to 5 officers at the Bank who are gatekeepers;

2.2.3 Up to 263,975 C Option Warrants shall be granted under Options Plan C to up to 19 principal employees at the Bank and at the Bank's subsidiaries;

2.2.4 Up to 1,430,360 D Option Warrants shall be granted under Options Plan D to up to 98 Bank managers who are employed under personal contracts, as well as additional managers at the Bank and at the Bank's subsidiaries, who have been approved to be included in this group for the purposes of the Outline;

2.2.5 Up to 2,152,655 E Option Warrants shall be granted under Options Plan E to up to 267 Bank managers who are employed under collective agreements (including an employee who shall be appointed as manager close to the issue date).

It is hereby clarified that no option warrants will be granted under either of the Option Plans to the Bank's directors or to the Bank's Chief Executive Officer.

The issue of the option warrants to be included in the Second Lot is subject to the Tel Aviv Stock Exchange Ltd's approval of listing for trade the ordinary shares that will derive from the exercise of the option warrants to be included in the Second Lot, according to each of the Option Plans.

2.3 The Exercise Price

2.3.1 The exercise price for each of the option warrants to be included in the Second Lot is ILS 72.37 (subject to adjustments, as detailed in Section 2.20 of the Outline), plus CPI linkage differences from the CPI known on the date on which the Board of Directors approved the issue of the Second Lot of option warrants (as aforesaid in Section 2.1.1 above), and up to the CPI known on the exercise date of an option warrant included in the Second Lot, according to each of the Option Plans.

2.3.2 The exercise price of an option warrant, as aforesaid in Section 2.3.1 above, was determined as stated in Section 2.9.3 of the Outline, according to the

average of the closing rate of an ordinary share of the Bank on the TASE, during the thirty (30) trading days prior to the date on which the Board of Directors approved the issue of the Second Lot of option warrants (as aforesaid in Section 2.1.1 above).

2.4 **Dilution Figures**

2.4.1 Assuming issue and full exercise of all option warrants included in the Second Lot, as aforesaid in Section 2.2 above, and assuming issue of the possible maximum quantity of exercisable shares (i.e., the shares derived from the exercise of the aforesaid option warrants), the exercisable shares shall constitute approx. 0.63% of the Bank's issued capital and of the voting rights therein (immediately after the issue); and assuming full dilution, approx. 0.45% of the Bank's issued capital and of the voting rights therein. In this matter, "full dilution" – per its definition in Section 2.1.3 of the Outline; the mention of the definition of "full dilution" constitutes an inclusion by way of reference to the contents of this definition in Section 2.1.3 of the Outline.

2.4.2 In the matter of the dilution rates specified in Section 2.4.1 above, the following is hereby clarified:

a. The amount of option warrants which an offeree shall be entitled to exercise *de facto* according to the Outline's provisions shall be derived from the fulfilment of the prerequisites and the measures and provisions detailed in Chapter 2 of the Outline. Therefore, this amount may be lower than the maximum amount of option warrants that will be issued under the Outline and included in the Second Lot.

b. The dilution rates (as aforesaid in Section 2.4.1) were calculated under the assumption that all of the option warrants included in the Second Lot of option warrants will be exercised, and that the full amount of exercisable shares due to the option warrants shall not be issued to the offerees, but rather shares in an amount reflecting the grossed-up monetary bonus sum of the option warrants. The grossed-up monetary bonus sum of the option warrants included in the Second Lot shall be calculated according to the closing rate cap determined for the Second Lot in 2019 (as stated in Section 2.21.2a.(3) of the Outline).

In this matter, it should be noted that the dilution rates may be lower, since *de facto*, the offerees will be issued exercisable shares only in the amount reflecting the grossed-up monetary bonus sum of the option warrants to which they shall be entitled under the provisions of the Option Plans; this monetary bonus sum shall be calculated according to the closing rate on the TASE on the trading day preceding the exercise

date, or according to the closing rate cap determined for that lot (as stated in Section 2.21.2a.(3) of the Outline), whichever is lower, all as provided in Section 2.21.2 of the Outline.

- c. The dilution rates, as aforesaid in Section 2.4.1 above, were calculated based on the “Status of the Corporation’s Capital and Securities Registration and the Changes Therein” report published by the Bank on April 1st, 2019 (reference no. 2019-01-031504).

2.5 **The Fair Value of the Option Warrants**

2.5.1 The Bank is implementing ASC 718, “Share-Based Payment”. In accordance with the provisions of said standard, the Bank’s financial reports must state an expense by reason of issue of the option warrants pursuant to the Option Plans. The provisions of the standard cover, *inter alia*, the recording of expenses in respect of the grant of Option Warrants in the Bank’s financial reports, in accordance with their fair value on the date of the Option Warrants’ grant for accounting purposes pursuant to the provisions of the standard.

2.5.2 below are the figures of the average, fair value of each (single) option warrant included in the Second Lot, calculated based on the figures known on the date of the Board of Directors’ approval of the issue of the option warrants included in the Second Lot. This calculation is based on an economic opinion prepared by an external consultant and the assumption specified therein:

- a. An A option warrant included in the Second Lot – approx. ILS 11.76.
- b. A B option warrant included in the Second Lot – approx. ILS 11.75.
- c. A C option warrant included in the Second Lot – approx. ILS 11.82.
- d. A D or E option warrant included in the Second Lot – approx. ILS 13.42.

2.5.3 It should be noted that with respect to some of the A option warrants and B option warrants, the entitlement to which shall be determined according to the supervisor’s opinion index (as provided in Sections 2.12.1 and 2.12.8 of the Outline), the granting date for accounting purposes will take place on a date later than the day on which the Board of Directors approved the issue of the aforesaid option warrants;

Accordingly, for the purposes of financial reporting in the Bank’s financial reports, the value of A option warrants and B option warrants included in the Second Lot may be different (higher or lower) than the fair value presented in Section 2.5.2 above.

- 2.5.4 According to the accounting principles, the amount of option warrants the offerees will be entitled to exercise, as stated above in the Outline, will be re-examined on each report date, over the option warrants' vesting period, based on the information that exists at that time. The results of this review may lead to a change in the amount of expenditure which will be recorded in the Bank's financial reports due to the option warrants, but not to a change in the fair value of any single option warrant.
3. After the issue of the option warrants included in the second lot, per the outline, the Bank shall report it, as required by law.

Respectfully,
Mizrahi Tefahot Bank Ltd